

4th QUARTER FINANCIAL REPORT AS AT 30 JUNE 2023

5/18/1

EXCO: JULY 2023

REPORT OF THE CHAIRPERSON FOR THE PORTFOLIO COMMITTEE OF GOVERNANCE, ADMIN, BUDGET AND TREASURY

1. PURPOSE

The purpose of this report is to table the 4TH Quarter Financial Report as per Section 71, 52,72, and Section 66 of the MFMA.

2. LEGAL REQUIREMENTS

Municipal Finance Management Act 56 of 2003

3. BACKGROUND

In terms of section 52 of the Municipal Finance Management Act 56 of 2003(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".

In terms of Section 66 of the Municipal Finance Management Act 56 of 2003 (MFMA), "The Accounting Officer of a municipality must, in a format and for periods as may be prescribed, report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits and in a manner that discloses such expenditure per type of expenditure.

In terms of section 71 of the Municipal Finance Management Act 56 of 2003 (MFMA) "The Accounting Officer of a municipality must 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

In terms of section 72 of the Municipal Finance Management Act 56 of 2003(MFMA) "The accounting officer of a municipality must, by 25 January of each year:
(a) assess the performance of the municipality during the first half of the financial year, taking into account –

(i) The monthly statement referred to in section 71 for the first half of the financial year.

(b) Submit a report on such assessment to -

- (i) The Mayor of the Municipality
- (ii) The National Treasury and
- (iii) The relevant Provincial Treasury

The accounting officer must as part of the review-

- (a) Make recommendations as to whether an adjustment budget is necessary; and
- (b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

3.1 MUNICIPAL BUDGET AND REPORTING REGULATIONS

The Municipal Budget and Reporting Regulations (MBRR) are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and enhancing medium term planning and policy choices on service delivery.

The objective of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process, and other relevant matters as required by the Act.

3.2 FINANCIAL OVERVIEW

The YTD Budget statement summary shown in the table below is prepared on a similar basis to the prescribed budget format, detailing Operating Revenue, Expenditure and Capital Expenditure.

- The YTD actual revenue billed is above the YTD budget by 12 % and is at 88% of the YE Budget. The YTD operating expenditure is below the YTD budget by 13% and the actual is 87 % of the YE budget. The YTD expenditure of the capital budget reflects 59% variance against the YE budget as 30 June 2023.

Key Financial drivers

- Scaling down of the Economy in Lephalale as result of the completion of Medupi Project, short coming of Covid has resulted in the closing of shops, migration of people out of town and increasing Vacant houses.
- Impact of ongoing Load shedding and a hike in electricity charges has resulted in Consumers switching over to other sources of energy which includes solar and Gas.

- The impact of the above has resulted in the reduction on consumption of services , increased unemployment ,high debt book and low collection of revenue .
- The municipality has aligned the billing cycle to the pay date to improve on revenue collection. The Billing cycle period of the municipality is normally 30 and 31 days.
- The Service Provider for the Prepaid electricity Metering has been appointed effective from 1 December 2022.A kick off meeting was held on the 4th of December 2022 .The Municipality will gradually return to prepaid system starting from 1 February 2023.
- The move to Post-paid to Prepaid effective from 1 February 2023 will mitigate the burden of customer queries in relation to electricity billing. An audit will be performed on the historical consumption of customers prior migration to prepaid system to ensure accurate billing of customers.
- The Revenue enhancement Project on Progress the service Provide is currently busy with the AS IS situation analysis to identify the gaps in the revenue management system.
- Municipality has revised the implementation plan and is accelerating Projects to improve on capital spending.
- The revenue enhancement, cost containment and reduction of UIFW'S strategies are in progress.
- The municipality has opening balance of R304 Million of UIFWs in 2022/23 Financial Year. MPAC has finalised the investigation of the Historical UIFWs Part 3 & 4 amounting to R199 Million . MPAC will table a report to Council on the 24 January 2023.The balance of the UIFW will be investigated and finalised before the end of 2022/23 Financial year.
- Municipality is exploring the opportunity new revenue sources which Solar and Grey water to sustain the revenue collection. A tender has been advertised for the investment summit before the end of the Financial year

3.2.1 OPERATING REVENUE

Description	Budget Year 2022/23						
	Original Budget	Adjusted Budget	YearTD actual	YearTD budget	YTD variance	YTD variance	% YE Variance
<u>Revenue By Source R thousands</u>							
Property rates	112,987	112,987	105,762	112,987	(7,225)	-6%	94%
Service charges - electricity revenue	251,439	239,926	163,393	239,926	(76,533)	-32%	68%
Service charges - water revenue	69,974	64,974	53,766	64,974	(11,208)	-17%	83%
Service charges - sanitation revenue	25,851	25,851	23,728	25,851	(2,123)	-8%	92%
Service charges - refuse revenue	20,661	20,661	19,790	20,661	(870)	-4%	96%
Rental of facilities and equipment	329	329	154	329	(175)	-53%	47%
Interest earned - external investments	2,299	5,099	9,646	5,099	4,547	89%	189%
Interest earned - outstanding debtors	36,698	48,204	54,601	48,204	6,396	13%	113%
Fines, penalties and forfeits	727	727	3,072	727	2,345	322%	422%
Agency services	8,712	–	5,924	8,712	(2,788)	-32%	68%
Transfers and subsidies	207,993	207,993	207,064	207,993	(929)	0%	100%
Other revenue	4,001	4,001	3,686	4,001	(314)	-8%	92%
Total Revenue (excluding capital transfers and contributions)	741,670	730,751	650,587	739,463	(88,876)	-12%	88%

SUMMARY OPERATING REVENUE

Total revenue reflects the YTD actual variance of 2% against the YTD budget and 77% at YE.

The municipality has effected an increase of 4,8% other services charges except for electricity Charges of 7,4% as per Nersa and 30% of water consumption charge to incorporate the extraction of raw water from Mokolo Dam to comply with Water licence.

- Property rates:** The YE Actual vs Budget variance is 8% and 69 % at YE. The municipality is busy with the Transfer of property from Municipality to beneficiaries at Marapong.
- Electricity**
 A negative YTD Actual vs Budget variance of 29 % and 53% of the YE Budget is mainly due to the impact of mainly due loadshedding and the economic constraint affecting consumer affordability .
 Municipality will gradually switch over from post-paid Electricity to Prepaid electricity effective from end of April 2023 .The new Service Provider for Prepaid electricity has been appointed in December 2022.To date 4179 M2M Modems has been installed and can be read remotely which will improve billing accuracy.
 Consumers has also switched to complementary product like solar and gas due NERSA increases on electricity charges.

- **Water**

A negative YTD Actual vs Budget variance of 16% and 63% of the YE Budget mainly due to the reduction in consumption and increased water losses. The supply and delivery of water at the informal settlements to curb the spread of Covid 19 including the increasing pipe burst as a result of ageing infrastructure (asbestos pipes). This request downward budget adjustment. Municipality should introduce flat rate and Villages to sustain the sustainability of Services.

The Consultant has been appointed on the 26 October 2022 for the technical report and designs for the replacement of AC pipes and Upgrading of Water Network in Marapong

- **Sanitation** - A negative YTD Actual vs Budget variance of 8% and 69% of the YE Budget, is mainly due to the impact of Covid 19, as businesses have closed, and some consumers are unemployed has left town to go to villages.
- The impact of ageing infrastructure has resulted into ongoing spillages. The Consultant has been appointed on the 26 October 2022 for the technical report and designs for the refurbishment and Upgrading of Sewer Pump Stations, Network Pipes and Replacement of AC pipes in Town and Onverwacht
- **Refuse** - A negative YTD Actual vs Budget variance of 15% and 64% of the YE Budget, mainly due to the impact of Covid 19, as businesses have closed, and some consumers are unemployed has left town to go to villages. This request downward budget adjustment.
- **Rental of Equipment and facilities** – YTD Negative variance of 55 % and 34 % of the YE Budget mainly due to the current relaxation of Lockdown regulations resulting in the slowly recovery of the Economy, revenue was realised on the rental of Thusong Centre and Stadiums. This request downward budget adjustment
- **Investment revenue** – YTD budget variance mainly due low spending on Grant Funded Projects. The municipality has taken short term investments for the working capital and Grants received which has yield investment revenue.
- **Interest on outstanding debtors**- A positive variance of 11% and 83% of the YE Budget mainly due to high debt book. Municipality is review the debt book and item has been prepared to council for write- off of the deceased, inactive accounts, prescribed debts and trivial balances.
- **Fines and Penalties**
YTD budget variance mainly due mainly due more fines and penalties charged during Ester weekend.

- **Transfers and subsidies** – YTD actual are higher than budget due to the timing of the allocation of trenches from National Treasury (July, December & March). All tranches of Grants for the 3rd quarter have been received. The amount includes Equitable share.
- **Agency Fees** – YTD Positive variance of 7 % and 80% of the Year End budget is due to the correct allocation of agency fees for the Department of Roads and Transport. Funds are now allocated to this this I from Licence and payment to align to Mscoa reforms description .
- **Other Revenue** – YTD variance of 879% and 735 % of YE budget mainly due to the current relaxation of Lockdown regulations resulting in the slowly recovery of the Economy, revenue was realised on the rental of facilities and other sundry income.

3.2.2 OPERATING EXPENSES

Description	Budget Year 2022/23						
	Original Budget	Adjusted Budget	YearTD actual	YearTD budget	YTD variance	YTD variance	% YE Variance
Expenditure By Type							
Employee related costs	236,854	241,519	227,952	241,519	(13,567)	-6%	94%
Remuneration of councillors	12,921	13,798	14,370	13,798	572	4%	104%
Debt impairment	17,620	22,620	17,623	22,620	(4,998)	-22%	78%
Depreciation & asset impairment	97,155	92,155	78,155	92,155	(14,000)	-15%	85%
Finance charges	14,896	14,896	5,972	14,896	(8,923)	-60%	40%
Bulk purchases - electricity	146,424	144,424	135,491	144,424	(8,933)	-6%	94%
Inventory consumed	58,970	52,116	41,208	52,116	(10,908)	-21%	79%
Contracted services	70,909	67,878	50,838	67,878	(17,040)	-25%	75%
Transfers and subsidies	1,024	1,024	504	1,024	(520)	-51%	49%
Other expenditure	83,103	87,307	68,119	87,307	(19,188)	-22%	78%
Total Expenditure	739,876	737,737	640,232	737,737	(97,505)	-13%	87%

Employee Costs and Remuneration of Councillors

Employees related costs: The YE actual variance is 13% lower than the YTD budget and 65% of the YE Budget mainly due to delays in filling of vacant positions. Management has implemented strategy to filling on critical vacancies . YE Employee related cost constitutes 35% of Total YTD expenditure. Management must put mechanism in place to mitigate overtime.

The position for Executive managers Corporate services, Strategic Services and Social Services has been filled effective from December 2022 and MM position has been appointed effective from January 2023.

The remuneration of councillor's: YTD actual variance is 3% above the YTD Budget and 73% against the YE budget. This is due to the implementation of the

Upper limit Circular of Councillors. This requires upward adjustment of the budget. The are councillors who are fulltime.

Debt Impairment

YTD actual variance is 31% below then YTD Budget and 52% YE budget

The debt impairment is calculated according to the credit control and debt collection policy. The debt impairment is high debtors' book as result of low collection. Short comings of Covid and hard economic conditions has led job losses, migration from town, shop closing resulted into consumers not paying their debts on time. The provision has been made for the YTD actual .

Depreciation

YTD actual variance is 0% below then YTD Budget and 52 % against the YE budget

Depreciation is based on straight-line method over the useful life of the assets. Infrastructure assets account for most of the amount. The assets include movable assets i.e., office furniture, vehicles, equipment, and Immoveable assets includes Community Assets, Smart meters etc.

Asset management module has been implemented and Depreciation will be system generated. The correct unbundling of depreciation items is currently on progress will be finalised with YE budget adjustment .The asset verification in underway to be finalised by 30 June 2023 and an update processed in the EMS system.

Finance Charges:

YE actuals shows the variance of 55 % against the YTD budget and 34 % of the YE Budget .The Bulk of the re- payment is directed to repayment loans other than on interest on long term loan. The expenditure is mainly driven by the provision land fill site and the employee related cost mainly assessed and processed at Year End.

The Municipality has taken a loan from DBSA for the upgrade of the Civic Centre. The loan will be paid up in 2022/23 Financial year. Financial lease was entered with Exxaro for the purchase of the Zeeland Water treatment plant. The loan will be paid up in 15 Years and will be paid up in 2027,

Bulk purchases: Electricity

The negative YTD variance is 7 % against the YTD budget and 75% of the YE Budget The under expenditure is mainly due the reduction in consumption . Municipality has currently installed the check metres to verify the Electricity

consumption from Eskom. The municipality is currently reviewing Eskom billing to assess the impact of Loading

Inventory Consumed

YTD actuals shows the variance of 31% which is lower than the YTD budget and 33 % of the YE budget.

Inventory consumed has included the payment for the abstraction of Raw Water from Mokolo Dam. Bulk water and has been accounted for in line with treasury guidelines. The expenditure is mainly affected by the supply of free water to meet the basic service needs for Rural Communities and Informal settlements. Less material has been drawn from the stores than expected.

Transfer and subsidies

YE actuals shows the variance of 24% which is lower than the YE budget and 38% of the YE budget. Mainly due to late submission of the financial statements by the Beneficiaries for social responsibility.

Contracted Services

YTD actuals shows the variance of 41 % and 29% of YE Budget. This expenditure relates to EAP and medical Services due to the lower COVID cases, Investigation of UIFW's which is in progress. The service Provider for Prepaid Electricity metering has been appointed in December 2022 and has started with installation of Prepaid metering system and the 1st roll out phase will be the beginning of February 2023. Over expenditure on Valuer expenses and Debt collection is mainly due to requirement by Government to value the government properties, and acceleration of debt Collection and full implementation credit control and debt collection policy.

DESCRIPTION	2022/23	YTD Actual	YTD Variance	YTD % Variance	Remarks
Consultants and Professional Services	ADJ	Q4	Q4	Q4	
Accounting and auditing Services	3,746,207	2,991,165	755,042	80%	
Forensic Investigation	2,520,468	2,169,901	350,568	86%	
Internal audit Outsourcing and audit Committee	916,371	376,843	539,528	41%	
Risk Management outsourcing	159,823	35,200	124,623	22%	
Valuer	1,502,256	970,560	531,696	65%	
EAP and Medical Services	210,883	108,430	102,453	51%	
Legal Services	4,122,506	4,863,247	- 740,741	118%	
Services	14,778,514	11,515,345	1,663,169	78%	
Maintenance services -Sanitation	8,251,495	4,230,153	4,021,342	51%	Most maintenance is performed in house
Maintenance services -Water	3,016,991	1,742,475	1,274,516	58%	
Maintenance services -Electricity	1,657,262	600,959	1,056,303	36%	
Maintenance services -Waste	661,010	530,702	130,308	80%	
Maintenance services -Roads Buildings & Storm water	1,785,000	324,484	1,460,516	18%	
Maintenance services -Road Maintenance	1,272,039	809,183	462,856	64%	
Maintenance services -Vehicles	3,550,681	1,793,662	1,757,019	51%	
Total Repairs and maintenance	20,194,478	10,031,618	10,162,860	50%	
Prepaid vendors	14,074,258.00	13,939,244.00	135,014	99%	
Security	13,063,261.00	11,895,479.01	1,167,782	91%	
Hygiene services	566,799	676,826	- 110,027	119%	
Water Meter reading	633,049.00	392,748.50	240,301	62%	
Collection Cost	4,500,000.00	5,153,862.85	- 653,863	115%	
Total Outsourced Services	32,837,367	32,058,161	779,206	98%	
TOTAL	67,810,359	53,605,124	14,205,235	79%	

Other Expenditure: The YTD variance is 22 and 42 % at YE, due less travelling and other cost containment strategies

4. CAPITAL EXPENDITURE

The total capital expenditure is 15% of the budget including the roll overs . The amount spent is R32 million against the budget of R210 million which include 67 million for schedule 6b for water Project

CAPEX Expenditure 2022/23

TOTAL CAPEX 2022/23	2022/23	ADJ 2022/23	YE ACTUAL MARCH 2023	YE ACTUAL VARIANCE	% VARIANCE
MIG	56,612,400	48,197,400	28,078,970	20,118,430	58%
WSIG	67,160,000	17,781,876	17,781,876	-	100%
INEP	20,000,000	10,200,000	10,200,000	-	100%
ELECTRICITY EFFICEINCY	4,000,000	4,000,000	4,000,000	-	100%
OWN FUNDING	34,775,000	33,255,000	8,032,602	25,222,398	24%
TOTAL	182,547,400	113,434,276	68,093,449	45,340,827	60%

TOTAL CAPEX 2022/23 ROLL OVER	2022/23	ADJ 2022/23	YE ACTUAL MARCH 2023	YE ACTUAL VARIANCE	% VARIANCE
DOE	804,410	804,410	800,000	800	99%
OWN FUNDING	25,057,680	17,564,173	8,844,426	8,719,747	50%
GRANT TOTAL	25,862,090	18,368,584	9,644,426	8,720,547	53%
GRANT TOTAL	208,409,490	131,802,860	77,737,875	54,061,375	59%

MIG

Ga-Seleka and Witpoort RWS phase 5.

The project is under resuscitation. The contractor was supposed to be back to site in November 2022 and has indicated that the allocated amount is insufficient to complete the works due to the increase on steel Price. The revised technical report and costing has been forwarded DWS for approval of additional funds. The planned completion date is 30 June 2024.

Thabo Mbeki Sewer Network Sanitation Phase 1.

Physical progress is 94%.The outstanding activities is installation of the geomembrane, testing and commissioning. The completion date could not be achieved due to the delay in delivery of material and manufacturing of the Geomembrane for lining of the sewage pond. The municipality has since imposed a subcontractor to complete phase 1 of the project and the subcontractor has commenced with the works on site.

Thabo Mbeki Sewer Network Sanitation PHASE 2.

The contractor is unable to complete all activities from the scope of work due to delays in competition of Phase 1 of the project. The remaining balance of R 5 307 488,06 on the project could not be spent as a result of delays encountered on the Phase1 of the project.

Ga-Seleka and Witpoort RWS Phase 4

The contractor has completed all the works and the outstanding work is electrification of the boreholes by Eskom. The remaining balance of R 135 794,16 which is for the close report which need to be submitted by Engineer once the borehole are electrified . The municipality has received and paid invoices from Eskom and are currently waiting for Eskom to energize.

Witpoort and GA Seleka RWS Phase 5

The project was on litigation as the contractor was demanding payment of the retention for some of the completed works, but the Municipality could not release the retention money because the scope of work that the contractor has been appointed for is not yet complete. The Municipality and the appointed contractor have since managed to resolve matter amicably.

The Municipality allocated R 4 289 733,97 on the R 2022/23 financial year implementation plan, but could not proceed with the project until additional funds are approved by CoGHSTA. The contractor has submitted a revised costing for the works and the engineer has reviewed the costing and revised a technical report which requests additional funds. Request for additional funds amounting to R4Million has already been recommended for approval by DWS and awaiting approval by CoGHSTA.

Extension and Augmentation of water supply in Witpoort RWS 6

The project entails borehole repairs, installation of reticulation network, package plant, stand taps, construction of new reservoir, repairing existing reservoir.

Moratorium issued by National Treasury(Afri Forum & Minister of Finance case) whereby no new tenders were to be advertised resulted in delays of implementation of the project. The municipality only managed to appoint the consultant on the 1st September 2022, and the designs toward end November 2022 and the tender for appointment of the contractor was only advertised on the 20th November 2022 and appointment in January 2023

WSIG

Refurbishment and Upgrading of Sewer Pump Stations, Network Pipes and Replacement of AC pipes in Town and Onverwacht

The Consultant has been appointed on the 26 October 2022 for the technical report and designs. DWS has appointed the Municipality as IA for the implementation of the project. Construction to start financial in 2023/24.

Replacement of AC pipes and Upgrading of Water Network in Marapong

The Consultant has been appointed on the 26 October 2022 for the technical report and designs. Project. DWS has appointed the Municipality as IA for the implementation of the project. The designs to be completed end March 2023. Construction to start financial in 2023/24.

Marapong Bulk Water Supply Pipeline

The project is at 74% physical progress. Underperformance of the appointed contractor. Delays caused by rain and fatal incident on the project. The Municipality is considering Termination and service Provider is currently under penalties.

Marapong Bulk Water Supply Storage

The contractor appointed on 16 November 2022. The department has requested a technical report prior appointment of the Municipality as a Project agent .contractor. Project planned for completion end June 2023.

Mokuruanyane RWS Bulk Pipeline phase 1 and 2

The project is completed.

Electrification Project

The project is under construction is a multi-year project.

Energy Efficiency- The Project has been completed.

Own Funding Projects – are on various stages of procurement. Purchase of assets will be done through RT Projects.

Some of the Projects has been awarded.

Security assessment of all strategic assets and implement appropriate security measures to protect the assets, Development of ICT strategy, Palisade Fencing for Onverwacht cemetery, Anti-fraud and corruption hotline, Indigent management system and under construction and implementation stage.

ROLLOVER PROJECTS

	2022/23	ADJ 2022/23	YE ACTUAL MARCH 2023	YE ACTUAL VARIANCE	% VARIANCE
TOTAL CAPEX 2022/23 ROLL OVER					
DOE	804,410	804,410	800,000	800	99%
OWN FUNDING	25,057,680	17,564,173	8,844,426	8,719,747	50%
GRANT TOTAL	25,862,090	18,368,584	9,644,426	8,720,547	53%
GRANT TOTAL	208,409,490	131,802,860	77,737,875	54,061,375	59%

WSIG – No rollover and it was schedule 6b.

MIG – Relates to Thabo Mbeki Sewer Network Sanitation Phase 1 is on progress and Ga-Seleka and Witpoort RWS Phase 4&5. The Roll over was not approved.

The expenditure will be covered under the current year MIG allocation.

INEP

The approved rollover will be utilised to address the backlog and various villages since Eskom since Eskom has no installation capacity at Marapong.

Own Funding

Steve Biko Water Supply contract has been completed

Construction of Strong Room and security upgrade at Workshop and Civic Centre, are near completion. Outstanding work is installation of Lights and lift.

Construction Matnek bridge is completed.

Highmast Light Phahladira – Is at construction stage to be completed in December 2023 .

Mmaletswai and Seleka 4 Refurbishment of water network System are on progress and is only awaiting Electrification from Eskom. Payment made to Eskom awaiting Eskom to energise.

Municipality has initiated weekly project progress meetings to service delivery and project progress. Purchase of the Service delivery Equipment is done for RT Contract to fast track spending

CASH FLOW

The Municipality has the positive cash balance of R91 million including the unspent conditional grants. Strategic decisions/resolutions to improve the cash Flow position to be implemented effectively.

GRANT SPENDING

DESCRIPTION	DORA ALLOCATION	GRANTS RECEIVED	TOTAL EXPENDITURE	% SPENT OF ALLOC RECEIVED	% SPENT OF DORA
FMG (FINANCIAL MANAGEMENT GRANT)	1,650,000	1,650,000	1,650,000	100%	100%
INEG(INTERGRATED NATIONAL ELECTRIFICATION GRANT)	20,000,000	11,004,410	10,766,667	98%	54%
DWA (WSIG)	67,160,000	13,877,949	12,931,300	93%	19%
MIG	59,592,000	51,177,000	29,400,282	57%	49%
EPWP	1,292,000	1,292,000	1,292,000	100%	100%
ELECTRICITY EFFICIENCY	4,000,000	4,000,000	4,000,000	100%	100%
	153,694,000	83,001,359	60,040,248	72%	39%

Underspending Grant mainly due delays as are result of the case between the Minister of Finance and AGRI Forum, Underperformance of the contractor and delays on approval of designs and electrification by Eskom.

Corrective Action : Acceleration projection, Redirect fund of electrification to villages and letters issued to Eskom

Revenue Management

The Municipality generates its operating revenue from property rates and service charges and in return the consumers are expected to pay for the services rendered to them by the municipality.

The collection rates are as follows:

- The YE collection rate as of 31 March is 76 %.
- The collection rate as prescribed by National Treasury is 95%.

The Municipality generates its operating revenue from property rates and service charges and in return the consumers are expected to pay for the services rendered to them by the municipality. The revenue Enhancement strategy and Cost Containment Strategies has been developed and approved by Council to improve the financial sustainability of the Municipality. Effective implementation of Credit Control and Debt collection form's integral part on the efficiency of the Process.

Collection rate for Quarter 1 to Quarter 4 of the Financial year 2022/2023

The average collection rate for the first quarter is 76% against the National Treasury Target of 95%.

The total amount billed for the year is R 479 846 236.58 vs the actual collected amount of R 363 154 908.58. The variance mainly resulted from the following.

- The conversion of prepaid electricity metering to post-paid – not all clients pay their electricity as compared to when they were on prepaid.
- The residents are reluctant to pay their bills citing dissatisfaction on their billing, especially electricity since the move to Post-paid and manual readings.
- The overall negative economic conditions resulting from increasing commodity prices affecting the consumer affordability.
- Rolling Electricity blackout has led to consumer switching over to solar and other complementary sources of Energy.

The following are the measures put in place to improve revenue collection:

- Municipality has appointed Livewire Engineering (Pty) Ltd in November 2022 to run prepaid vending management. The Municipality is currently accelerating the process to get all consumers to register for prepaid, and as at 30 June 2023 there were 969 consumers on prepaid electricity with an amount of R 1 576 945.44 having been collected on prepaid sales.
- Livewire has replaced 509 old electricity meters and fitted 4 799 electricity meters with modems to enable them for prepaid metering.
- Municipality is exploring the option of remote water metering reading system. and is applying funding to install prepaid water and electricity metering system. A business to implement flat rate at the villages effective from 2023/24 Financial year to curb the cost of increasing cost of supply services as the village. This will be implemented as social income.
- The municipality is procuring a credit control system to Fastrack the collection of debt below 90% days.
- The debt collector has been appointed to collect debts over 90 days, monthly meeting schedule on monthly basis to Fastrack debt collection.
- The supplementary valuation roll has been for 181 Properties to improve on revenue collection and a public notice has been issued once completed the value of the properties will be changed to improve revenue.
- The indigent management system has been procured to improve credibility of debt book. The 1831 applicant were received and verified to date, and 455 applications were approved. An item is brought to council to write-off approved indigents.
- The project for the replacement of standing meters to improve revenue.
- The standard operating procedure has been reviewed to improve efficiency and full implementation of credit control. The cut of date within 44 days

- The billing cycle has been revised to align to the pay dates of the consumers.

Revenue billed vs Collected

SERVICE TYPE	AMOUNT BILLED	AMOUNT COLLECTED	COLLECTION RATE
Rates	120 596 793.20	95 268 059.53	79%
Electricity	212 223 640.75	176 761 707.27	84%
Water	82 789 695.94	57 033 029.72	69%
Sewerage	34 091 818.56	21 710 039.11	64%
Refuse	30 144 288.13	12 382 072.95	41%
Total	R 479 846 236.58	R 363 154 908.58	76%

The Municipality uses preferential allocation method on payments received for rates and service charges. The first preference is allocated to rates, followed by sewerage, refuse, water and electricity. Electricity allocation rate is higher than those of the other service charges as it is controllable via disconnection on non-payment. The collection rate of other service types is comparatively low as they fall in the accounts of consumers who reside in farms, Marapong, Thabo Mbeki and vacant stands that do not pay their accounts regularly.

The differences in the collection rate percentages is because some of the consumers in Marapong Township for example, are on Eskom's prepaid electricity and do not pay the municipality for water, refuse removal and sanitation services. Municipality intends to engage Eskom to enter a Memorandum of Understanding (MOU) for Eskom to suspend purchase of electricity for account holders who defaulted on rates and taxes payment of the municipality.

The Municipality is also providing refuse removal and water services to informal settlements and rural areas to comply with national legislation. The Municipality is however, not billing these services. Consumer awareness notices has been issued to encourage residents to pay for the services. The municipality will explore the option to introduce flat rate enable the municipality to sustain services provided to the villages.

The municipality is in the process of replacing the malfunctioning metres which are resulting in water losses. The service provider has been appointed for the supply, delivery and offloading of domestic and bulk water meters on as and when required for a period of three (3) years.

Furthermore, all new applications for electricity are switched to prepaid electricity on connection, and conventional electricity clients who are disconnected due to non-payment are forced to switch to prepaid after they have made payment and payment arrangements.

The municipality to strengthen controls on the credit control and debt collection value chain to improve efficiency.

5. FINANCIAL ANALYSIS – PERFORMANCE

The Municipality's financial position by end of June 2023 had a positive net asset to the value R1,361 billion. The assets comprise mainly of Property, Plant and Equipment: R1,436 Current Assets: R 424m.

Current Ratio – 1.97 : 1

The current ratio is within the norm which means the municipality is capable to cover short-term liabilities more 2 times with its current assets. The ratio improved due to the debt settlement agreement signed with the DWS to convert debt to Long-term.

Cash/Cost Coverage ratio 2,68:3

The ratio indicates the municipality's ability to meet its monthly fixed operating commitments from cash and short-term investments 3 Months, i.e. for how many months cash is available to cover the fixed monthly commitments. Percentage Cost coverage (R-value all cash at a particular time plus R-value investments, divided by R-value monthly fixed operating expenditure) YTD.

Employee related Costs as a percentage of Total operating Expenditure

Employee related cost is sitting at 37% which is at peak as opposed to 25 – 40%. This may indicate inefficiencies and overstaffing Overtime constitutes 5,7 % of the salary bill. The Municipality must implement the shift system and conduct skills audit to improve operational efficiency.

Actual Borrowings

The total outstanding borrowings as of June 2023 is R127 Million which includes Outstanding Financial lease for Zeeland R45 Million and DWS long term debt R 82 million. DBSA loan has been paid up. The loan repayment for Zeeland is paid monthly and the interest on the loan 14,% per annum based on the weighted average capital of EXXARO.

6. DEBTORS REPORT

7.1 METER READING CYCLE AND DATE OF THE ACCOUNT

The meter reading cycle run from the 25th of the current month till the 5th of the following month. Accounts are sent electronically on the same day billing is completed. Within 14 days accounts are sent Electronically to the consumers. Invoices for Institution accounts are prepared within 3 days after billing. Awareness campaigns are done on the website and Newspapers for consumers to pay their accounts regularly. As when and when required notices are sent to consumers via Local Newspapers. Accounts are payable immediately on receipt of the account with a final payment date month end. Interest is charged on debt over 30 days and older. Accounts statements are forwarded to clients monthly after Billing.

The Municipality has changed the billing dates from the usual date of month end to around the 26th of every month effective from September 2021 billing. The move is intended to assist the Municipality to report the quarterly reports timeously and ensure that all customers with their different salary / payment dates are catered for when billing in line the consumer pay dates

The change of dates is the ideal least cost option to benefit both the municipality and consumers as it gives preference to municipal account payments to boost and accelerate revenue collection and also reduces the burden of interest on taxpayers by accommodation salary dates categories for the 15th ,25th and 30^T. This also address the prevailing negative economic conditions as payment will be due when the account holders have got money to pay services. The account holders will prioritise the payment of municipal account when they run their month end.

The change will bring the following impact:

ACTIVITY	OLD DATES	APPROVED DATES
METER READING	25TH TO 5TH	15 TH TO 22 ND OF THE SAME MONTH
RECEIVING OF FILE	15TH OF THE MONTH	10TH OF THE MONTH
BILLING DATE	1 ST OF THE MONTH	26TH OF THE MONTH
STATEMENT DUE DATE	30 TH OF EVERY MONTH	25th OF THE MONTH
EMAILING OF STATEMENTS	1 ST OF THE MONTH	26th OF THE MONTH
POSTING OF ACCOUNTS	WITHIN 7 DAYS AFTER BILLING	WITHIN 7 DAYS AFTER BILLING
SERVICE DISCONNECTION DATE	20TH OF THE MONTH	10- 12 TH OF THE SAME MONTH

The interest is charged at 18% per annum on outstanding balance

7.2 DEBTORS AGE ANALYSIS

Debtors by Income Source

Total Per Service Type	Total Balance	Current Amount	30 Days Amount	60 Days Amount	90 Days Amount	Over 90 Days
Advance Payment	- 26 283 926.57	- 27 217 920.02	-	-	640 857.11	293 136.34
Property Rates	174 236 535.50	10 236 621.80	7 479 578.09	5 944 197.06	6 032 364.98	144 543 773.57
Sanitation	72 618 291.55	2 683 254.06	2 103 955.48	1 901 400.66	2 092 352.66	63 837 328.69
Waste Disposal	85 047 660.67	4 163 755.36	2 067 385.87	1 841 014.38	1 897 185.79	75 078 319.27
Electricity	112 781 646.16	14 554 822.00	7 796 823.95	6 170 753.38	5 965 339.27	78 293 907.56
Water	147 256 614.78	6 295 358.30	5 297 908.44	3 917 294.13	3 888 482.95	127 857 570.96
Total	565 656 822.09	10 715 891.50	24 745 651.83	19 774 659.61	20 516 582.76	489 904 036.39

Debtors by Customer Category

Totals per Property Use	Total Balance	Current Amount	30 Days Amount	60 Days Amount	90 Days Amount	Over 90 days
Business	20 598 028.67	2 409 529.17	1 818 636.21	1 235 292.40	1 331 035.50	13 803 535.39
Farm	65 667 105.09	1 138 544.41	2 688 661.70	1 619 185.67	1 976 778.38	58 243 934.93
Government	6 726 718.64	867 957.54	1 004 412.27	653 109.99	682 457.03	3 518 781.81
Residential	472 664 969.69	6 299 860.38	19 233 941.65	16 267 071.55	16 526 311.85	414 337 784.26
Total	565 656 822.09	10 715 891.50	24 745 651.83	19 774 659.61	20 516 582.76	489 904 036.39

The current debtors balance is R 565 million of which R 490 million is for accounts that are older than 90 days and has been handed to the debt collectors. Internal credit control strategies are in place and cut offs are performed on monthly basis to ensure that all outstanding debts on accounts within 30 – 60 days are collected on time.

The cleansing of the debt book is in progress to improve the debt collection ratio.

7.3 GOVERNMENT DEBTS

Name of Department	Current Account	30 Days Arrears	60 Days Arrears	90 Days Arrears	120+ Days Arrears	Total Amount Due
Dept Social Development	3 014.49	75 705.10	2 194.97	1 763.94	10 240.74	92 919.24
Dept Public Works Provincial	24 852.01	470 858.85	279 517.13	308 869.10	1 351 944.83	2 436 041.92
Department of Education	36 867.37	120 838.86	117 294.58	117 050.26	424 875.48	816 926.55
Dept Public Works National	46 390.97	220 364.27	270 698.48	91 294.64	97 533.04	726 281.40
Dept Health	389 541.36	18 936.26	18 705.06	18 473.84	241 629.31	687 285.83
Dept Rural Development	355 991.32	94 937.36	94 346.70	93 756.04	1 129 466.47	1 768 497.89
Dept of Agriculture	4 496.47	2 771.57	2 297.29	2 290.26	180 106.67	191 962.26
Dept of Transport	6 803.55	-	-	-	-	6 803.55
Total	867 957.54	1 004 412.27	785 054.21	633 498.08	3 435 796.54	6 726 718.64

The amount owed by Government Department is R 6,7 M

The Government debt as at 30 June 2023 is sitting at R 6.7 million, and payments amounting to R 2 161 201.89 was received during Quarter 4. The outstanding debts are followed up with government on monthly basis. Letters were issued to departments to request payments for debts over 30 days.

Department of education requested a list of all school that owes Council. They indicated that there was a recent allocation of grants made to schools and they further requested a statement so that they can expediate with the schools.

Department of Rural development, Officials of department has completed verification and has issued the asset Register to the municipality on request for the pending invoices. Payments will be made in the 4th Quarter.

Invoices for Government Institution accounts are prepared and forwarded within 3 days after billing is done. Credit control department is expediting the account on weekly basis. A standing meeting is scheduled on the 3rd working day to accelerate debt collection and to encourage Government Department to honour Commitments. Where there are challenges, Government debts are forwarded to COGHTA to assist Municipality with Debt collection. Credit control department is expediting the account on weekly basis in line their disbursement timelines. To date all the departments are paying on monthly basis the challenge remains Public Works ,they are busy with the asset verification as some of the properties are not on their asset register. The Revenue Department is busy verifying ownership the Properties with the deeds Officer. Department of Health exhausted budget and has escalated the matter to senior management for corrective action.

7.4 DEBT COLLECTORS PROGRESS

Summary of Collections

Billing Month	Collected Amount
July 2022	R 3 475 078.48
August 2022	R 3 358 798.56
September 2022	R 2 740 442.01
October 2022	R 6 591 038.00
November 2022	R 5 230 395.44
December 2022	R 3 454 363.47
January 2023	R 3 692 953.24
February 2023	R 4 074 143.20
March 2023	R 2 946 594.73
April 2023	R 6 086 477.85
May 2023	R 4 185 365.10
Total	R 45 835 650.08

The debt collector (NICS) has during the period July 2022 to May 2023 collected the amount of R 45 835 650,10

Low collection rate is still concerning the following initiatives are in place to improve the collection rate

- Monthly Revenue enhancement meetings are held with debt collector and all stakeholders to review debt collection performance, share all challenges and strategies to improve the collection rate.
- The standard operating procedure has been reviewed to improve efficiency and full implementation of credit control cut off date within 44 Days.
- Appointment of Customer care unit Clerk on completed to Improve of customer care and timeous resolving of customer queries.
- Indigent registration is on progress
- Data Cleaning has been embedded in daily operations.
- Strengthening and improving working relationship between municipality and debt collector with the common goal of improving revenue collection.
- Monitoring and evaluation of performance at taking corrective action for continuous improvement.
- The Municipality has appointed New Integrated Credit Solutions (NICS) to collect on long outstanding debts (debts over 90 days).
- Municipality appointed Livewire Engineering (Pty) Ltd in November 2022 to run prepaid vending management. It is expected that the first batch of clients to be switched to prepaid will be during February 2023.
- The Revenue Enhancement project is InProgress to assist Municipality with strategies to improve revenue collection.

7.5 DATA CLEANSING

Data Cleansing

The municipality is currently busy with the data cleansing project. This process investigates all the accounts that are inactive and closed by the municipality. The municipality is reviewing the credit control and debt collection value chain to improve efficiency.

- **Deceased Accounts** - Confirmation has been received from the Home Affairs and the debt collector. The process flow to deal with write off of the deceased has been discussed with the debt collector in the meeting held on the 28 June 2021 in order to close all the loopholes and cover all aspect necessary to optimise the process of write- off of the deceased for continues improvement.

A further follow-up is made with the debt collector to see if the amount can be collected from deceased estate, and if there is an Executor nominated to administer the account in order to collect outstanding debt. Management has taken the decision to write off all the debts till the date the deceased passed on and further investigation is conducted on the balance of the deceased account which includes registration of the beneficiaries to the account.

Prescribed debts

The current debt book includes the debts that more than three years and has prescribed. Prescription of debts occurs when the debt is over 3 years, and such debtors are untraceable even after been handed over to the debt collector. With the assistance of the debt collector the prescribed debt will be identified, extracted and presented to council for write off once all the process has been followed.

7.6 INDIGENTS HOUSEHOLDS

Indigent Accounts - No one should be denied access to basic services because of their inability to pay, households with combined income of less than R4 000 qualify to apply for indigent status. In return treasury is giving Equitable shares.

The Municipality has embarked on indigent registration process during 2021/2022. About 1847 00 application has received and currently a service Provider has been appointed to verification for the application prior to submission of the qualified indigent to Council for approval.

The indigent management system has been procured to improve credibility of debt book. The 1831 applicant were received and verified to date, and 455 applications were approved. An item is brought to council to write-off approved indigents

Currently municipality has 500 active indigents and the total indigent benefits provided to current indigents for water and electricity in Quarter 1 & 2 amounted to R 105 129.03 and R 620 053.73 respectively.

The total indigent benefits provided to current indigents for water and electricity in Quarter 3 amounted to R 228 576.14 and R 628 182.55 respectively. The indigent management system has been procured to improve credibility of debt book.

8 STRATEGIES TO ENHANCEMENT REVENUE

- The municipality is part of the support Programme for DBSA, a Tender for revenue enhancement Project has been advertised on the 16/11/2021, closing date is the 30/11/2021.
- DBSA provide capacity support on revenue enhancement and to exploit long financial sustainability strategies
- Implementation of sub system that to enhance collection of revenue through the internal credit Control Office.
- Revision of the billing cycle and Standard operating procedure to improve efficiency.
- Application of water restriction at Marapong.

- Consumer awareness about cut of dates for payment of services.
- Effective monitoring of billing system to improve credit control.
- Installation of water smart metres.
- Continuous update of the system with the supplementary valuation Roll to ensure accurate billing of Property rates.
- Implementation of Revenue collection on Weighbridge at Landfill site.
- Explore and implement the PPP projects (Grey Water and Zeeland Water treatment Plant)

9 COST CONTAINMENT

DESCRIPTION	BUDGET	YE Actual	YE Variance	YE % Variance	% Savings
OVERTIME	11,792,972.00	13,993,129.87	-2,200,157.87	119%	-19%
CONSULTANTS	45,604,297.00	39,040,206.29	6,564,090.71	86%	14%
TRAVELLING	2,590,924.00	1,428,887.78	1,162,036.22	55%	45%
ACCOMODATION	1,874,152.00	1,275,199.74	598,952.26	68%	32%
TOTAL	61,862,345.00	55,737,423.68	6,124,921.32	90%	10%

The municipality has implemented the cost containment strategies.

Savings were realised on the subsistence, traveling and accommodation is mainly due to less travelling to meetings attended on team as opposed to travelling,

The use of consultants includes Legal cost for litigations and Service provide for forensic audit ,prepaid electricity metering and water Meter reading.

Overtime is still a challenge the key spenders are Service Delivery Departments Electrical, Waste, Sanitation and Traffic Department due repairs and maintenance of aging Infrastructure.

The Municipality has revised Overtime Policy for implementation in 2022/23 Financial year. Management must put control mechanism in place to reduce overtime. The option of shift system is explored for implementation in the next budget cycle.

10 STRATEGIES FOR COST CONTAINMENT

- Staff expected to bring tea and coffee.
- Booking for accommodation 3 Star.
- Telephone reduce to R200 per employee where applicable.
- Pool cars to be used by official without car allowance.
- No catering for meeting: Meetings reduced to 2hours.
- Attend Team and Zoom Meetings.
- Online and onsite training where possible.

- Paperless for council /EXCO /MPAC Items Agenda save on printing and overtime and transport costs.
- Rapid response to queries, overtime only allocated for emergencies Threatening life and Health.
- Filling for some vacant position delayed and staggered to save employee related costs and align to treasury regulations.
- Parking of fleet outside working hours.
- Full Implementation of time and attendance.
- Attach attendance register for offsite meetings and training.
- Pre- authorisation of Trips.

11 WITHDRAWAL REPORT

The Total payment of creditors as June 2023 amounts to R503 Million . The creditors consist of suppliers which are providing services within the municipal area.

Section 65 of MFMA requires the Municipality to pay suppliers within 30 days. BTO department is following up with end users on Monthly basis to adhere to month end deadlines and ensure that invoices due for payment are timeously forwarded to expenditure Department for Payment

SUMMARY SECTION 65 REPORTS: WITHDRAWAL REPORT

DESCRIPTION	1st QUARTER	2nd QUARTER	3rd QUARTER	4th QUARTER	TOTAL
ESKOM(ELECTRICITY BULK)	51,092,593	40,810,439	32,617,080	21,990,674	146,510,786
EXXARO COAL(WATER BULK)	7,810,998	9,948,346	22,029,064	14,064,692	53,853,100
CAPITAL PROJECTS	10,987,577	19,973,748	11,549,458	30,903,369	73,414,152
SALARIES	47,405,157	56,304,361	60,349,876	57,264,164	221,323,558
CREDITORS	24,146,271	27,249,736	19,922,876	21,237,696	92,556,578
CONTRACTS	19,603,494	18,567,347	22,646,274	28,962,532	89,779,647
TOTAL	161,046,090	172,853,977	169,114,628	174,423,127	677,437,822

TOP 20 SUPPLIERS

SupplierName	TOTAL PAID JUNE 2023
Eskom Holdings SOC Ltd-Limpopo	10,427,074.65
SARS PAYE	5,906,925.41
RAPIDUS CONSTRUCTION	5,326,931.05
REMS ELECTRICAL CONSTRUCTION	5,205,689.60
MAMPUDI SECURITY SERVICES	4,226,889.16
ROCK OF AFRICA ENGINEERING AND CONSULTING	3,998,000.00
EXXARO COAL	2,607,300.70
LIVEWIRE ENGINEERING AND CONSULTING	2,410,083.44
ABECO TANKS	2,153,248.86
LPG: PMG ROAD & TRANSPORT	1,955,607.53
DEPARTMENT OF WATER AND SANITATION	1,456,045.71
LEHUNA ENGINEERING SERVICES (PTY) LTD	1,086,160.05
BOGOLO WASTE MANAGEMENT AND PROJECTS	1,063,997.24
LEHLABILE DIGITAL HUB	996,800.00
MMS MONTI WATER	989,023.00
SEBATA MUNICIPAL SOLUTIONS	885,701.20
VIGIL CHARTERED ACCOUNTANTS	758,324.56
TSHEOLA DINARE GROUP	561,200.00
LUMAR ENGINEERING CONSULTANTS	532,886.66
BB TRUCK AND TRACTOR SERVICES	526,252.78
Total	53,074,141.60

12 DWS DEBTS /INTERGOVERNMENTAL RELATIONS

Department OF Water and Sanitation Payment Plan						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Capital	114 024 297	130 138 957	109 614 583	89 090 210	68 565 836	48 041 463
Interest	27 517 089		-	-	-	-
Deposit Paid	(11 402 430)		-	-	-	-
Payments	-	(20 524 373)	(20 524 373)	(20 524 373)	(20 524 373)	(20 524 373)
Interest writte off	-					(27 517 089)
Total	130 138 957	109 614 583	89 090 210	68 565 836	48 041 463	0

The municipality is a water service authority and have signed an agreement in 2015 to supply raw water in line with the Water service act and the licence issued to the Municipality.

DWS has been supplying raw water to the municipality from 2015 after completion of MCWAP 1 project. The amount of R141million was outstanding as 30 June 2022.The long-term settlement agreement was signed for the settlement of raw water liability with the Department.in February 2023.

Interest

Interest was charged on overdue accounts since 2017 till June 2022.The balance of interest owed will be written off upon full settlement of capital amount and future

interest were frozen

Deposit amount

Municipality was requested to pay 10% of the capital amount as part of the settlement agreement. The amount was paid on R11 Million 28 February 2023

Payments

Three equal instalments of R6 841 458 are made annually. These payments are made within 5 days after the receipt of equitable share trench by the Municipality.

13 SUPPLY CHAIN MANAGEMENT REPORTS

The municipality utilising bid committee system in line with Supply chain management policy to source good and services from suppliers Procurement department is centralised to ensure transparency and segregation of duties. Inzalo Financial system is utilised with workflows in line with system of delegations to instil the culture of Governance and Control.

The SCM policy is under review to include the changes on the preferential Procurement Policy as per the ConCourt Ruling of the Case of Agri forum and Minister Finance. The supply chain team has attended training in December 2022 in line with SCM regulations.

Below is a table that summarises the Supply Chain Management process in terms of quotations and bids against the capital expenditure: The Lephalale Municipality has developed a procurement plan and weekly meetings as an endeavour to accelerate the execution of the plans and acceleration of service delivery.

Summary of Procurement

DESCRIPTION	TOTAL	AWARDED	NON RESPONSE/RE- ADVERT	CANCELLED	TO BE EVALUATED	TO BE ADJUDICATED
TENDERS	63	28	23	0	10	2
RFQ'S	53	32	17	1	3	0
TOTAL	63	60	40	1	13	2

14 GOVERNANCE/PRIORITIES

FEEDBACK ON 2021/22 YE AUDITS

The regulatory audit for 2021/22 Financial year has been concluded. The municipality has achieved unqualified audit opinion. Lephalale Municipality is implementing the AFS for the compilation of the 2022/23 Financial statement.

15 UIFW'S REDUCTION STRATEGY

Type of expenditure	Closing balance @ 30/06/2021 AFS	written off in 2021/2022	Closing balance @ 30/06/2022 AFS	Approved by Council in JAN 2023	ADDITION S 2023	Pending Investigation	Narration
Unauthorised	48,774,293	48,774,293	5,889,901	0	0	5,889,901	Additional expenditure was due overspending on non cash item (Debt impairment) caused by low collection rate and conversion from Prepaid to post paid electricity
Irregular	431,338,467	172,506,245	277,943,668	224,064,855	5,337,144	59,215,957	Irregular expenditure was incurred on the three year contract that ended during the 1st quarter of the 2022/23FY. There were NO new irregular tenders in 2022/23FY. Therefore there will be no further additions to irregular expenditure in the current year
Fruitless and expenditure	19,616,237	0	21,090,467	19,616,237	844	1,475,074	Fruitless expenditure was due to Higher rates paid on the project under WIP(Marapong Cemetry). The expenditure was detected during unbundling process after the completion of the project. Additions are due to Interest charged on late payment from Eskom and the amount is recovered from responsible employees. The expenditure management Policy is reviewed to centralise the invoices.
TOTAL	499,728,997	221,280,538	304,924,036	243,681,092	5,337,988	66,580,932	

The municipality has developed and implemented a UIFW reduction strategy. The strategy has been approved by Council. A panel of consultant has been appointed to support MPAC to investigate the UIFW's.

UIFW's investigation of part1& 2 has been finalised Amount of R221 Million has been approved by Council and has been processed in 2021/21 Financial Statement.

The report for Part 3 & 4 of the investigation has been approved by council on the 28th January 2023. The total amount is R243 Million has been processed in the 3rd quarter. The amount of R66 Million is under investigation and an item will be presented to council once completed.

Additions for 2022/23

The municipality is reviewing the expenditure policy to ensure centralisation of invoices. The irregular expenditure related historical contract for Security which ended in the current Financial year.

16 CHALLENGES

- Under expenditure on Capex may lead to National Treasury and Department withholding funds.
- Under expenditure is mainly due the impact of the court order which was issued against the case of Minister of Finance and Agri Forum where the

Preferential Procurement regulation ,2017 Regulation 3(b) ,4 and 9 was declared unlawful

- The implementation of the SCM Policy effective from 16 January 2023, may lead to delays on procurement.
- The uncertainty of Covid 19 Impact remains a challenge and Management must monitor Revenue and Expenditure closely and apply strategies to sustain the Business.
- Suppliers charging interest on late payments.
- Supply of free Basic Services to Rural areas putting pressure on operating revenue.
- High Employee related Costs 37% vs the norm of 25 to 40%.

17 WAY FORWARD

- Implementation of Cost Containment Strategies.
- Implementation of Revenue Enhancement Strategy
- The implementation of UIFW reduction Strategy.
- Centralise invoices to Expenditure Department to Ensure suppliers are paid within 30 days.
- Fast tracking Capex Expenditures.
- The Municipality must implement the shift system.
- The Municipality must conduct skills audit to improve operational efficiency.
- Implementation of Covid regulations.
- Municipality must conduct Overtime audit.

18 STAFF IMPLICATIONS

None

19 FINANCIAL IMPLICATIONS

Municipality is fast racking capital spending to avoid the withdrawal of funding by National Treasury. The Municipality will also continue to implement the revenue enhancement initiatives and cost containment strategies to remain financially viable.

20 OTHER PARTIES CONSULTED

Management

21 ATTACHMENTS

Financial Report C – Schedule is attached as an **ANNEXURE.1**

22 RECOMMENDED

- (i) That the 4TH quarter Financial Report be noted in Section 72, 52,71, and Section 66 of the MFMA.
- (ii) That the Financial report be submitted to National and Provincial Treasury.
- (iii) That the municipality continue to implement and monitor the Cost containment, Revenue enhancement and UIFW reduction Strategies.