



MAKHUDUTHAMAGA

LOCAL MUNICIPALITY

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| | |
|---------------|-----------------------------|
| Department | Budget and Treasury Office |
| Document Name | Financial Management Report |
| Period | 31 July 2022 |

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Abbreviations and Acronyms

| | | | |
|-------|--|-------|---|
| BPC | Budget Planning Committee | MIG | Municipal Infrastructure Grant |
| CFO | Chief Financial Officer | MPRA | Municipal Properties Rates Act |
| MM | Municipal Manager | MSA | Municipal Systems Act |
| CPI | Consumer Price Index | MTEF | Medium-term Expenditure Framework |
| CRRF | Capital Replacement Reserve Fund | MTREF | Medium-term Revenue and Expenditure Framework |
| DoRA | Division of Revenue Act | NGO | Non-Governmental organisations |
| EE | Employment Equity | NKPIs | National Key Performance Indicators |
| FBS | Free basic services | OHS | Occupational Health and Safety |
| mSCOA | Municipal Standard Chart Of Accounts | OP | Operational Plan |
| GRAP | General Recognised Accounting Practice | PMS | Performance Management System |
| HR | Human Resources | PPE | Property Plant and Equipment |
| IDP | Integrated Development Strategy | PPP | Public Private Partnership |
| IT | Information Technology | YTD | Year To Date |
| km | kilometre | SALGA | South African Local Government Association |
| DFS | Government Financial Statistics | SDBIP | Service Delivery Budget Implementation Plan |
| KPA | Key Performance Area | SMME | Small Micro and Medium Enterprises |
| KPI | Key Performance Indicator | DOE | Department of Energy |
| LED | Local Economic Development | IYM | In Year Monitoring |
| MEC | Member of the Executive Committee | APC | Audit and Performance Committee |
| MFMA | Municipal Financial Management Act Programme | BTO | Budget and Treasury Office |
| IGF | Internally Generated Funds | MBRR | Municipal Budget and Reporting Regulations |
| CY | Current Year | | |
| PY | Prior Year | | |
| mSCOA | Municipal Standard Chart of Accounts | | |
| SCM | Supply Chain Management | | |

1. Executive Summary

1.1. Overall total revenue and expenditure

The municipality's total actual operational revenue as at end of July 2022 amounts to **R 132 671 583** and total actual operational expenditure of **R 26 480 788** translating in to an operational surplus of **R 106 190 795**. Capital expenditure as at the end of July 2022 amounted to **R 5 065 429**. The following table summarises the overall revenue and expenditure performance as at the end of July 2022:

N.B. Amounts are in "R000"

| Description | 2021/22 Audited outcome | 2022/23 YTD Budget | 2022/23 YTD Actual | 2022/23 YTD Variance |
|--|-------------------------------|-----------------------|--------------------------|----------------------------|
| Total Operational revenue | 417 437 | 33 134 | 132 672 | 99 538 |
| Total operational expenditure | (358 605) | (31 246) | (26 481) | (4 765) |
| Operating Surplus/Deficit | 58 832 | 1 888 | 106 191 | 94 773 |
| Capital transfers and grants | 61 777 | 6 410 | 181 | 6 229 |
| Net Surplus/Deficit after capital transfers | 120 609 | 8 298 | 106 372 | 98 074 |

1.2. Budgeted Revenue and Actual Revenue to date

The municipality's total actual revenue as at 31 July 2022 is **R 132 582 769** which amounts to **335%** of the total to date budgeted revenue to the amount of **R 39 543 408**.

From the total actual revenue recorded as at the end of July 2022 **R 126 619 186** is from government grants and transfers and the remaining balance of **R 5 963 583** comes from the own revenue sources.

The following table shows a summary of the total revenue per source:

LIM473 Makhuduthamaga - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M01 July

| 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 | 6.2 | 49 128 | 51 579 | – | 3 958 | 3 958 | 4 298 | (340) | -8% | 51 579 |
| Service charges - refuse revenue | 6.1 | 163 | 162 | – | 14 | 14 | 13 | 0 | 1% | 162 |
| | 6.1 | 89 | – | – | – | – | – | | | – |
| Rental of facilities and equipment | 6.1 | 4 184 | 140 | – | 10 | 10 | 12 | (2) | -16% | 140 |
| Interest earned - external investments | 6.2 | 42 225 | 1 800 | – | 643 | 643 | 150 | 493 | 329% | 1 800 |
| Interest earned - outstanding debtors | 6.2 | 247 | 2 750 | – | 899 | 899 | 229 | 669 | 292% | 2 750 |
| Fines, penalties and forfeits | | – | 170 | – | 166 | 166 | 14 | 152 | 1072% | 170 |
| Transfers and subsidies | 6.1 | 315 247 | 333 845 | – | 126 438 | 126 438 | 27 820 | 98 618 | 354% | 333 845 |
| Other revenue | | 6 243 | 7 160 | – | 545 | 545 | 597 | (52) | -9% | 7 160 |
| Gains | 6.2 | – | – | – | – | – | – | – | | – |
| Total Revenue (excluding capital transfers and contributions) | | 417 437 | 397 606 | – | 132 672 | 132 672 | 33 134 | 99 538 | 300% | 397 606 |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | | 61 777 | 76 915 | – | 181 | 181 | 6 410 | (6 228) | (0) | 76 915 |
| Total Revenue (Including capital transfers and contributions) | | 479 214 | 474 521 | – | 132 853 | 132 853 | 39 543 | 93 309 | 0 | 474 521 |

- The municipality's overall collection rate is **25%** as at 31 July 2022 when comparing the actual cash received from the different sources of our revenue to the billed revenue to date. The municipality's collection rate was **63%** in the previous quarter ended 30 June 2022. Collection on property rates and interests on outstanding debts are the highest contributors to the poor collection rate. The following table summarises the collection from own sources of revenue per source:

Collection on own sources of revenue.

| Source of revenue | 2022/23 (Current Year) | | | 2021/22 (PY Mid-Year) | | |
|--|------------------------------|---------------------------------|-------------|------------------------------|---------------------------------|-------------|
| | Actual revenue billed (R000) | Actual revenue collected (R000) | % collected | Actual revenue billed (R000) | Actual revenue collected (R000) | % Collected |
| Property rates | 3 958 | 370 | 9% | 42 637 | 29 244 | 69% |
| Property rates (Government) | | - | - | | 112 461 | 92% |
| Refuse removal | 14 | 4 | 27% | 463 | 150 | 32% |
| Rental of facilities & Equip | 10 | 10 | 100% | 84 | 84 | 100% |
| Interests on bank and investments | 643 | 643 | 100% | 3 470 | 3 470 | 100% |

| | | | | | | |
|----------------------------------|--------------|--------------|------------|----------------|----------------|------------|
| Interests on outstanding debtors | 899 | 0 | 0% | 38 363 | 0 | 0% |
| Traffic fines | 166 | 17 | 10% | 58 | 6 | 10% |
| Agency income and other income | 545 | 545 | 100% | 5 709 | 5 709 | 100% |
| Totals | 6 234 | 1 588 | 25% | 235 301 | 151 124 | 64% |

- The following are the challenges and recommendations for implementation to improve revenue generation and collection for the remaining periods of the financial year 2022/23 and the MTREF:

| No | Challenges | Progress made to date | Recommendations |
|----|--|---|---|
| 1. | Non-payment of property rates for government properties. | <ul style="list-style-type: none"> The Department of Public works has paid the municipality and amount of R131 million as at 31 March 2022. The municipality has given the department a 60% rebate on the historical debt to enable them to settle the debt and pay the accounts on a monthly basis going forward. The total amount for the rebate is R 93 514 711.78 and was written off as per the council resolution number 60 of 2021/2022 The municipality has further written off all interests on overdue accounts to a total amount of R272 785 882.86 Department requested to exclude the debt for the unregistered schools while their valour and the municipal valour perform revaluation of some schools that they believe are overvalued. The payment terms of this properties will be engaged after the process is completed. As at 31 March 2022, all accounts acknowledged by the department of public works were sitting at Zero balances after writing off the rebate, interests and allocating the amounts paid. | <ul style="list-style-type: none"> Utilise the additional budget for property valuation that was provided during adjustment budget to fund the revaluation requested by the department for the unregistered schools. |

| | | | |
|----|--|--|---|
| 2. | Non-payment of property rates by the high capacity businesses within our municipality. | <ul style="list-style-type: none"> - Engagements with the business owners were concluded in 2017/18 financial year. - Debtors handed over to a debt collector for collection and the debt collector requested approval to engage legal processes for collection as all soft collection processes have been exhausted and the debtors are still not cooperating. - Engagements with the business owners reopened again before a council resolution to litigate can be granted to the debt collector. | <ul style="list-style-type: none"> - A meeting between the municipality, traditional leaders CoGHSTA and the affected business owners be held in July 2022 to resolve their allegation that they pay levies at their respective traditional authorities and to clarify the differences between tribal levies and the property rates. - Council approve the debt collector's request to litigate the debtors who are not cooperating to pay their property rates accounts after the meeting is held. |
| 3. | Majority of billed properties are unregistered and on communal land. | <ul style="list-style-type: none"> - EDP has concluded demarcation of a number of sites within Makhuduthamaga. - Complete the Formalisation of Jane Furse project. | <ul style="list-style-type: none"> - Formalise key economic points (areas) within the municipality to ensure subdivision of the land and issuing of title deeds. - Engage Magoshi to prevent uncoordinated developments and allocation of stands in inappropriate areas. |
| 4. | Lack of credible indigent register. | <ul style="list-style-type: none"> - Draft indigent register developed and currently updating in progress. | <ul style="list-style-type: none"> - Appoint a committee to oversee the process of completing compilation of the indigent register. - Appoint temporary general workers to collect information from all municipal wards to ensure a complete accurate indigent register. |
| 5. | Limited sources of own revenue resulting in no growth in revenue generation. | <ul style="list-style-type: none"> - Revenue enhancement strategies developed and approved. - LED strategy developed and approved. | <ul style="list-style-type: none"> - Consult all stakeholders with the revenue enhancement strategies and to get their buy in on the implementation of credit control policy and rates policy (rental of municipal facilities). - Provide budget to build a grade A DLTC around Masemola nodal point. - Engage Magoshi to prevent uncoordinated developments and allocation of stands in inappropriate areas. |
| 6. | Low cash balances for term investments. | <ul style="list-style-type: none"> - Implementation of credit control policy in progress. | <ul style="list-style-type: none"> - Develop and implement a cash flow plan and make short term investments. |

1.5. Budgeted Expenditure and Actual Expenditure to date

- a. The municipality's total actual expenditure amounts of **R 31 546 217** at 31 July 2022. This amounts to **67%** of the total budgeted expenditure to date to the amount of **R 46 960 076**.

1.5.1. Operational Expenditure.

- a. The total operational expenditure as at 31 July 2022 amounts to **R 26 480 788** which equates to **85%** of the total operational budget to date of **R 31 245 971**. The municipality has under spent by **15%** as compared to the budgeted expenditure to date.

- b. The following table indicates the operational expenditure per standard classification:

LIM473 Makhuduthamaga - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M01 July

| 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 | | | | | | | | | | |
| Expenditure By Type | | | | | | | | | | |
| Employee related costs | 6.2 | 89 678 | 113 662 | — | 8 377 | 8 377 | 9 472 | (1 095) | -12% | 113 662 |
| Remuneration of councillors | 6.2 | 23 630 | 23 597 | — | 1 835 | 1 835 | 1 966 | (131) | -7% | 23 597 |
| Debt impairment | | 6 300 | 7 340 | — | — | — | 612 | (612) | -100% | 7 340 |
| Depreciation & asset impairment | 6.2 | 32 503 | 37 189 | — | 2 504 | 2 504 | 3 099 | (596) | -19% | 37 189 |
| Finance charges | 6.2 | — | — | — | — | — | — | — | — | — |
| Inventory consumed | 6.2 | 2 658 | 2 620 | — | 176 | 176 | 218 | (42) | -19% | 2 620 |
| Contracted services | 6.2 | 149 668 | 127 224 | — | 10 959 | 10 959 | 10 602 | 357 | 3% | 127 224 |
| Transfers and subsidies | | 7 707 | 9 200 | — | 168 | 168 | 767 | (599) | -78% | 9 200 |
| Other expenditure | 6.3 | 46 461 | 54 120 | — | 2 462 | 2 462 | 4 510 | (2 048) | -45% | 54 120 |
| Losses | | — | — | — | — | — | — | — | — | — |
| Total Expenditure | | 358 605 | 374 952 | — | 26 481 | 26 481 | 31 246 | (4 765) | -15% | 374 952 |

Operational variance analysis as at 31 July 2022.

| Expenditure by type | Variance % | Reason for variance | Remedial action | Remedial action due date | Responsible person |
|------------------------|------------|-----------------------------------|------------------------------------|--------------------------|---------------------------------|
| Employee related costs | -12% | Budgeted Vacant posts | Budgeted Vacant posts to be filled | 31 August 2022 | Director Corporate Services |
| Depreciation | -19% | Depreciation on ran on the system | System full capacity functioning | 31 August 2022 | CFO/Director Corporate services |
| Other expenditure | -45% | ICT services were under budgeted. | | 31 August 2022 | Director Corporate |

1.5.2. Capital Expenditure

- a. The total capital expenditure as at 31 July 2022 amounts to **R 5 065 429** which equates to **32%** of the **R 15 714 104** to-date budget. The municipality has underspent by **68%** on capital expenditure.

b. The following table indicates the capital expenditure per functional classification:

LIM473 Makhuduthamaga - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M01 July

| 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 | | | | | | | | | |
| Capital Expenditure - Functional Classification | | | | | | | | | | |
| <i>Governance and administration</i> | | 12 540 | 15 700 | – | 1 391 | 1 391 | 1 308 | 83 | 6% | 15 700 |
| Finance and administration | | 12 540 | 15 700 | – | 1 391 | 1 391 | 1 308 | 83 | 6% | 15 700 |
| <i>Economic and environmental services</i> | | 78 119 | 169 369 | – | 3 674 | 3 674 | 14 114 | (10 440) | -74% | 169 369 |
| Planning and development | | – | 1 300 | – | – | – | 108 333 | (108) | -100% | 1 300 |
| Road transport | | 78 119 | 168 069 | – | 3 674 | 3 674 | 14 005 771 | (10 332) | -74% | 168 069 |
| <i>Trading services</i> | | – | 3 500 | – | – | – | 292 | (292) | -100% | 3 500 |
| Energy sources | | – | 3 500 | – | – | – | 291 667 | (292) | -100% | 3 500 |
| Total Capital Expenditure - Functional Classification | 3 | 90 659 | 188 569 | – | 5 065 | 5 065 | 15 714 | (10 649) | -68% | 188 569 |
| Funded by: | | | | | | | | | | |
| National Government | | 90 659 | 188 569 | – | 5 065 | 5 065 | 15 714 | (10 649) | -68% | 188 569 |
| Transfers recognised - capital | | 90 659 | 188 569 | – | 5 065 | 5 065 | 15 714 | (10 649) | -68% | 188 569 |
| Total Capital Funding | | 90 659 | 188 569 | – | 5 065 | 5 065 | 15 714 | (10 649) | -68% | 188 569 |

1.5.3. Grants Receipts and expenditure.

a. The following table shows the receipts and expenditure on grants as at 31 July 2022 per grant:

LIM473 Makhuduthamaga - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M01 July

| 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 | | | | | | | | | | |
| EXPENDITURE | | | | | | | | | | |
| Operating expenditure of Transfers and Grants | | | | | | | | | | |
| National Government: | | 290 252 | 333 845 | – | 26 481 | 26 481 | 27 820 | (1 340) | -4.8% | 333 845 |
| Local Government Equitable Share | | 266 777 | 324 200 | | 26 481 | 26 481 | 27 017 | (536) | -2.0% | 324 200 |
| Finance Management | | 1 650 | 1 720 | | | | 143 | (143) | -100.0% | 1 720 |
| EPWP Incentive | | 1 825 | 1 925 | | | | 160 | (160) | -100.0% | 1 925 |
| Integrated National Electrification Programme | | 20 000 | 6 000 | | | | 500 | (500) | -100.0% | 6 000 |
| Total operating expenditure of Transfers and Grants: | | 290 252 | 333 845 | – | 26 481 | 26 481 | 27 820 | (1 340) | -4.8% | 333 845 |
| Capital expenditure of Transfers and Grants | | | | | | | | | | |
| National Government: | | 61 777 | 76 915 | – | 181 | 181 | 6 410 | (6 228) | -97.2% | 76 915 |
| Municipal Infrastructure Grant (MIG) | | 61 777 | 76 915 | | 181 | 181 | 6 410 | (6 228) | -97.2% | 76 915 |
| Total capital expenditure of Transfers and Grants | | 61 777 | 76 915 | – | 181 | 181 | 6 410 | (6 228) | -97.2% | 76 915 |
| TOTAL EXPENDITURE OF TRANSFERS AND GRANTS | | 352 029 | 410 760 | – | 26 662 | 26 662 | 34 230 | (7 568) | -22.1% | 410 760 |

- b. The municipality's spending per conditional grant is as follows as at the end of July 2022:

| Conditional Grant details | Budget for the year | Grant received | Grant expenditure | Received % | Spending % |
|---------------------------|---------------------|----------------|-------------------|------------|------------|
| FMG | 1 720 000 | | | 0% | 0% |
| EPWP | 1 925 000 | | | 0% | 0% |
| MIG | 76 915 000 | 22 409 000 | 181 000 | 29% | 1% |
| INEP | 6 000 000 | | | 0% | 0% |

1.5.4. Overall Spending per departments

- a. The following table indicates the spending performance per department from the highest performance to the least performance:

| Expenditure Performance Per Vote | | | | |
|---|-----------------------|----------------------|----------------------|------------|
| Department | Original Budget | To date budget | To date expenditure | Spending % |
| Executive & Council | 56 759 694.00 | 6 586 548.00 | 4 654 420.00 | 71 |
| Budget and Treasury Office | 100 500 025.00 | 15 256 458.00 | 8 324 520.00 | 55 |
| Infrastructure Development | 185 020 000.00 | 8 564 859.00 | 6 524 025.00 | 76 |
| Community Services | 80 200 540.00 | 4 502 002.00 | 2 603 302.00 | 58 |
| Corporate services | 90 520 000.00 | 3 850 000.00 | 2 954 485.00 | 77 |
| Local Economic development and planning | 50 520 650.00 | 8 200 209.00 | 6 485 465.00 | 79 |
| Total | 563 520 909.00 | 46 960 076.00 | 31 546 217.00 | 67 |

2. Going concern and Liquidity ratios.

▪ Going concern

- a. After the assessment of the key factors to the going concern of the municipality it is assumed and concluded that the municipality shall continue operating as a Going Concern as at 31 July 2022

▪ Liquidity ratios

a. Current ratio

Current Assets/Current Liabilities (Norm is 2:1)

| 2023 | 2022 |
|---------------------|---------------------|
| R 231 087: R 24 435 | R 152 430: R 23 487 |

| | |
|---------|---------|
| 9.46: 1 | 6.49: 1 |
|---------|---------|

This ratio measures the Municipality's ability to pay its short-term debt with liquid assets which are assets easily converted in to cash. The above ratio indicates a current ratio of **9.46:1** that July suggest that the municipality's liquid assets are currently easy to be converted into cash to can covers the current liabilities as & when they become due by the 31 July 2022 .

b. Debt ratio

Total Liabilities/Total Assets) x 100

| 2023 | 2022 |
|-----------------------------|-----------------------------|
| R 36 663 / R 543 112 X 100% | R 35 714 / R 472 978 X 100% |
| =6.75% | =7.55% |

This ratio measure how much the municipality's total liabilities are covered by the total assets the results of which measures the solvency of the municipality. The results above shows that the municipality is solvent as the total liabilities are covered by the total assets and total liabilities makes a small percentage portion of the total assets which decreased from 7.55% to **6.75%** in the current year and the means our debt ratio is sound.

c. Net Operating surplus margin.

NORM: Equal to or greater than zero

(Total Operating revenue – Total Operating expenditure)/Total Operating revenue x 100

| 2023 | 2022 |
|---|--|
| (R 132 672 – R 26 481)/ R 132 672 x 100 | (R 417 525 – R 358 605)/ R 417 525 x 100 |
| = 80% | = 14.11% |

| | |
|--|--|
| | |
|--|--|

- i. The Ratio assesses the extent to which the Municipality generates Operating Surpluses. The above ratio indicates that the municipality reported a net surplus of **80%** for the period ended 31 July 2022 which shows a significant improvement from the prior of 14.11% net surplus.

d. Collection rate.

NORM: 95%

Formula

= Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100)

| 2023 | 2022 |
|---|--|
| $\frac{(R\ 46\ 557 + R\ 6\ 234) - (R\ 51\ 232 - R0)}{R\ 6\ 234} \times 100\%$ <p>= 25%</p> | $\frac{(R\ 78\ 062 + R\ 235\ 301) - (R\ 162\ 771 - R0)}{R\ 235\ 301} \times 100\%$ <p>= 63%</p> |

The Ratio indicates the collection rate; i.e. level of payments. It measures increases or decreases in Debtors relative to annual billed revenue. In addition in order to determine the real collection rate bad debts written-off is taken into consideration.

The municipality's collection rate is low as compared to the norm of 95% as per MFMA circular No. 71. However it must be noted that the municipality fund more than 80% of its expenditure through Government Grants and there have not been any indication that the municipality will not be receiving the grants in the foreseeable future.

The revenue billed from customers is used to fund mostly the non-cash expenditure items such as depreciation and impairments when preparing the MTREF budget for the municipality to guard against the cash flow risk in cases of poor collection.

3. Statement of Financial Position as at 31 July 2022

LIM473 Makhuduthamaga - Table C6 Monthly Budget Statement - Financial Position - M01 July

| Description | Ref | 2020/21 | Budget Year 2021/22 | | | |
|--|-----|-----------------|---------------------|-----------------|----------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | YearTD actual | Full Year Forecast |
| R thousands | 1 | | | | | |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash | 6.1 | 104 886 | 75 185 | – | 225 175 | 75 185 |
| Call investment deposits | | – | – | – | – | – |
| Consumer debtors | | 42 745 | 13 561 | – | 4 275 | 13 561 |
| Other debtors | | 3 812 | 11 058 | – | 826 | 11 058 |
| Current portion of long-term receivables | | – | – | – | – | – |
| Inventory | 6.2 | 987 | 1 057 | – | 811 | 1 057 |
| Total current assets | | 152 430 | 100 862 | – | 231 087 | 100 862 |
| Non current assets | | | | | | |
| Long-term receivables | | – | – | – | – | – |
| Investments | | – | – | – | – | – |
| Investment property | 6.7 | 210 | 210 | – | 210 | 210 |
| Investments in Associate | | – | – | – | – | – |
| Property, plant and equipment | 6.8 | 320 261 | 488 788 | – | 311 749 | 488 788 |
| Biological | | – | – | – | – | – |
| Intangible | 6.6 | 77 | 633 | – | 66 | 633 |
| Other non-current assets | | – | – | – | – | – |
| Total non current assets | | 320 547 | 489 630 | – | 312 025 | 489 630 |
| TOTAL ASSETS | | 472 978 | 590 492 | – | 543 112 | 590 492 |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Bank overdraft | | – | – | – | – | – |
| Borrowing | | – | – | – | – | – |
| Consumer deposits | | – | – | – | – | – |
| Trade and other payables | 6.9 | 20 732 | 218 296 | – | 21 680 | 218 296 |
| Provisions | 6.9 | 2 755 | 135 | – | 2 755 | 135 |
| Total current liabilities | | 23 487 | 218 431 | – | 24 435 | 218 431 |
| Non current liabilities | | | | | | |
| Borrowing | | – | – | – | – | – |
| Provisions | 6.9 | 12 228 | 24 701 | – | 12 228 | 24 701 |
| Total non current liabilities | | 12 228 | 24 701 | – | 12 228 | 24 701 |
| TOTAL LIABILITIES | | 35 714 | 243 132 | – | 36 663 | 243 132 |
| NET ASSETS | 2 | 437 263 | 347 360 | – | 506 449 | 347 360 |
| COMMUNITY WEALTH/EQUITY | | | | | | |
| Accumulated Surplus/(Deficit) | | 437 263 | 347 360 | – | 506 449 | 347 360 |
| Reserves | | – | – | – | – | – |
| TOTAL COMMUNITY WEALTH/EQUITY | 2 | 437 263 | 347 360 | – | 506 449 | 347 360 |

4. Statement of Financial Performance as at 31 July 2022

LIM473 Makhuduthamaga - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M01 July

| 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 | 6.2 | 49 128 | 51 579 | – | 3 958 | 3 958 | 4 298 | (340) | -8% | 51 579 |
| Service charges - refuse revenue | 6.1 | 163 | 162 | – | 14 | 14 | 13 | 0 | 1% | 162 |
| | 6.1 | 89 | – | – | – | – | – | | | – |
| Rental of facilities and equipment | 6.1 | 4 184 | 140 | – | 10 | 10 | 12 | (2) | -16% | 140 |
| Interest earned - external investments | 6.2 | 42 225 | 1 800 | – | 643 | 643 | 150 | 493 | 329% | 1 800 |
| Interest earned - outstanding debtors | 6.2 | 247 | 2 750 | – | 899 | 899 | 229 | 669 | 292% | 2 750 |
| Fines, penalties and forfeits | | – | 170 | – | 166 | 166 | 14 | 152 | 1072% | 170 |
| Transfers and subsidies | 6.1 | 315 247 | 333 845 | – | 126 438 | 126 438 | 27 820 | 98 618 | 354% | 333 845 |
| Other revenue | | 6 243 | 7 160 | – | 545 | 545 | 597 | (52) | -9% | 7 160 |
| Gains | 6.2 | – | – | – | – | – | – | – | | – |
| Total Revenue (excluding capital transfers and contributions) | | 417 437 | 397 606 | – | 132 672 | 132 672 | 33 134 | 99 538 | 300% | 397 606 |
| Expenditure By Type | | | | | | | | | | |
| Employee related costs | 6.2 | 89 678 | 113 662 | – | 8 377 | 8 377 | 9 472 | (1 095) | -12% | 113 662 |
| Remuneration of councillors | 6.2 | 23 630 | 23 597 | – | 1 835 | 1 835 | 1 966 | (131) | -7% | 23 597 |
| Debt impairment | | 6 300 | 7 340 | – | – | – | 612 | (612) | -100% | 7 340 |
| Depreciation & asset impairment | 6.2 | 32 503 | 37 189 | – | 2 504 | 2 504 | 3 099 | (596) | -19% | 37 189 |
| Finance charges | 6.2 | – | – | – | – | – | – | – | | – |
| Inventory consumed | 6.2 | 2 658 | 2 620 | – | 176 | 176 | 218 | (42) | -19% | 2 620 |
| Contracted services | 6.2 | 149 668 | 127 224 | – | 10 959 | 10 959 | 10 602 | 357 | 3% | 127 224 |
| Transfers and subsidies | | 7 707 | 9 200 | – | 168 | 168 | 767 | (599) | -78% | 9 200 |
| Other expenditure | 6.3 | 46 461 | 54 120 | – | 2 462 | 2 462 | 4 510 | (2 048) | -45% | 54 120 |
| Losses | | – | – | – | – | – | – | – | | – |
| Total Expenditure | | 358 605 | 374 952 | – | 26 481 | 26 481 | 31 246 | (4 765) | -15% | 374 952 |
| Surplus/(Deficit) | | 58 831 | 22 654 | – | 106 191 | 106 191 | 1 888 | 104 303 | 0 | 22 654 |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | | 61 777 | 76 915 | – | 181 | 181 | 6 410 | (6 228) | (0) | 76 915 |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) | | – | – | – | – | – | – | – | | – |
| Transfers and subsidies - capital (in-kind - all) | | – | – | – | – | – | – | – | | – |
| Surplus/(Deficit) after capital transfers & contributions | | 120 609 | 99 569 | – | 106 372 | 106 372 | 8 297 | | | 99 569 |
| Taxation | | – | – | – | – | – | – | – | | – |
| Surplus/(Deficit) after taxation | | 120 609 | 99 569 | – | 106 372 | 106 372 | 8 297 | | | 99 569 |
| Attributable to minorities | | – | – | – | – | – | – | | | – |
| Surplus/(Deficit) attributable to municipality | | 120 609 | 99 569 | – | 106 372 | 106 372 | 8 297 | | | 99 569 |
| Share of surplus/ (deficit) of associate | | – | – | – | – | – | – | | | – |
| Surplus/ (Deficit) for the year | | 120 609 | 99 569 | – | 106 372 | 106 372 | 8 297 | | | 99 569 |

5. Cash Flow Statement as at 31 July 2022

LIM473 Makhuduthamaga - Table C7 Monthly Budget Statement - Cash Flow - M01 July

| 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 | | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Property rates | | 141 064 | 41 263 | - | 370 | 370 | 3 439 | (3 069) | -89% | 41 263 |
| Service charges | | 109 | 99 | - | 4 | 4 | 8 | (4) | -51% | 99 |
| Other revenue | | 35 025 | 35 930 | - | 572 | 572 | 2 994 | (2 422) | -81% | 35 930 |
| Transfers and Subsidies - Operational | | 319 807 | 333 845 | - | 126 438 | 126 438 | 27 820 | 98 618 | 354% | 333 845 |
| Transfers and Subsidies - Capital | | 61 777 | 76 915 | - | 20 000 | 20 000 | 6 410 | 13 590 | 212% | 76 915 |
| Interest | | 3 224 | 1 800 | - | 643 | 643 | 150 | 493 | 329% | 1 800 |
| Dividends | | - | - | - | - | - | - | - | | - |
| Payments | | | | | | | | | | |
| Suppliers and employees | | (527 920) | (327 872) | - | (23 801) | (23 801) | (27 323) | (3 522) | 13% | (327 872) |
| Finance charges | | - | - | - | - | - | - | - | | - |
| Transfers and Grants | | - | - | - | - | - | - | - | | - |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | 33 086 | 161 980 | - | 124 226 | 124 226 | 13 498 | (110 728) | -820% | 161 980 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Proceeds on disposal of PPE | | - | - | - | - | - | - | - | | - |
| Decrease (increase) in non-current receivables | | - | - | - | - | - | - | - | | - |
| Decrease (increase) in non-current investments | | - | - | - | - | - | - | - | | - |
| Payments | | | | | | | | | | |
| Capital assets | | (90 659) | (188 569) | - | (5 065) | (5 065) | (15 714) | (10 649) | 68% | (188 569) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | (90 659) | (188 569) | - | (5 065) | (5 065) | (15 714) | (10 649) | 68% | (188 569) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Short term loans | | - | - | - | - | - | - | - | | - |
| Borrowing long term/refinancing | | - | - | - | - | - | - | - | | - |
| Increase (decrease) in consumer deposits | | - | - | - | - | - | - | - | | - |
| Payments | | | | | | | | | | |
| Repayment of borrowing | | - | - | - | - | - | - | - | | - |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | - | - | - | - | - | - | - | | - |
| NET INCREASE/ (DECREASE) IN CASH HELD | | (57 573) | (26 589) | - | 119 161 | 119 161 | (2 216) | | | (26 589) |
| Cash/cash equivalents at beginning: | | 162 439 | - | - | 106 014 | 106 014 | - | | | 106 014 |
| Cash/cash equivalents at month/year end: | | 104 866 | (26 589) | - | - | 225 175 | (2 216) | | | 79 425 |

(Figures in RSA Rand)

2023

2022

6. Notes to the 1ST Quarter Financial Report (Statements).

6.1 Cash and cash equivalents

Cash and cash equivalents consists of:

| | | |
|-------------------------|--------------------|--------------------|
| Cash on hand | 52 | 52 |
| Bank balances | 223 345 157 | 224 440 425 |
| Call account investment | - | - |
| | 223 345 209 | 224 440 447 |

Short-term Investments

The municipality had no short-term investments with any financial institution during the 2022/23 financial year and the municipality did not have any investment as at the ended of 30 July 2022.

Details

ABSA 2018/2019 (Account No.2078073033)

The municipality had the following bank accounts during the year under review

| Account number / description | Bank statement balances | | Cash book balances | |
|---|-------------------------|--------------------|--------------------|--------------------|
| | 31-July-22 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| ABSA BANK - 4050384145 - (Primary Cheque Account) | 223 345 157 | 103 782 111 | 223 668 668 | 103 136 936 |
| ABSA BANK - 4076690079 - (Salaries) | 28 077 | 36 903 | 437 914 | 36 903 |
| ABSA BANK - 4098981597 - (Solidarity Fund) | 204 541 | 204 632 | 205 709 | 204 632 |
| ABSA BANK - 2078073033 Term Deposit Investment | 862 650 | 862 650 | 862 650 | 862 650 |
| | 224 440 425 | 104 886 296 | 225 174 941 | 104 241 121 |

6.2 Inventories

Inventories consists of:

| | | |
|-------------------|----------------|----------------|
| Consumable stores | 810 647 | 986 807 |
| | 810 647 | 986 807 |

Reconciliation of Inventory

| | | |
|-----------------|----------------|----------------|
| Opening Balance | 986 807 | 954 893 |
| Add: Receipts | 0.00 | 4 003 745 |
| Less: Issues | (176 160) | (3 971 830) |
| CLOSING BALANCE | 810 647 | 986 807 |

(Figures in RSA Rand)

2023

2022

6.3 Receivables from non-exchange transactions

Gross balances

| | | |
|---------------|-------------|-------------|
| Rates | 112 655 557 | 112 537 355 |
| Traffic fines | 1 430 947 | 1 422 597 |

| | |
|--------------------|--------------------|
| 114 086 504 | 113 959 952 |
|--------------------|--------------------|

Less: Allowance for impairment

| | | |
|----------------|--------------|--------------|
| Property Rates | (6 902 004) | (84 330 036) |
| Traffic Fines | (1 384 097) | (1 364 247) |

| | |
|--------------------|---------------------|
| (8 286 101) | (85 694 283) |
|--------------------|---------------------|

Net balances

| | | |
|----------------|-------------|------------|
| Property Rates | 105 753 553 | 28 207 319 |
| Traffic Fines | 46 850 | 58 350 |

| | |
|--------------------|-------------------|
| 105 800 403 | 28 265 669 |
|--------------------|-------------------|

6.4 Receivables from exchange transactions

| | | |
|---|--------|---------|
| Accrued Income (Interest on investment) | 11 450 | 429 847 |
| Other debtors | - | - |

| | | |
|---------------------|----------------|------------------|
| Waste collection | 478 786 | 463 182 |
| SALGA Levy & SAMEPA | 21 764 | 1 305 496 |
| | 512 000 | 2 198 525 |

10.1. Other debtors (VAT receivable & receivables from exchange transaction)

| | | |
|-----|-------------------|-------------------|
| VAT | 13 075 607 | 20 076 456 |
| | 13 075 607 | 20 076 456 |

(Figures in RSA Rand)

2023

2022

VAT Reconciliation

| | | |
|---|-------------------|-------------------|
| Balance at the beginning of the year | 20 076 456 | 16 075 779 |
| Add: Net Refunds as per VAT receivable | - | 39 806 005 |
| Add: Current year VAT suspense - Retention amount | 3 993 246 | 3 965 961 |
| Less: Prior year suspense - Retention amount | (3 965 961) | (4 413 338) |
| Less: VAT Payments by SARS - Current year | (-) | (26 852 382) |
| Less: VAT payments by SARS - Previous year | (7 028 133) | (8 505 569) |
| Adjustments | - | - |
| | 13 075 607 | 20 076 456 |

VAT is payable on invoice basis and claimed from SARS when a tax invoice is received.

6.6 Intangible assets

| | 2023 | | | 2022 | | |
|-------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost/Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost/Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 8 215 070 | (8 148 582) | 66 488 | 8 215 070 | (8 138 159) | 76 911 |
| Work In Progress | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 8 215 070 | (8 148 582) | 66 488 | 8 215 070 | (8 138 159) | 76 911 |

Reconciliation of intangible assets - 2023

| | Opening balance | Additions | Transfers | Amortisation | Total |
|-------------------|-----------------|-------------|-------------|-----------------|---------------|
| Computer software | 76 911 | 0.00 | 0.00 | (10 423) | 66 488 |
| Work In Progress | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 76 911 | 0.00 | 0.00 | (10 423) | 66 488 |

Reconciliation of intangible assets - 2022

(Figures in RSA Rand)

2023

2022

| | Opening balance | Additions | Transfers | Amortisation | Total |
|-------------------|--------------------|-------------|-------------|------------------|---------------|
| Computer software | 582 796 | 0.00 | 0.00 | (505 885) | 76 911 |
| Work In Progress | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 582 796 | 0.00 | 0.00 | (505 885) | 76 911 |

Other information

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

No intangible assets were pledged as security for liabilities as at year end.

6.7 Investment Property

| | 2023 | | | 2022 | | |
|---------------------|----------------|---|------------------------|----------------|---|------------------------|
| | Cost/Valuation | Accumulated amortisation and accumulated impairment | | Cost/Valuation | Accumulated amortisation and accumulated impairment | |
| Investment property | 209,500 | 0.00 | Investment property | 209,500 | 0.00 | Investment property |
| | 209,500 | 0.00 | | 209,500 | 0.00 | |

Reconciliation of investment property- 2023

| | Opening balance | Additions | Transfers | Amortisation | Total |
|------------------------|--------------------|-------------|-------------|--------------|----------------|
| Investment property | 209,500 | | | | |
| | | 0.00 | 0.00 | 0.00 | 209,500 |
| | 209,500 | 0.00 | 0.00 | 0.00 | 209,500 |

Reconciliation of investment property - 2022

| | Opening balance | Additions | Transfers | Amortisation | Total |
|------------------------|--------------------|-------------|-------------|--------------|----------------|
| Investment property | 209,500 | 0.00 | 0.00 | 0.00 | 209,500 |
| | 209,500 | 0.00 | 0.00 | 0.00 | 209,500 |

Details of valuation

Investment property was valued by Land data Valuations (Pty) Ltd an independent professional valour with registration number 1988/001677/07. The Municipal Valour has experience of properties within the jurisdiction of Makhuduthamaga Local Municipality. The valuation was based on an open market value for existing use:

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. No revenue was earned from the investment property as the property is vacant land held for long term capital appreciation

No investment property was pledged as security for liabilities as at year end.

6.8 Property Plant and Equipment

| 2022 | | | | 2021 | | |
|----------------------|------------------|---|----------------|----------------|---|----------------|
| Details | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost/Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 265 000 | 0.00 | 265 000 | 265 000 | 0.00 | 265 000 |
| Land – Landfill Site | | | 6 858 064 | 16 471 695 | (5 199 916) | 11 271 780 |

| | | | | | | |
|---------------------------|-------------|---------------|-------------|-------------|---------------|-------------|
| | 16 471 695 | (9 613 631) | | | | |
| Buildings | 53 003 198 | (17 150 554) | 41 189 066 | 52 286 492 | (15 026 444) | 37 260 049 |
| Furniture and fixtures | 9 598 611 | (7 159 095) | 2 468 416 | 6 619 692 | (4 188 012) | 2 431 681 |
| Motor vehicles | 38 032 703 | (28 816 446) | 9 216 257 | 35 664 681 | (25 138 133) | 10 526 548 |
| Road Infrastructure | 313 813 788 | (126 022 835) | 187 790 953 | 313 813 788 | (110 132 847) | 203 680 941 |
| Electrical Infrastructure | 7 297 566 | (5 303 295) | 1 994 271 | 7 297 566 | (4 817 988) | 2 479 578 |
| Stormwater Infrastructure | 30 726 102 | (13 702 890) | 17 023 212 | 30 726 102 | (11 786 060) | 18 940 042 |
| IT equipment | 26 349 789 | (20 708 700) | 5 641 089 | 23 741 796 | (17 356 438) | 6 385 358 |
| Loose tools | 4 437 816 | (3 321 205) | 1 116 611 | 3 611 961 | (3 025 396) | 586 565 |
| Community Halls | 14 402 779 | (3 413 325) | 10 989 455 | 14 402 779 | (2 728 038) | 11 674 741 |
| Capital work in progress | 48 964 391 | 0.00 | 48 964 391 | 13 188 060 | 0.00 | 13 188 060 |

(Figures in RSA Rand)

2023

2022

568 728 758

(235 211 975)

333 516 783

541 396 434

(203 214 389)

338 782 044

6.9 Payables from exchange transactions

| | | |
|----------------------------|-------------------|-------------------|
| Trade payables | 881 922 | 4 194 558 |
| Income received in advance | 840 580 | 806 712 |
| Creditor: Ward committee | 13 201 | 13 201 |
| Leave provision | 12 227 665 | 12 407 987 |
| Bonus provision | 2 754 616 | 2 779 508 |
| Unknown deposits | 0.00 | 33 462 |
| Retentions | 19 944 796 | 19 735 614 |
| | 36 662 780 | 39 971 042 |

6.10 Unspent Conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| | | |
|--|-------------------|----------|
| LG SETA Discretionary Grant | 101 100 | - |
| Financial Management Grant | - | - |
| DOE(Department of Mineral and Energy) | - | - |
| EPWP Grant | - | - |
| Municipal Infrastructure Grant | 19 818 814 | - |
| | 19 919 914 | - |

6.11 Defined benefit obligation

| | | |
|--------------------------------------|----------|------------------|
| Post-employment Medical Aid Benefits | - | 5 008 000 |
| | - | 5 008 000 |

Long service awards

Long Service Awards Liability

| | | |
|---|----------|------------------|
| Long service awards - current liability | - | 63 010 |
| Long service awards - Non-current liability | - | 3 629 990 |
| | - | 3 693 000 |

6.12 Revenue

The amount included in revenue arising from exchanges of goods or services are as follows:

(Figures in RSA Rand)

2023

2022

| | | |
|--|------------------|------------------|
| Rental of facilities and equipment | 9 862 | 84 105 |
| Licences and permits | 512 317 | 5 372 554 |
| Gains on disposal of PPE | - | - |
| Tender Documents | 20 452 | 74 992 |
| Interests earned on Bank & Investment accounts | 642 992 | 2 990 795 |
| Refuse removal | 13 564 | 150 252 |
| Other income | 11 886 | 261 236 |
| | 1 211 073 | 8 933 934 |

The amount included in revenue arising from non-exchange transactions is as follows:

| | | |
|---------------------------------|--------------------|--------------------|
| Property rates | 3 958 506 | 47 502 075 |
| Interest on outstanding debtors | 898 510 | 38 363 239 |
| Traffic fines | 166 150 | 258 600 |
| Transfers and subsidies | 146 554 100 | 381 772 602 |
| Actuarial Gains | - | - |
| | 151 577 266 | 467 896 516 |
| | 152 788 339 | 505 127 126 |

6.13 Government grants and subsidies

| | | |
|--|--------------------|--------------------|
| Equitable share | 126 438 000 | 296 332 000 |
| Municipal Infrastructure Grant (MIG) | 20 000 000 | 61 777 288 |
| Finance Management Grant (FMG) | - | 1 650 000 |
| Integrated National Electrification (DOE Grant) | - | 20 000 000 |
| Municipal Disaster Grant Management | - | - |
| EPWP Grant | - | 1 825 000 |
| LG SETA - Discretionary Grant | 116 100 | 152 097 |
| | 146 554 100 | 381 772 602 |

6.14 Interest on investments

| | | |
|--------------------|----------------|------------------|
| Bank & Investments | 642 992 | 2 990 795 |
| | 642 992 | 2 990 795 |

(Figures in RSA Rand)

2023

2022

N.B. The municipality did not have any investments during the current year due to low levels of cash balances and the amount of interests received is for the positive bank balance of the main cheque account.

6.15 Interest on outstanding debtors

Interest charged on trade and other receivables

898 510

38 363 239

898 510

38 363 239

NB. All interests relates to property rates outstanding debts.

6.16 Property rates

Rates – revenue

Commercial

593 776

14 137 806

State

3 166 805

30 775 757

Agricultural

197 925

2 588 512

3 958 506

47 502 075

Valuations

Residential

81 382 000

81 382 000

Commercial

918 724 200

918 724 200

State

1 981 400 000

1 981 400 000

Municipal

48 442 000

48 442 000

Social

37 633 000

37 633 000

3 067 581

3 067 581

- Valuations on land and buildings are performed every 5years. The first general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.
- The valuation used in the current year was implemented from 01 July 2016 and it ends on the 30th of July 2021

6.17 Actuarial gain/ (Loss)

Long service awards - Actuarial Gain/(Loss)

-

332 523

Post-employment medical aid - Actuarial gain/(Loss)

-

769 000

-

1 101 523

6.18 Traffic fines

Traffic fines

166 150

258 600

(Figures in RSA Rand)

2023

2022

166 150

258 600

The municipality issued traffic fines to a total value of **R 166 150** as at 31 July 2022, and the amount collected for the traffic fines as at 31 July 2022 is **R 16 650** which is 10 % of the value amount of tickets issued as at end of the 31 July 2022.

6.19 Employee related costs

| | | |
|-------------------------------------|------------------|-------------------|
| Basic | 4 599 847 | 50 758 059 |
| Bonus | 630 271 | 3 808 422 |
| Medical aid - company contributions | 431 422 | 5 162 974 |
| UIF | 32 114 | 356 427 |
| SDL | 68 180 | 729 019 |
| Leave pay provision charge | - | 1 250 779 |
| Pension contribution | 841 533 | 9 092 451 |
| Overtime payments | 177 554 | 1 217 021 |
| Post-employment benefits costs | - | 258 060 |
| Car allowance | 1 137 494 | 12 072 260 |
| Housing benefits and allowances | 263 533 | 2 803 633 |
| Bargaining Council | 1 966 | 20 909 |
| Clothing allowance | 1 604 | 38 575 |
| Cell phone allowance | 191 578 | 2 109 362 |
| | 8 377 096 | 89 677 951 |

Municipal Manager (Ms Rampedi MN)

| | | |
|----------------------------------|---------------|------------------|
| Basic salary | - | 640 552 |
| Travel allowance | - | 261 687 |
| Cell phone allowance | - | - |
| Leave payout | - | 204 381 |
| Travel claim | 10 309 | 14 121 |
| Contributions to medical aid | - | 85 447 |
| Contributions to UIF | 22 | 2 148 |
| SDL | - | 12 623 |
| SALGBE | 22 | 124 |
| Remote allowance | - | 41 540 |
| Retirement annuity contributions | - | 78 004 |
| | 10 353 | 1 340 627 |

Chief Financial Officer (Mr Moganedi R.M)

| | | |
|--------------|--------|---------|
| Basic salary | 44 722 | 498 335 |
|--------------|--------|---------|

(Figures in RSA Rand)

| | 2023 | 2022 |
|---|---------------|------------------|
| Travel allowance | 22 361 | 239 529 |
| Cell phone allowance | 3 727 | 39 083 |
| Housing allowance | - | 5 712 |
| Travel claims | - | 3 406 |
| Contributions to medical aid | 3 727 | 46 760 |
| Contributions to UIF | 177 | 1 948 |
| SDL | 719 | 9 882 |
| Leave payout | - | 171 357 |
| SALGBE | 11 | 113 |
| Remote allowance | 1 789 | 22 489 |
| | 77 233 | 1 038 614 |
| Acting Chief Financial officer for BTO 2021/22 (Mr Makgalemane T.M.) | | |
| Acting allowance | - | 36 571 |
| (Acting duration was for 1 month from 1 august 2021 to 31 august 2021) | - | 36 571 |
| Senior manager: Corporate services (Ms Mahlare M.A) | | |
| Basic salary | 44 722 | 536 668 |
| Travel allowance | 19 274 | 231 286 |
| Medical aid contributions | 10 383 | 124 596 |
| Long service | - | 41 276 |
| UIF | 177 | 2 125 |
| SALGBE | 11 | 124 |
| SDL | 654 | 8 251 |
| Travel claims | 1 611 | 18 084 |
| Remote | 2 982 | 35 778 |
| | 79 814 | 998 188 |
| Senior manager: Community services (Ms Marishane M.E) | | |
| Basic salary | 44 722 | 536 668 |
| Travel allowance | 16 413 | 196 956 |
| Cell phone allowance | 2 195 | 26 344 |
| Housing allowance | 5 963 | 71 560 |
| Travel claims | - | 6 856 |
| Long service | - | 20 638 |
| Pension contributions | 5 085 | 61 022 |
| UIF | 177 | 2 125 |
| SALGBE | 11 | 124 |
| SDL | 656 | 8 094 |
| Remote allowance | 2 982 | 35 778 |

(Figures in RSA Rand)

2023

2022

78 204

966 165

Senior Manager: Infrastructure Development (Mr Segale M.A)

| | | |
|----------------------|---------------|----------------|
| Basic salary | 44 722 | 536 668 |
| Travel allowance | 16 208 | 194 493 |
| Cell phone allowance | 2 288 | 27 450 |
| Medical contribution | 11 162 | 133 939 |
| UIF | 177 | 2 125 |
| SALGBE | 11 | 124 |
| SDL | 741 | 9 101 |
| Remote allowance | 2 982 | 35 778 |
| Long service | - | 20 638 |
| | 78 291 | 960 316 |

Senior manager Economic Development and Planning (Mr Thabela A.P)

| | | |
|--------------------------|---------------|----------------|
| Basic salary | 44 722 | 536 668 |
| Travel allowance | 11 181 | 134 167 |
| Cell phone allowance | 1 593 | 19 119 |
| Pension contribution | 9 839 | 118 067 |
| Medical aid contribution | 7 044 | 84 529 |
| UIF | 177 | 2 125 |
| SALGBE | 11 | 124 |
| SDL | 751 | 9 015 |
| Travel claim | - | - |
| Remote allowance | 2 982 | 35 778 |
| | 78 300 | 939 592 |

6.20 Remuneration and allowances of councillors

| | | |
|----------------------------------|-----------|-----------|
| Mayor | 94 691 | 936 914 |
| Council speakers | 76 440 | 757 877 |
| Executive Committee Members | 470 470 | 4 641 788 |
| Other councillors basic salary | 1 028 383 | 9 881 118 |
| Councillors pension contribution | 181 427 | 1 687 326 |

(Figures in RSA Rand)

2023

2022

| | | |
|-----------------------------|------------------|-------------------|
| Travel allowance | 404 489 | 3 873 340 |
| Travel claims | 29 879 | 27 123 |
| Cell phone allowance | 176 800 | 2 091 649 |
| Skills development levy | 13 966 | 134 007 |
| Data cards (61 councillors) | - | 183 997 |
| | 1 834 945 | 24 215 139 |

Remuneration and allowances of selected members of the council

Remuneration and allowances for the Cllr Maitula B.M

| | | |
|-------------------------------|---------------|----------------|
| Basic salary | 57715 | 565 262 |
| Travel allowance | 0.00 | 0.00 |
| Cell phone allowance | 3400 | 40 800 |
| Contributions to pension fund | 32818 | 320 076 |
| SDL and Data card | 758 | 10 776 |
| | 94 691 | 936 914 |

Remuneration and allowances for the council speaker Cllr Tala M.A

| | | |
|--------------------------|---|----------------|
| Basic salary | - | 161 612 |
| Travel allowance | - | - |
| Cell phone allowance | - | 14 507 |
| Contributions to pension | - | 88 879 |
| SDL and Data card | - | 2 703 |
| | - | 267 701 |

Remuneration and allowance for the council speaker Cllr Mphelane M.J

| | | |
|--------------------------|---------------|----------------|
| Basic salary | 46172 | 291 424 |
| Travel allowance | - | - |
| Cell phone allowance | 3400 | 26 293 |
| Contributions to pension | 26 255 | 165 712 |
| SDL and Data card | 613 | 6 748.00 |
| | 76 440 | 490 177 |

Remuneration and allowances of members of the executive committee

| | | |
|------------------|---------|-----------|
| Basic salary | 274 752 | 2 693 759 |
| Travel allowance | 107 746 | 997 229 |

(Figures in RSA Rand)

2023

2022

| | | |
|-----------------------------|----------------|------------------|
| Cell phone allowance | 30 600 | 370 827 |
| Pension fund Medical & SDL | 52 037 | 496 001 |
| Travel claims and Data card | 5 336 | 83 973 |
| | 470 471 | 4 641 789 |

The remuneration and allowances of the political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

6.21 Depreciation and amortisation

| | | |
|-------------------------------|------------------|-------------------|
| Property, plant and equipment | 2 493 157 | 31 997 586 |
| Intangible assets | 10 423 | 505 885 |
| | 2 503 580 | 32 503 471 |

6.22 Assets impairment

| | | |
|-------------------------------|----------|----------|
| Property, plant and equipment | - | - |
| Intangible Assets | - | - |
| Investment Property | - | - |
| | - | - |

The municipality has completed an asset verification process for the period ended 31 July 2021 and no impairment loss identified and reported.

6.23 Finance Costs

| | | |
|---|----------|------------------|
| Interest cost: Employee benefit obligations | - | 465 000 |
| Interest cost: Landfill site provision | - | 1 051 943 |
| | - | 1 516 943 |

6.24 Contracted Services

| | | |
|--|-----------|------------|
| Repairs and Maintenance: Other Assets | 1 711 032 | 22 501 578 |
| Repairs and Maintenance: Infrastructure Assets | 4 182 000 | 42 182 417 |
| Operating Lease and Cash collection | 629 110 | 4 229 090 |
| Solid waste collection | 1 349 074 | 25 179 067 |
| Development of valuation roll | - | - |

(Figures in RSA Rand)

| | 2023 | 2022 |
|---|-------------------|--------------------|
| Cleaning and Security services & other | 2 102 164 | 21 172 074 |
| Publications VAT recovery services Spatial Planning & GIS | 985 920 | 19 185 620 |
| | 10 959 300 | 134 449 846 |
| 6.25 Grants and subsidies paid | | |
| Indigents grants (Free Basic Electricity) & other | 1 791 308 | 2 895 169 |
| | 1 791 308 | 2 895 169 |
| 6.26 Capital expenditure written-off (D Roads) | | |
| Property Plant and Equipment | 3 637 950 | 47 737 671 |
| | 3 637 950 | 47 737 671 |

In terms of the General Notice 217 of 2014 ownership and jurisdiction of roads by municipality in Limpopo Province is listed in schedule B of the notice. The municipality has constructed roads under the ownership of Roads Agency Limpopo SOC Limited (RAL) in terms of the Notice during the 2020/21 financial year. The roads cannot be capitalised and will have to be written off at year end and as at 31 July 2022 the expenditure for D roads was R52 942 675

6.27 General expenses

| | | |
|--|---------|-----------|
| 1.Advertising | 55 000 | 665 526 |
| 2.Bank charges | 14 710 | 128 049 |
| 3.Consulting and professional fees | - | 1 676 623 |
| 4.Consumables | - | - |
| 5.Entertainment | - | - |
| 6.Insurance | 32 000 | 1279 325 |
| 7.IT operating expenses | 245 250 | 1 235 856 |
| 8.Marketing | 30 000 | 245 200 |
| 9.Promotions and sponsorships | - | 1 333 239 |
| 10.Fleet Management & System | 21 410 | 88 564 |
| 11.Fuel and oil | 385 652 | 4 103 057 |
| 12.Printing and stationery | - | 3 821 880 |
| 13.Protective clothing | - | - |
| 14.Environmental care expense | - | - |
| 15.Telecommunications | 165 852 | 1 302 741 |
| 16.Training | - | 362 256 |
| 17.Travel and accommodation | 249 667 | 369 634 |
| 18.LED forum and summit | - | - |
| 19.Spatial planning - demarcation of sites | - | - |

(Figures in RSA Rand)

| | 2023 | 2022 |
|--|------------------|-------------------|
| 20. Water and electricity | 210 000 | 2 322 707 |
| 21. Sitting allowance ex-officio | - | 68 000 |
| 22. Publications | - | 7 426 210 |
| 23. Audit committee support | 48 000 | 403 170 |
| 24. Bursary fund | 254 250 | 3 929 413 |
| 25. Legal costs and Development of by-laws | - | 1 972 972 |
| 26. Customer care | - | 28 899 |
| 27. Financial System support | 410 250 | 4 973 270 |
| 28. Vehicle tracking | 18 500 | 88 564 |
| 29. Stipend | - | - |
| 30. Disaster relief fund | - | 1 872 094 |
| 31. EPWP | 321 000 | 4 386 790 |
| | 2 461 541 | 42 652 813 |

6.28 Provision - Rehabilitation of Landfill Site

| | | |
|-----------|-------------------|-------------------|
| Provision | 18 730 537 | 18 730 537 |
| | 18 730 537 | 18 730 537 |

The Madibong Landfill Site was previously included in the asset register of the Sekhukhune District Municipality together with the provision for the rehabilitation of the Landfill Site in its 2017/18 audited annual financial statements. On the 30th of July 2019 the Landfill Site was transferred to the Makhuduthamaga Local Municipality.

The valuation of the rehabilitation on the Landfill Site was performed by Mr Seakle Godschalk a professional registered environmental scientist of the Environmental and Sustainability Solutions (ESS) Company. The Company has developed and used the General Landfill Closure Costing Model (GLCCM) since 2011.

The future and discounted cash flows regarding the Landfill closure and rehabilitation related expenses were calculated using the CPI at 4.4437% and a discount rate of 7.9437%.

The cost of rehabilitating the Landfill Site was determined to be **R 18 730 537** as at the 30th of July 2019 and was recognised at cost and depreciated over time as property, plant & equipment in the statement of the financial position of the municipality.

6.29 Rental of facilities and equipment
Advertising Billboards

| | | |
|--------------|---------------|----------------|
| Site rentals | 84 063 | 114 166 |
| | 84 063 | 114 166 |

(Figures in RSA Rand)

2023

2022

The amount for site rentals is for the advertising billboards from PRIMEDIA around Makhuduthamaga municipal area

6.30 Operating lease

The Municipality has entered in to an operating lease with Velaphanda Trading & Projects for Photocopier machines for a period of three years.

The total future minimum operating lease payments payable under existing operating lease arrangements are categorised in the following categories:

| | | |
|---|------------------|------------------|
| Within one year of the operating date | 1 030 981 | 1 628 232 |
| More than one year but less than five years of the reporting date | 3 540 975 | - |
| | 4 571 956 | 1 628 232 |

6.31 Commitments

Authorised operating and capital expenditure

Operational commitments

| | | |
|-------------------------|--------------------|--------------------|
| Approved and contracted | 157 035 817 | 120 068 987 |
| | 157 035 817 | 120 068 987 |

Capital commitments

| | | |
|-------------------------|-------------------|-------------------|
| Approved and contracted | 88 357 205 | 92 897 366 |
| | 88 357 205 | 92 897 366 |

Total commitments

| | |
|--------------------|--------------------|
| 245 393 022 | 178 250 573 |
|--------------------|--------------------|

6.32 Related parties

Related party transactions

Section 57 Employees

| | | |
|--|--------|-----------|
| Municipal Manager (Ms Rampedi M.N) | 10 353 | 1 340 627 |
| Senior Manager: Corporate Services (Ms. Mahlare M.A) | 79 814 | 998 188 |
| Senior Manager: Community Services (Ms. Marishane M.E) | 78 204 | 966 165 |
| Senior Manager: Budget & Treasury(CFO) (Mr. Moganedi R.M) | 77 233 | 1 038 614 |

(Figures in RSA Rand)

2023

2022

Senior Manager: Economic Development & Planning (Mr. Thabela A.P)

78 300

939 592

Senior Manager: Infrastructure Development (Mr. Segale M.A)

78 291

960 316

402 195

6 243 502

South African Local Government Association

Annual membership fee

1 305 495 1 062 900

1 374 206 1 062 900

62 Councillors

Remuneration of Councillors

1 834 945 23 596 632

1 834 945 23 596 632

6.33 Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits cash equivalents and receivables. The municipality only deposits cash with credible banking institutions and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument

Receivables from non-exchange transactions

23 430 235

2 885 734

Receivables from exchange transactions

1 754 284

1 231 496

Cash & Cash equivalents

168 221 168

14 290 363

VAT Receivable

13 203 526

34 494 539

Maximum exposure

206 609 213

52 902 132

6.33 Unauthorised expenditure

Opening balance

205 185 199

167 098 342

Current year

-

38 086 857

Less amounts: written-off by council

-

(0.00)

(Figures in RSA Rand)

2023

2022

205 185 199

205 185 199

6.34 Fruitless and wasteful expenditure.

| | | |
|-----------------------------|----------------|----------------|
| Opening balance | 571 999 | 571 999 |
| Current year | - | - |
| Paid/written off by council | - | - |
| | 571 999 | 571 999 |

6.35 Irregular expenditure

| | | |
|---|--------------------|--------------------|
| Opening balance | 214 461 156 | 187 293 956 |
| Add: Irregular Expenditure - current year | 14 170 | 27 167 200 |
| Less: Amounts written-off by council | (-) | (-) |
| | 214 446 986 | 214 461 156 |

6.36 Additional disclosure in terms of Municipal Finance Management Act

Audit fees

| | | |
|------------------------------|-----|-------------|
| Amount incurred current year | - | 4 191 441 |
| Amount paid - current year | (-) | (4 191 441) |
| | - | - |

PAYE and UIF

| | | |
|------------------------------|-------------|--------------|
| Amount incurred current year | 1 805 684 | 18 530 032 |
| Amount paid - current year | (1 805 684) | (18 530 032) |
| | - | - |

Pension and Medical Aid funds deductions

| | | |
|------------------------------|-------------|--------------|
| Amount incurred current year | 2 260 981 | 24 188 465 |
| Amount paid - current year | (2 260 981) | (24 188 465) |
| | - | - |

Deviations as per section 36 of the SCM policy 2022/23 financial year.

The accounting officer may dispense with the official procurement processes established by SCM Policy and to procure any required goods which may include direct negotiations, but only –

(i) In an emergency;

| NO | Date | COMPANY NAME | DESCRIPTION | AMOUNT |
|--|---------------------------|-----------------|-----------------|--------|
| | 1 st July 2022 | Opening Balance | Opening Balance | R 0 |
| | | 0 | 0 | R 0 |
| TOTAL (Closing Balance as at 31 July 2022) | | | | R 0 |

(ii) If such goods or services are produced or available from a single provider only

| NO | | COMPANY NAME | SERVICE PROVIDED | AMOUNT |
|----|--|--------------------------------------|--|-------------|
| | 1 st July 2022 | Opening Balance | Opening Balance | R 0 |
| 1. | July 2022 | CIGFARO | Registration fees | R 16 396.00 |
| 2. | July 2022 | The Institute of Internal Auditors | Membership renewal | R 14 791.88 |
| 3. | July 2022 | Truvelo African Electronics Division | Calibrate 4 x Traffic speed Camera and 1 x battery | R 27 251.47 |
| | TOTAL (Closing Balance as at 31 July 2022) | | | R 58 439.35 |

(iii) In any other exceptional case where it is impractical or impossible to follow the official procurement processes; therefore the below transactions are incurred because it

| NO | Date | COMPANY NAME | DESCRIPTION | AMOUNT |
|---|----------------------------------|------------------------|-----------------------------|---------------------|
| | 01st July 2022 | Opening Balance | Opening Balance | R 0 |
| 1. | 31 th July 2022 | BP | Fuel for Municipal Vehicle | R 29 616.66 |
| 2. | 31 th July 2022 | Shell | Fuel for Municipal Vehicle | R 70 011.45 |
| 3. | 31 th July 2022 | Bapedi Filling Station | Fuel for Municipal Vehicles | R 16 377.62 |
| 4. | 31 th July 2022 | Moloi Filling Station | Fuel for Municipal Vehicles | R 29 616.66 |
| TOTAL (Closing Balance as at 31 July 2022) | | | | R 376 751.85 |

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Section 6.3 of the Supply chain management Policy” The Accounting Officer must, within 10 working days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the executive committee”
Section 6.4 of the Supply Chain Management Policy” The reports must be made public in accordance with section 21A of the Municipal Systems Act”.

1. Adoption of SCM Policy

The Council has adopted an SCM policy in terms of SCM regulation 3

2. Staff Employed in SCM unit

The unit comprise of six filled posts.

3. Job descriptions

The posts have job descriptions

4. Implementation Plan for SCM

Detailed Procurement Plan has been developed. The plan is updated on daily basis and serves on monthly reports

5. Needs assessment.

Necessary needs assessment undertaken before each acquisition through user Dept.

6. Performance of Vendors

Performance of vendors performed regularly by the Contract management officer in consultation with the user department.

7. Monitoring of SCM Policy

SCM processes are independently monitored to ensure the SCM policy is followed and desired objectives are achieved

8. Threshold values

Threshold values contained in the SCM Policy are aligned with the values stipulated in regulation 12.

9. Municipal bid documents

Municipal bid documents include evaluation criteria for use by the bid evaluation and adjudication committees. The documents made available for at least three days before the compulsory briefing date (if applicable).

10. Code of Conduct

All SCM Officials and Bid committee members have signed a Code of Conduct.

11. Invitations for bids.

All invitations for bids above R30 000 are advertised for at least 7 days on the website and official notice board (reg 18(a)).

12. In addition, all invitations for competitive bids are publically advertised

All invitations for competitive bids are publically advertised in newspapers commonly circulating locally (reg 22(1))

13. Training strategy for SCM practitioners

- Training strategy for SCM practitioners has been developed through corporate Services.
- SCM officials have completed a minimum requirement level (MFMP).

14. Bid Specification Committee.

Bid Specification Committee membership comply with regulation 27.

15. Bid Evaluation Committee

Bid Evaluation Committee membership comply with regulation 28.

16. Bid Adjudication Committee membership comply with regulation 29

Bid Adjudication Committee membership comply with regulation 29

17. Regulation 29(4), which stipulates that a member of a bid evaluation committee or an advisor may not be a member of a bid adjudication committee. Circular 82 approved by council and implemented.