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EASTERN CAPE
PROVINCIAL TREASURY

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LOCAL GOVERNMENT CONSOLIDATED MFMA REPORT

FIRST QUARTER SECTION 71(7)

2022/2023 FINANCIAL YEAR

AS AT 30 SEPTEMBER 2022



VISION: We envision a prosperous province supported by sound financial and resource management.



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A. ACRONYMS

1	AWB	Amatola Water Board
2	DWS	Department of Water and Sanitation
	DOE	Department of Energy
3	ECAG	Eastern Cape Auditor General
4	ECCOGTA	Eastern Cape Cooperative Governance and Traditional Affairs
5	EC-SALGA	Eastern Cape South African Local Government Association
6	GIZ	German Agency for International Cooperation
7	IYM	In Year Monitoring
8	LGD	Local Government Database
9	MFMA	Municipal Finance and Management Act
	MISA	Municipal Infrastructure Support Agent
10	MPAC	Municipal Public Accounts Committee
11	MRMCL	Municipal Regulations on Minimum Competency
12	NMBM	Nelson Mandela Bay Metro
13	NMD	Notified Maximum Demand
14	NT	National Treasury
15	PFMA	Public Finance and Management Act
16	PT	Provincial Treasury
17	SARS	South African Revenue Services
18	SALGA	South African Local Government Association
19	UIF&W	Unauthorised Irregular and Fruitless Expenditure

B. INTRODUCTION

1. Section 71(7) of the Municipal Finance and Management Act (MFMA) requires the Provincial Treasury to consolidate the quarterly budget statements of all municipalities in the province. Section 71(7) further requires the Provincial Treasury to publish this report and tabling in the Provincial Legislature by no later than 45 days after the end of each quarter (***no later than 14 November 2022***).
2. This takes into account the verification process undertaken by the National and Provincial Treasury with municipalities, a process taking longer than expected. For this reporting period, municipalities were to submit verified data to National Treasury no later than **02 November 2022**.
3. This report forms part of the IYM, which enables provincial and national government to exercise oversight over municipalities and provide necessary support. National Treasury has institutionalised IYM for a number of years to produce monthly and quarterly financial reports. Despite this, some municipalities still fall short of full compliance because of administrative and political leadership instability including unsatisfactory political oversight and governance. As a consequence of this, some of the reports submitted are neither accurate nor complete, resulting in the distortion of the consolidated performance by municipalities in the province.
4. The report provides an overview on the state of municipal finances whilst also achieving the following objectives:
 - ❑ Serves as an early warning system to measure and detect municipalities in financial challenges and the need for intervention where necessary;
 - ❑ Assists in promoting effective oversight mechanism, the appropriate fiscal discipline and managerial accountability, transparency on financial performance of municipalities;
 - ❑ Enables PT to monitor and improve municipal performance; and
 - ❑ Promoting greater effective political oversight.
5. PT uses the LGD (Local Government Database) of the National Treasury as the primary source for the data used in this report. Users of the report should take note that the quality of the report is compromised when municipalities fail to submit all the required reports on a timeous basis. The quality of this report depends on the credibility of the information submitted and verified by all municipalities in the province.
6. This consolidated quarterly report relates to the first quarter of the 2022/23 municipal financial year. This period covers the months 01 July 2022 to 30 September 2022. The PT publishes the quarterly IYM as required by the legislative prescripts and present to various provincial political and technical structures within the province.

C. KEY NOTE

7. For the quarter under review R15.8 billion (36.9 percent of the projected revenue) had been raised by municipalities. This year-to-date performance is mainly driven by revenue raised against property rates (R4.9 billion), electricity (R2.4 billion), water (R1.8 billion) and transfers recognized (R4.8 billion). This signifies grant reliance by most municipalities in the province, a trend that is likely to continue for some time due to the slow economic growth, exacerbated by the impact of COVID19.
8. Similarly, the year-to-date operating expenditure for the quarter under review is reported at R9 billion or 20.8 percent of the consolidated budget. This performance is underpinned by employee related costs (R3.1 billion) and bulk purchases (R2.7 billion).
9. The first quarter performance on capital expenditure is reported at R1.7 billion which is equivalent to 18.8 percent of the R9.8 billion consolidated budget for all the municipalities. This area requires urgent attention from municipalities and stakeholders that support and oversee municipalities. Most municipalities in our province rely on conditional grants to fund infrastructure projects.
10. The national transfer's year-to-date expenditure is R815 million or 11 percent of the annual budget. The expenditure rate by some of our municipalities presents a risk that some might lose funding when they do not meet the prescribe threshold for the period ending 31 December 2022.
11. On aggregate, municipal debtors book continues to increase significantly. The year-to-date outstanding debt to municipalities amount to R30.4 billion. Organs of state debt towards municipalities stands at R1.7 billion or 6 percent of the total outstanding debt. Organs of state debt forums interacts quarterly to remedy the situation between national and provincial departments with municipalities. 22 percent of the outstanding debt is owed by businesses while approximately 71 percent is owed by households.
12. Short term financial obligations outstanding and payable to Eskom, Auditor General, Amatola Water and the Department of Water and Sanitation for the quarter under review amount to R4.3 billion of which R3.4 billion is payable to ESKOM.
13. Compliance to the Municipal Regulations on Minimum Competency Levels remains stable with an average compliance of 90 per cent of Municipal Managers and 90 per cent of Chief Financial Officers having attained the competency level out of 39 municipalities.
14. All municipalities in the province have established the Municipal Disciplinary Boards. Not all municipalities that established have shown functionality and implementation of the recommendations by municipal Councils remains a challenge. The MPAC and DC Boards plays a joint significant role to limit the Unauthorised, Irregular, Fruitless and Wasteful expenditure, which is a provincial concern.
15. The implementation of the mSCOA reform remains a challenge, however, there are gradual improvements noted during Provincial Treasury and system vendor's regular interactions with municipalities. Municipalities continue to show improvement in terms of submitting data strings on time. However, the quality of the submitted data still needs some improvement.
16. **In conclusion:**
 - We strive to attain financially sustainable municipalities compliant to MFMA reforms that are able to withstand the impact of a struggling economy exacerbated by the ravaging COVID19 pandemic;
 - Accountability underpinned by good governance across all municipalities; and

- Consequent management where transgressions and irregularities occur.

D. MUNICIPAL RISK POSITION STATEMENT

17. The state of the economy remains vulnerable – owing to various factors that include but not limited to after effects of the COVID19 pandemic, geo-political situation in Europe and the challenges we have with electricity supply. This has put more pressure on municipalities' ability to collect revenue from households and has further resulted in increased indigent beneficiaries in most municipalities.
18. Doing business at subnational and regional level remain under constant constraints triggered by poor performance of economic industries and in particular the tourism, agricultural and construction sectors.
19. The management of cash and bank in municipalities remains a thorny issue resulting in some municipalities failing to honour their financial obligations, particularly for bulk accounts for water and electricity. Of the total debt owed to ESKOM of R3.4 billion, it should be noted that R2.8 billion is owed by only eight (8) municipalities in the province.
20. Revenue collection from billed revenue has become an important factor in financial sustainability of municipalities. The ineffective implementation of credit control policies by municipalities has a direct negative impact of cash flows by municipalities.
21. Financial obligations risk on statutory payments and subsequent litigations and loss of assets through recovery of services is implanted in poor disclosure of contractual obligations of a latent nature;
22. The spending patterns on conditional grants remain a huge risk to infrastructure development in the province. This also impacts negatively on economic development. During the 2021/22 financial year, the municipalities requested rollovers amounting to R633 million. Preliminary results show that of this amount, only 28.5 percentage (R175.2 million) was approved. The year-to-date spending of R774.6 million, representing 10.5 per cent of the total allocation has been reported by municipalities in the province. These spending trends have serious implications for these municipalities as funding might be lost if the 40 percent threshold is not met by 31 December 2022 in line with the 2022 MIG guidelines.
23. Information is relevant and useful for internal and external stakeholders when it is free of material errors, which in this case, the data submitted by municipalities fails to pass the credibility and completeness. This would lead to incorrect conclusion and decision making; and
24. The ECPT continues to monitor the potential risks to provide needed support in affected municipalities jointly with relevant stakeholders.

E. SUMMARY ON THE STATE OF EC MUNICIPAL FINANCES

KEY AGGREGATE TRENDS

25. **Table 1** below reflects the 2022/23 aggregated year-to-date revenue of R15.8 billion for the province. Improved submission of reports by municipalities is one of the contributing factors for this year-on-year improvement.

Part1: Operating Revenue and Expenditure at 30 September 2022								
	2022/23					2021/22		Q1 of 2021/22 to Q1 of 2022/23
	Budget Main appropriation	First Quarter Actual Expenditure	1st Q as % of Main appropriation	Year to Date Actual Expenditure	Total Expenditure as % of main appropriation	First Quarter Actual Expenditure	Total Expenditure as % of main appropriation	
R thousands								
Operating Revenue and Expenditure								
Operating Revenue	42,902,509	15,825,361	36.9%	15,825,361	36.9%	9,813,801	25.1%	61.3%
Operating Expenditure	43,291,784	9,018,190	20.8%	9,018,190	20.8%	8,275,887	20.7%	9.0%
Surplus/(Deficit)	(389,274)	6,807,170		6,807,170		1,537,913		
Transfers and subsidies - capital (monetary allocations) (Nat / Prov and Dis	6,696,221	911,194	13.6%	911,194	13.6%	592,139	9.1%	53.9%
Transfers and subsidies - capital (monetary alloc)(Departm Agencies,HH,P	57,595	17,801	30.9%	17,801	30.9%	10,591	22.5%	68.1%
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	110	-	(100.0%)
Surplus/(Deficit) after capital transfers and contributions	6,364,542	7,736,165		7,736,165		2,140,753		
Taxation	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	6,364,542	7,736,165		7,736,165		2,140,753		
Attributable to minorities	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	6,364,542	7,736,165		7,736,165		2,140,753		
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	6,364,542	7,736,165		7,736,165		2,140,753		

Source: LG database

26. The current year's operating surplus before capital transfers amounted to R6.8 billion and this is attributed to the high operating revenue as a result of property rates that are billed in advance in line with Municipal Property Rates Act.

Capital Expenditure

27. The year-to-date aggregate capital expenditure amounts to just over R1.7 billion of the capital budget of R9.8 billion. This is equivalent of 18 percent of the budget.
28. It is noted with concern that the reported capital expenditure does not reconcile with the funding sources recognised to fund capital expenditure. Municipalities reported an amount of R1.7 billion used to fund the capital expenditure of R2.6 billion. Municipalities affected by this anomaly are Amathole DM, Amahlathi LM, Buffalo City Metro, Dr Beyers Naude LM, King Sabata Dalindyebo LM, Koukamma LM, Makana LM, Mhlontlo LM, Ndlambe LM, Nelson Mandela Bay Metro, Ngquza Hills LM, Nyandeni LM, Koukamma LM, Sundays River Valley LM. These municipalities have been reduced significantly from the 21 municipalities. This anomaly has been brought to the mSCoA project team in order to assist municipalities to correct the problems. The PT, working with municipalities and system vendors are working towards correcting this anomaly.

Infrastructure Conditional Grants Spending

29. **Table 3** below reflects the consolidated conditional infrastructure expenditure on conditional grants as at 30 September 2022. The figures below are from sector department's verification on conditional grant performance where Provincial Treasury and transferring officers meet on a regular basis.

Table 3: Consolidated Conditional Grant Expenditure for the quarter ended 30 September 2022

Grant Type	2022/23	Revised Allocation	Transferred Amounts	Expenditure End September 2022		Balance
Municipal Infrastructure Grant (MIG)	3 490 712	3 490 712	824 828	446 285	12.78%	3 044 427
Expanded Public Works Programme Integrated Grant (Municipality)	121 106	121 106		19 798	16.35%	101 308
Rural Roads Asset Management Systems Grant (RRAMS)	16 926	16 926		0	0.00%	16 926
Integrated National Electrification Programme Grant (Municipal)	256 083	256 083	63 595	28 180	11.00%	227 903
Energy Efficiency and Demand Side Management (Municipal) Grant	24 420	24 420	9 000	0	0.00%	24 420
Regional Bulk Infrastructure Grant (RBIG) Schedule 5B	431 907	431 907	85 038	39 414	9.13%	392 493
Regional Bulk Infrastructure Grant (RBIG) Schedule 6B	355 681	271 813		105 989	38.99%	249 692
Water Services Infrastructure Grant (Schedule 5B)	498 051	498 051	114 425	24 747	4.97%	473 304
Water Services Infrastructure Grant (Schedule 6B)	30 000	30 000		8 176	27.25%	21 824
Municipal Disaster Response Grant (Intervention)	109 800	109 800		2 408	2.19%	107 392
Informal Settlements Upgrading Partnership Grant (ISUPG)	616 998	616 998		29 544	4.79%	587 454
Public Transport Network Grant (PTNG)	318 543	318 543		1 370	0.43%	317 173
Urban Settlement Development Grant (USDG)	1 085 111	1 085 111		65 527	6.04%	1 019 584
Programme and Project Preparation Support Grant (PPPSG)	34 098	34 098		0	0.00%	34 098
Neighbourhood Development Partnership Grant (NDPG) S5B	66 162	66 162		3 167	4.79%	62 995
Total	7 455 598	7 371 730	1 096 886	774 605	10.51%	6 597 125

Source: Supplied by transferring Officers

30. The year-to-date spending of R774.6 million, representing 10.5 per cent of the total allocation has been reported by municipalities in the province in respect of the quarter ended 30 September 2022. Evidently, this expenditure is below the projected 25 percent if one had to apply a straight line method over a 12-month period of the current financial year.
31. An amount totalling R446.2 million has been spent against **Municipal Infrastructure Grant (MIG)** and this represents 12.78 per cent of the annual allocation. Four (4) municipalities in the province - Enoch Mgijima, Walter Sisulu, Senqu and Raymond Mhlaba - have been placed under cost reimbursement in respect of MIG. The transferring officer does not transfer the money in advance, but rather pay for the work done after it has been verified by officials from CoGTA and MISA. Of these 4 municipalities, only Enoch Mgijima has reported some spending at 30 September 2022. The municipality has reported R3.3 million or 5 percent expenditure against its R67.6 million annual allocation. No expenditure was reported by Raymond Mhlaba, Walter Sisulu and Senqu municipalities as verification was still pending at 30 September 2022. The transferring officer has assured us that there are outstanding invoices that have been

submitted to the municipalities but the expenditure will be captured with the report to be submitted for October 2022.

32. The overall district spending on MIG as at 30 September 2022 can be summarized as follows:

DISTRICT	TOTAL EXPENDITURE AT 30 SEPT 2022	HIGH LEVEL OBSERVATION
SARAH BAARTMAN	R36 million (19%)	Municipalities in the Sarah Baartman district have spent R36 million or 19 percent of the allocation of R186.5 million. However, two municipalities are at risk of not making the 40 percent threshold at 31 December 2022 – i.e Blue Crane Route and Makana have spent 9 percent and 5 percent of their respective annual allocations.
AMATHOLE	R52.9 million (7%)	Year-to-date expenditure stands at R12.5 million or 2 percent of the annual allocation of R767.2 million. 3 municipalities are underspending – i.e Great Kei (3%), Raymond Mhlaba (0%) and Amathole DM (3%). Raymond Mhlaba is under cost re-imbursement. ADM is required to spend 45 percent of the annual allocation by 31 December 2022 in order to avoid section 19 of the DORA (re-allocation). Underspending is due to labour unrest incidents over salary increases in the district municipality.
CHRIS HANI	R188.2 million (33%)	Spending in the Chris Hani district is according to annual projections. As at 30 September 2022, the spending was R188.2 million or 33% of the annual allocation of R570.2 million. This spending is driven by the Chris Hani DM which has already spent 45 percent of the annual allocation. The only municipality that appears to be underspending is Enoch Mgijima with 5 percent and this is as a result of the cost re-imbursement arrangement with the department.
JOE GQABI	R57.1 million (20%)	The spending in the Joe Gqabi district is at R57.1 million or 20 percent of the annual allocation of R289 million. As indicated earlier, the two municipalities with R0 spending – Senqu and Walter Sisulu – are in a cost re-imbursement arrangement with the transferring officer.
OR TAMBO	R105.6 million (10%)	Municipalities in OR Tambo district had spent R105.6 million or 10 percent of the annual allocation of R1 049 million. The OR Tambo DM and Ngquza Hill are the only two municipalities that are underspending with 3 percent and 7 percent of their respective annual allocations.
ALFRED NZO	R46.6 million (7%)	The Alfred Nzo municipalities have spent R46.6 million or 7 percent of the annual allocation of R627.5 million. All the municipalities in this district appear to be underspending.

33. Municipalities in the province have spent R19.7 million in respect of the EPWP grant at 30 September 2022 and this equivalent to 16.3 percent of the annual allocation of R121.1 million. No breakdown per municipality has been received from the transferring officer at the time of compiling the report.
34. A total of R256 million has been allocated to municipalities in respect of INEP. The year-to-date spending is R28.1 million or 11 percent of the annual allocation. The year-to-date expenditure can be summarized as follows:

DISTRICT	TOTAL EXPENDITURE AT 30 SEPT 2022	HIGH LEVEL OBSERVATION
SARAH BAARTMAN	R2.9 million (11%)	3 municipalities - Blue Crane Route, Ndlambe and Sundays River Valley - have been allocated R26.6 million with the spending of 11 percent reported at 30 September 2022. Only Sundays River Valley reported spending (28 percent of the allocation).
AMATHOLE	R269 thousand (3%)	3 municipalities – Mquma, Great Kei and Raymond Mhlaba - have been allocated R9.8 million with the spending of 3 percent reported at 30 September 2022. Only Mquma reported spending (4 percent of the allocation).
CHRIS HANI	R4 million (5%)	5 municipalities – Intsika Yethu, Emalahleni, Dr AB Xuma, Sakhisizwe and Enoch Mgijima - have been allocated a total of R73.8 million with the spending of 5 percent reported at 30 September 2022. All the municipalities have started with the spending.
JOE GQABI	R0	The grant has been allocated to Walter Sisulu and Senqu. None of the municipalities have reported any expenditure at 30 September 2022.
OR TAMBO	R5.9 million (12%)	4 municipalities – Ingquza Hills, PSJ, Mhlontlo and KSD - have been allocated a total of R49.9 million with the spending of 12 percent reported at 30 September 2022.
ALFRED NZO	R14.9 million (21%)	3 municipalities – Matatiele, Winnie Madikizela Mandela and Ntabankulu - have been allocated a total of R69.7 million with the spending of 21 percent reported at 30 September 2022.

35. The total allocation to municipalities in respect of WSIG totals R498 million. This grant has been allocated to all Water Services Authorities (WSAs) in the province – i.e all 5 District Municipalities and the 5 Local Municipalities in the Sarah Baartman district. The total expenditure reported at 30 September 2022 amounted to R24.7 million or just 5 percent of the total allocation. Only 4 municipalities have reported expenditure at 30 September 2022 and the municipalities are Ndlambe, Sundays River Valley, Chris Hani DM and Joe Gqabi DM. The PT and the Department of Water and Sanitation conducted one-on-one sessions with all the underspending municipalities in order to avoid any further delays to spending. This

grant is being monitored closely so that the minimum thresholds can be achieved at 31 December 2022.

36. The total allocation to municipalities in respect of RBIG amounts to R431.9 million and only 9 percent has been spent during the quarter ended 30 September 2022. The grant has been allocated to the Chris Hani, OR Tambo and Joe Gqabi District Municipalities. To-date, the Chris Hani District Municipality is the only municipality that has reported expenditure.
37. A total amount of R109.8 million has been allocated to municipalities that were affected by the recent floods in early 2022. The 9 affected municipalities in the province are Mbhashe, Ngquza Hills, Port St Johns, Nyandeni, OR Tambo DM, Umzimvubu, Winnie Madikizela Mandela and Ntabankulu. To-date, the only municipality that has reported expenditure is Umzimvubu with R2.4 million. The expenditure trends are a concern as this funding was allocated for disaster management.
38. The total allocation to the 2 metros in the province amount to R2.1 billion. To-date, R102.2 million has been spent and this is equivalent to 4.7 percent of the total allocation to the metros. Of the total expenditure reported to-date, Nelson Mandela Metro has spent R19.7 million (1.5 percent of its annual allocation) and the Buffalo City Metro spent R82.5 million (9.8 percent of its annual allocation). The two municipalities are overseen and supported directly by National Treasury and a concern on the slow rate of spending has been escalated.

Creditors

39. **Table 5** below reflects the age analysis of creditors as at 30 September 2022 reported by municipalities. The EC municipalities owe a total amount of R5.8 billion (R5.3 billion for the previous quarter) to creditors as at the end of September 2022. These accounts tend to attract interest and penalties which is a contravention of section 65(2)(e) of the MFMA.

Table 5: Consolidated Creditors Age Analysis as at 30 September 2022										
R thousands	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Creditor Age Analysis										
Bulk Electricity	653,770	11%	132,273	2%	27,685	0%	1,968,455	34%	2,782,183	48%
Bulk Water	28,593	0%	648	0%	11,475	0%	299,261	5%	339,977	6%
PAYE deductions	33,441	1%	19,252	0%	1,897	0%	12,218	0%	66,808	1%
VAT (output less input)	29,471	1%		0%		0%	0	0%	29,471	1%
Pensions / Retirement	84,791	1%	12,131	0%	-11,420	0%	16,156	0%	101,658	2%
Loan repayments	19,196	0%		0%		0%	0	0%	19,196	0%
Trade Creditors	293,166	5%	92,049	2%	116,672	2%	1,592,941	27%	2,094,828	36%
Auditor-General	11,533	0%	1,777	0%	-305	0%	26,761	0%	39,766	1%
Other	332,629	6%	-3,321	0%	-9,512	0%	52,022	1%	371,818	6%
Total	1,486,590	25%	254,809	4%	136,492	2%	3,967,814	68%	5,845,705	100%

Source: LG database

40. Creditors amounting to R3.9 billion are outstanding for more than 90 days representing 68 per cent of the total creditors outstanding as at 30 September 2022. The top four (4) creditor's categories remain Bulk electricity (R2.7 billion), Trade creditors (R2 billion), Other creditors (R371.8 million) and Bulk water (R339.9 million).

41. We also note that there is no alignment between creditor's balances reported by municipalities and the balances reported by other stakeholders such as Eskom, Water Boards and the Auditor General as required by section 41(2) of the MFMA.

42. Table 5.1 below in summary depicts total outstanding debt owed by municipalities reported by major creditors amounting to R4.3 billion at 30 September 2022 (R4.4 billion at 30 June 2022). There is a marginal reduction of about R100 million from the previous quarterly report.

Table 5.1: Debt owed to major creditors - 30 September 2022

MAJOR CREDITOR	CURRENT R	30 DAYS R	60 DAYS R	90 DAYS R	120+ DAYS R	TOTAL R	ARREAR AMOUNT 30 September 2022 R	ARREAR AMOUNT AS A % OF TOTAL DEBT
Amatola Water	44 225 184	14 185 306	11 660 822	9 325 783	249 073 447	328 470 541	270 060 052	82%
ESKOM	900 371 923	3 072 650	152 547 737	214 950 404	2 179 023 869	3 449 966 584	2 546 522 010	74%
Water and Sanitation	21 003 519	40 023 285	22 704 688	3 578 953	453 194 494	540 504 940	479 478 136	89%
Auditor General	32 142 299	-31 420	413 577	358 160	40 304 725	73 187 341	41 076 461	56%
TOTAL	997 742 925	57 249 822	187 326 824	228 213 300	2 921 596 535	4 392 129 406	3 337 136 659	76%

Source: Section 41 reports

43. At 30 September 2022, Amatola Water Board reported outstanding debt of R328.4 million (R344.5 million in June 2022) that is owed by Eastern Cape municipalities with arrear debt amounting to R272.9 million or 90 per cent of total outstanding amount as reflected in the table below.

Debt owed to Amatola Water Board - 30 September 2022

MAJOR CREDITOR	CURRENT R	30 DAYS R	60 DAYS R	90 DAYS R	120+ DAYS R	TOTAL R	ARREAR AMOUNT 31 AUGUST 2022 R	ARREAR AMOUNT AS A % OF TOTAL DEBT
Amathole District Municipality	11 202 204	11 149 014	10 850 224	8 829 877	228 436 971	270 468 289	248 117 071	92%
OR Tambo District Municipality	4 870 743	1 832 894	936 666	4 088 570	8 967 556	20 696 430	13 992 792	68%
Makana Municipality O&M Contract	8 330	7 890	7 890	7 173	10 834 825	10 866 108	10 849 888	100%
TOTAL	16 081 277	12 989 799	11 794 780	12 925 619	248 239 352	302 030 826	272 959 751	90%

Source: Section 41 reports

44. The top owing municipality is Amathole District Municipality with a debt of R248.1 million and has since signed a settlement agreement with Amatola Water Board for the old debt (30 June 2019). The municipality has managed to pay R30.8 million during the quarter under review. Included in this figure is a payment of R30.6 million paid in July 2022 in line with the payment arrangement. Makana Local Municipality has also signed a payment agreement with the entity and owes R10.8 million, however, no payment was received during the quarter under review. OR Tambo District Municipality has a debt of R20.6 million and the municipality was able to make payments of R5.8 million in July 2022 and R13.7 million in August 2022.

45. The total arrear debt owed to the department of Water and Sanitation is reflected in the table below.

WSP AGE ANALYSIS AS AT 30 SEPTEMBER 2022								
Municipality	Current	30+ Days	60+ Days	90+ Days	120+ Days	150+ Days	180+ Days	Total
OLIVER TAMBO DISTRICT MUNICIPALITY	7 668 238.51	(176 291.10)	5 436 875.22	1 714 014.10	4 788 979.91	-	101 158 937.90	120 590 754.54
AMATOLE DISTRICT MUNICIPALITY	4 385 257.58	213 889.44	3 999 982.65	782 120.60	4 865 998.66	-	103 562 680.97	117 809 929.90
CHRIS HANI DISTRICT MUNICIPALITY	7 398 678.26	1 509 540.04	8 770 591.42	1 043 554.21	7 598 025.95	-	62 613 418.65	88 933 808.53
MAKANA MUNICIPALITY	751 220.90	618 977.21	701 853.39	96.74	2 145 828.97	-	65 207 283.74	69 425 260.95
KING SABATA DALINDYENO MUNICIPALITY (ORT)	29.12	-	-	13.78	629 766.93	-	54 167 022.24	54 796 832.07
SUNDAY'S RIVER VALLEY MUNICIPALITY	1 027 251.06	968 417.93	1 903 809.66	293.37	2 336 853.23	-	23 480 917.54	29 717 542.79
ALFRED NZO DISTRICT MUNICIPALITY	1 446 227.58	112 019.90	1 535 597.19	125 393.66	1 521 592.97	-	5 164 710.88	9 905 542.18
JOE GQABI DISTRICT MUNICIPALITY	52 767.56	57 522.64	69 721.83	61 506.62	146 324.45	-	5 557 109.06	5 944 952.16
TOTAL	22 729 670.57	3 304 076.06	22 418 431.36	3 726 993.08	24 033 371.07	-	420 912 080.98	497 124 623.12

46. The Department of Water and Sanitation reported total outstanding debt amounting to R540.9 million at 30 September 2022 (R554.9 million at 30 June 2022). This debt has been reduced by approximately R14 million compared to the previous quarter. Currently the OR Tambo District Municipality owes R175.3 million and signed a payment plan with the department in November 2021. Payments totalling R6.7 million have been made during the quarter under review. There is a current dispute between the department and OR Tambo in respect of the R54.7 million owed by KSD municipality. The OR Tambo DM which is a WSA has requested the debt to be written off. This request has been sent for the attention of the department and the outcome is still pending. The Amathole District Municipality also owes R117.8 million and the municipality has been taken to court on this outstanding debt and no payment arrangement has been signed to-date. The other municipalities that have defaulted are Makana (R69.4 million); Chris Hani District municipality (R88.9 million); and Sundays River Valley Municipality with R29.7 million. Only the Chris Hani DM has a payment agreement and this was signed in September 2022. The municipality has also made a payment of R6.4 million in September 2022 as part of the payment agreement.

47. According to Eskom's section 41 report, the EC municipalities owe a total of R3.4 billion as at the end of September 2022 and this amount has not changed from the previous quarter ended 30 June 2022. Municipalities that are in arrears with their ESKOM accounts are reflected in the table below.

Top 8 municipalities defaulting on ESKOM account - 30 September 2022								
MAJOR CREDITOR	CURRENT R	30 DAYS R	60 DAYS R	90 DAYS R	120+ DAYS R	TOTAL R	ARREAR AMOUNT AUGUST 2022 R	ARREAR AMOUNT AS A % OF TOTAL DEBT
AMAHATHI LOCAL MUNICIPALITY	11,439,208	0	1,096,218	6,503,248	49,317,806	68,356,479	56,917,271	83%
DR BEYERS NAUDE LOCAL MUNICIPALITY	18,005,660	87,926	19,151,074	16,146,034	297,737,930	351,128,624	333,035,038	95%
ENOCH MNGUMI LOCAL MUNICIPALITY	49,571,935	22,290	59,203,447	47,690,431	755,262,206	911,750,309	862,156,084	95%
INXUBA YETHEMBA LOCAL MUNICIPALITY	14,672,335	0	17,604,152	16,311,884	346,110,751	394,699,121	380,026,787	96%
KING SABATA DALINDYENO LOCAL MUNICIPALITY	103,875,951	31,673	296,686	57,122,704	15,723,380	177,050,394	73,142,770	41%
MAKANA LOCAL MUNICIPALITY	36,993,380	12,294	21,288	40,947,063	15,786,105	93,760,131	56,754,457	61%
RAYMOND MHLABA LOCAL MUNICIPALITY	11,388,949	23,407	16,829,522	6,077,886	254,655,928	288,975,692	277,563,336	96%
WALTER SISULU LOCAL MUNICIPALITY	19,177,430	0	24,519,542	22,648,978	438,751,333	505,097,282	485,919,852	96%
TOTAL	265,124,849	177,590	138,721,929	213,448,228	2,173,345,438	2,790,818,033	2,525,515,594	90%

Source: Section 41 reports

Source: Section 41 report for September 2022

48. Amount owing to AGSA fees by municipalities is R70.3 million for the period ended 30 September 2022 showing a material increase compared to the total debt owed at 30 June 2022. The increase can be attributed to the audit fees incurred as a result of the 2021/22 audit that is currently taking place across all municipalities and municipal entities.

Table 4 : Debt owed to the Auditor General - 30 September 2022								
MAJOR CREDITOR	CURRENT R	30 DAYS R	60 DAYS R	90 DAYS R	120+ DAYS R	TOTAL R	PAYMENTS RECEIVED R	OUTSTANDING BALANCE R
ALFRED NZO DISTRICT	2,975,881	30,622	-1,985	0	0	3,004,518	1,687,952	1,316,566
AMATHOLE DISTRICT	7,629,643	7,629,643	7,629,643	7,629,643	15,259,286	45,777,859	5,557,752	40,220,107
SARAH BAARTMAN DISTRICT	8,721,403	82,219	74,575	63,067	7,863,646	16,804,910	7,558,890	9,246,020
JOE GQABI DISTRICT	2,677,812	19,265	17,368	18,774	895,303	3,628,522	1,837,357	1,791,165
OR TAMBO DISTRICT	5,644,659	-460,847	11,295	10,638	1,589,267	6,795,011	3,531,723	3,263,289
CHRIS HANI DISTRICT	4,492,901	161,891	174,092	120,083	12,401,398	17,350,365	2,823,429	14,526,936
TOTAL	32,142,299	7,462,793	7,904,988	7,842,205	38,008,901	93,361,185	53,756,093	70,364,082

Source: Section 41 reports

49. The R40.2 million owed by municipalities in the Amathole district include the fees by the BCM municipality. However, the biggest defaulting municipality is Raymond Mhlaba that owes in

excess of R16 million. The other municipality that has a high balance in respect of AGSA is Inxuba Yethemba with an outstanding balance of R12.6 million.

Debtors

50. **Table 6** below reflects total outstanding debtors amounting to R30.4 billion reported by municipalities at 30 September 2022 (an increase of about R5.6 billion compared to the R24.8 billion that was for the quarter ended 30 June 2022).

Table 6 : Debtors age analysis Per Customer Group - 30 September 2022

Debtors Age Analysis By Customer Group	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Organs of State	445,307	1%	107,148	0%	150,252	0%	1,004,889	3%	1,707,596	6%
Commercial	2,195,202	7%	283,988	1%	183,682	1%	3,999,343	13%	6,662,215	22%
Households	3,151,396	10%	1,142,442	4%	726,195	2%	16,626,580	55%	21,646,613	71%
Other	41,208	0%	9,803	0%	40,798	0%	329,334	1%	421,143	1%
Total By Customer Group	5,833,113	19%	1,543,381	5%	1,164,793	2.8%	21,960,146	72%	30,437,567	100

Source : NT Local Government Database

51. Of the total outstanding debt owed to municipalities, debtors older than 90 days' amount to R21.9 billion or 72 per cent of the total outstanding debtors. This presents a risk that this debt may not be recoverable. The implementation of credit control policies does not appear to be effective in most municipalities in the province.

52. Reported outstanding household (h/h) debt amounts to R21.6 billion and is the highest contributing customer group (71 per cent). Debt owed by commercial/business consumers amounted to R6.6 billion (22 per cent of total debt).

53. Quarterly meetings continue at a district level to discuss any unresolved issues with escalation to the Provincial Debt Steering Committee (SALGA, Provincial Treasury and Provincial CoGTA). The municipal current and arrear debt engagements took place at district level as follows:

No.	DISTRICT	DATE
1.	Alfred Nzo	06 September 2022
2.	OR Tambo	12 September 2022
3.	Amathole & BCM	22 September 2022
4.	Chris Hani	20 September 2022
5.	Joe Gqabi	15 September 2022
6.	Sarah Baartman & NMB	27 September 2022

Observations

54. Provincial Treasury has further noted with concern the lack of credibility of the mSCoA data strings submitted by some municipalities in the province. This is as a result of the following;

- ❑ Incorrect use of the mSCoA and municipal accounting practices by municipalities;

- ❑ Some municipalities continue to budget, transact and report outside their core financial systems. These municipalities appear to prepare their budgets and monthly reports on excel spreadsheets and later import such into the system. This practice results in variances between the data strings submitted to NT and the C Schedules submitted.

55. The challenges identified above are gradually addressed through the sittings of mSCoA Steering Committees at municipalities and also through systems vendor sessions arranged by the PT. There is also a Technical Team that analyses the reports submitted by municipalities and provide feedback on the findings thereon. These findings are shared with municipalities on a monthly basis.

F. IN-YEAR REPORTING: COMPLIANCE MONITORING

56. Municipalities should submit the signed-off verification reports by Municipal Managers (MM) and Chief Finance Officers (CFO) to National Treasury by the 02 November 2022 for the quarter ending 30 September 2022.

G. DISTRICTS OVERVIEW

Operating Revenue & Expenditure

57. **Table 7** below shows the provincial operating revenue per district as at 30 September 2022:

Operating Revenue	Original Budget (R000)	Actual YTD (R000)	YTD %	District Contr YTD %	Property Rates (R000)	Penalties Prop Rates (R000)	Electricity (R000)	Water (R000)	Sanitation (R000)	Refuse (R000)	Service Other (R000)	Other Revenue (R000)	Transfers Recognised (R000)
Alfred Nzo	2,434,929	810,702	33.3	5%	97,733	-	22,775	8,324	1,268	4,478	-	46,603	629,521
Amathole	3,542,385	1,165,566	32.9	7%	130,462	-	29,175	76,505	35,489	13,902	-	48,672	831,360
Chris Hani	3,447,334	1,233,917	35.8	8%	207,570	-	107,253	121,360	17,159	30,356	-	107,370	642,849
Joe Gqabi	1,745,013	369,417	21.2	2%	45,624	-	96,507	11,355	1,562	11,027	-	29,134	174,209
OR Tambo	4,377,560	1,705,831	39.0	11%	361,852	-	135,223	56,676	17,163	59,976	-	81,051	993,891
Sarah Baartman	3,637,208	1,428,378	39.3	9%	654,486	-	215,320	94,195	52,584	37,990	-	31,331	342,472
Total Operating Revenue	19,184,430	6,713,812	35.0	42%	1,497,727	-	606,255	368,415	125,225	157,728	-	344,160	3,614,302
Buffalo	8,871,639	2,400,109	27.1	15%	593,344	-	553,887	205,311	143,623	101,779	-	379,921	422,246
NMB	14,846,441	6,711,440	45.2	42%	2,892,866	-	1,315,185	1,228,456	195,203	82,727	-	229,894	767,108
Total Operating Revenue Incl	42,902,509	15,825,361	36.9	100%	4,983,936	-	2,475,327	1,802,181	464,050	342,234	-	953,975	4,803,657

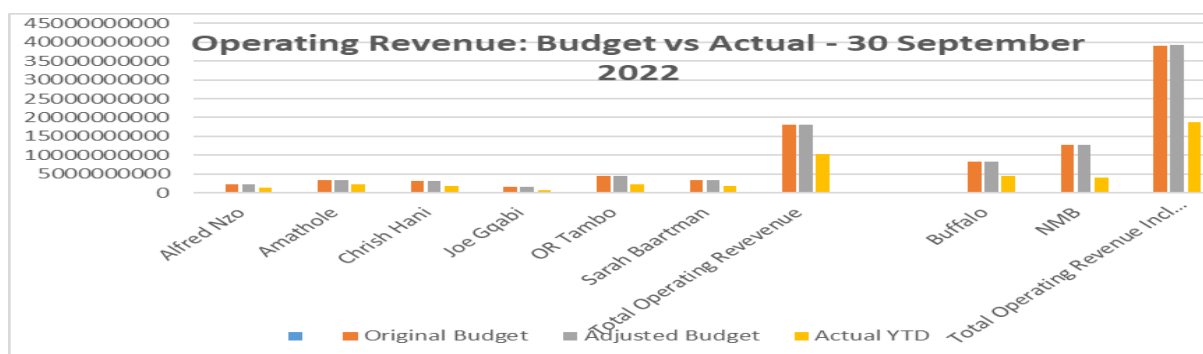
Source : NT Local Government Database

58. Municipalities on aggregate, generated revenue amounting to R15.8 billion or 36.9 per cent of the total operating revenue budget of R42.9 billion. The year-to-date operating revenue for the province as reflected above is underpinned by:

- R4.8 billion from Transfers and subsidies.
- R5 billion from service charges which consists of - Electricity (R2.4 billion), Water (R1.8 billion), Sanitation (R464 million) and Refuse removal (R342.2 million); and
- R4.9 billion generated from Property Rates revenue.

59. The two metros have generated R9.1 billion at 30 September 2022. This total consists of the R2.4 billion generated by BCM and R6.7 billion generated by the NMB. Both metros have essentially contributed 57.5 percent of the total operating revenue by municipalities in the province.

60. The overall quarterly performance per district is reflected in the diagram below. The graph depicts how each district and the two metros performed relative to the aggregated operating revenue in the province.



61. The six districts have collectively contributed 42.5 percent of the consolidated revenue of the province. Municipalities in the O.R. Tambo and Sarah Baartman districts have reported the highest operating revenue generated amounting to R654.4 million and R361.8 million respectively.

62. **Table 8** below indicates the operating expenditure per district as at 30 September 2022.

Table 8 : Operating Expenditure Per District - 30 September 2022

Operating Expenditure	Original Budget (R000)	Actual YTD (R000)	YTD %	District Contr YTD %	Employee Related Costs (R000)	Councillor Remuneration (R000)	Debt Impairment (R000)	Depreciation and Asset Impairment (R000)	Bulk Purchases (R000)	Contracted Services (R000)	Other Expenditure (R000)	Finance, Material - Loss Disposal Exp (R000)	Transfers and Grants (R000)
Alfred Nzo	2,357,424	470,459	20.0	5%	172,547	24,053	-	72,560	26,536	82,665	70,188	-	12,296
Amathole	3,435,462	538,670	15.7	6%	327,900	23,951	2,807	23,738	29,560	42,423	78,961	1,849	6,925
Chris Hani	3,253,060	722,354	22.2	8%	295,371	25,814	56,848	5,885	134,472	100,173	45,558	12,474	27,894
Joe Gqabi	1,774,210	345,486	19.5	4%	147,973	10,524	421	7,652	78,155	31,927	52,483	4,853	4,363
OR Tambo	4,450,395	910,178	20.5	10%	419,863	32,356	103	54,191	136,588	76,974	148,117	15,698	21,415
Sarah Baartman	3,753,096	734,404	19.6	8%	270,817	17,392	1,726	74,708	205,495	41,088	76,965	37,012	3,538
Total Operating Expenditure	19,023,647	3,721,550	19.6	41%	1,634,471	134,089	61,903	238,734	610,806	375,251	472,272	71,886	76,431
Buffalo	8,870,409	2,447,427	27.6	27%	633,843	18,555	302,812	406,675	655,204	151,949	154,384	65,428	32,931
NMB	15,397,727	2,849,213	18.5	32%	831,925	21,965	123,304	-	1,503,680	151,306	112,325	69,893	22,695
Total Operating Expenditure	43,291,784	9,018,190	20.8	100%	3,100,239	174,609	488,019	645,410	2,769,689	678,505	738,982	207,207	132,057

Source : NT Local Government Database

63. The overall operating spending is underpinned by the two metros which individually shows contribution of R2.4 billion (27 per cent of the total spending reported by municipalities) by the Buffalo City Metropolitan Municipality and R2.8 billion (32 per cent of the total spending reported by municipalities) for the Nelson Mandela Bay Metropolitan Municipality to the provincial performance to-date.

64. The expenditure by the districts reflects R3.7 billion by municipalities across all six (6) districts. The following areas have been identified and are in need of urgent attention by municipalities:

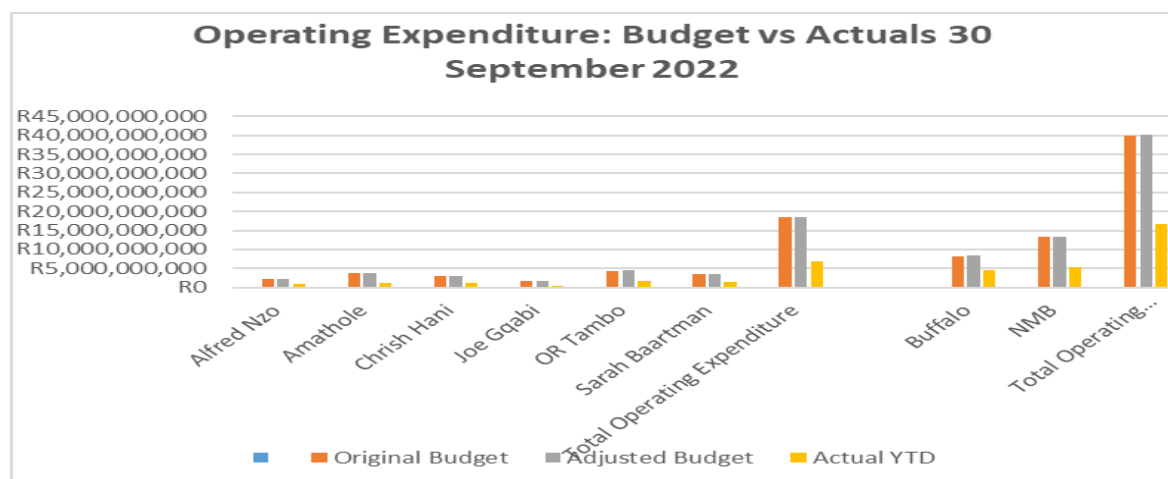
- **Debt impairment:** - There is under-reporting on this line item across all municipalities in the province with the exception of municipalities in the Chris Hani district. None of the municipalities in the Alfred Nzo district have reported spending on this line item. Furthermore, Makana has reported a negative balance of R8.7 million for this line item; and
- **Depreciation:** - the Nelson Mandela Bay has not reported on this line item for the first three months of the current financial year.

65. The incorrect reporting (anomalies) by some municipalities in the province impacts on the accuracy and completeness of the consolidated report on the implementation of the operating budget. These anomalies have been communicated with PT district offices in order to request

municipalities to correct. Municipalities that have reported adjusted budgets for both operating revenue and expenditure that are different from the original budgets within the first three months of the financial year. The affected municipalities are listed below:

DISTRICT	MUNICIPALITY	OPERATING REVENUE	OPERATING EXPENDITURE
Metro	Buffalo City	✓	✓
	Ntabankulu	✓	✓
Alfred Nzo	Umzimvubu	✓	✓
	Winnie Mandela	✓	✓
	Madikizela	✓	✓
Amathole	Amahlathi	N/A	✓
	Great Kei	N/A	✓
	Mnquma	✓	✓
OR Tambo	Ngquza Hills	✓	✓
	Nyandeni	✓	✓
	Port St Johns	✓	✓
Sarah Baartman	Blue Crane Route	✓	✓
	Kouga	N/A	✓
	Sundays River Valley	✓	✓

66. The detailed performance per district in the province as well as the two metros relative to the YTD performance of the province is in the graph below.



67. The NMB is the biggest contributor to the overall year-to-date expenditure for the province with 18.5 per cent of the total spending of R2.8 billion and this is followed by BCM at R2.4 billion.

Capital Expenditure

68. **Table 9** below shows the Provincial Capital Expenditure Summary as at 30 September 2022.

Table 9 : Provincial Capital Expenditure Summary - 30 September 2022

Capital Expenditure Description	Original Budget (R000)	Actual YTD (R000)	YTD %
Governance and Administration	722,373	20,684,150	2863%
Community and Public Safety	802,032	1,172,720	146%
Economic and Environmental Services	3,037,847	(25,552,623)	-841%
Trading Services	5,165,308	5,432,162	105%
Other	103,761	23,451	23%
Capital Expenditure Standard Classification	9,831,320	1,759,860	18%

Source : NT Local Government Database

The reported year-to-date capital expenditure amounted to just over R1.7 billion or 18 per cent of the budget of R9.8 billion. There is a problem with the report that was submitted by the Nelson Mandela Metro. Due to the size of the budget of the metro, relative to the consolidated budget of all municipalities in the province, this has rendered the year-to-date capital expenditure of the province to be overstated. This matter is receiving attention and the NT has been advised of this anomaly in the municipality's reporting. Letters dated 12th and 19th October 2022 have been dispatched for the attention of the City Manager and CFO requesting for intervention in this regard.

69. **Table 10** below shows capital funding per district as at the end of September 2022. The NMB incorrect report is also evident in the table below as the municipality has reported 101 percent of the capital revenue at 30 September 2022. This is an anomaly that has been communicated to the municipality through the National Treasury.

Table 10 : Capital Funding Per District - 30 September 2022

Funding Sources - Capex	Original Budget (R000)	YTD (R000)	%YTD	District Contr YTD %	National Government (R000)	Provincial Government (R000)	% Grants Funding	District Municipalities and Transfers (R000)	Other Grants (R000)	Borrowings (R000)	Internally Generated (R000)	Public Contributions (R000)	% Own Funding to YTD Actual
Alfred Nzo	1,207,460	78,760	7%	3%	53,154	4,464	73%	-	-	-	21,142	-	27%
Amathole	1,132,587	61,224	5%	2%	39,756	10,182	82%	-	-	-	11,286	-	18%
Chris Hani	1,092,971	259,753	24%	10%	227,284	27,971	98%	-	-	-	4,499	-	2%
Joe Gqabi	465,286	62,521	13%	2%	59,386	-	95%	-	-	-	3,135	-	5%
OR Tambo	1,797,774	372,195	21%	14%	232,888	99,676	89%	-	-	-	39,630	-	11%
Sarah Baartman	420,968	97,553	23%	4%	63,555	23,482	89%	(3)	259	-	10,259	-	11%
Total Revenue	6,117,046	932,006	15%	35%	676,023	165,776	90%	(3)	259	-	89,951	-	10%
Buffalo	2,086,362	114,806	6%	4%	59,342	-	52%	-	30	482	54,951	-	48%
NMB	1,587,570	1,608,451	101%	61%	1,551,223	-	96%	-	2,793	20,087	34,347	-	2%
Total Rev Incl Metro	9,790,979	2,655,262	27%	100%	2,286,588	165,776	92%	(3)	3,082	20,569	179,250	-	7%

Source : NT Local Government Database

70. Municipalities in the Alfred Nzo (3 percent), OR Tambo (14 percent) and Chris Hani Districts (10 percent) have contributed the highest amounts in respect of the overall year-to-date capital revenue with.

Debtors

71. **Table 12** below shows the debtors age analysis per district.

Table 12 : Debtors age analysis Per District - 30 September 2022

Description	0 - 30 days (R000)	31- 60 days (R000)	61-90 days (R000)	Over 90 days (R000)	Total (R000)
Alfred Nzo	23,638	11,017	53,685	438,395	526,735
Amathole	92,238	102,396	128,911	1,164,380	1,487,925
Chris Hani	163,044	246,517	153,005	3,340,618	3,903,184
Joe Gqabi	118,347	46,275	52,914	1,195,426	1,412,962
OR Tambo	382,434	72,447	34,032	1,551,110	2,040,023
Sarah Baartman	225,690	84,329	43,703	1,060,662	1,414,384
Total Exc Metros	1,005,391	562,981	466,250	8,750,591	10,785,213
Buffalo	840,650	217,319	166,811	4,372,805	5,597,585
NMB	3,987,071	763,081	467,867	8,836,752	14,054,771
Total Incl Metros	5,833,112	1,543,381	1,100,928	21,960,148	30,437,569

Source : NT Local Government Database

72. Total outstanding debt owed to municipalities amounted to R30.4 billion as at 30 September 2022. With reference to the districts, municipalities in the Chris Hani district have contributed the biggest amount with R3.9 billion. Of the total outstanding debt by Chris Hani municipalities, it should be noted that just over R2 billion (or 52.6 percent) is for water and sanitation and this implies that the Chris Hani DM is not effective in its revenue collection efforts. The other two districts that have a significant contribution to the total outstanding debt are OR Tambo at just over R2 million and Sarah Baartman district with R1.4 billion.

73. With regard to the metros, the NMB has reported the biggest balance of outstanding debt with just over R14 billion and the Buffalo City has reported R5.5 billion.

Creditors

74. **Table 13** below shows creditors per district including locals and metros in respect of the quarter ended 30 September 2022.

Table 13 : Creditors age analysis Per District - 30 September 2022

	0 - 30 days (R000)	31- 60 days (R000)	61-90 days (R000)	Over 90 days (R000)	Total (R000)
Alfred Nzo	8,835	(274)	(128)	535	8,968
Amathole	16,156	44,670	6,275	334,099	401,200
Chris Hani	90,947	68,286	37,327	1,147,135	1,343,695
Joe Gqabi	3,665	41,992	(13,706)	687,947	719,898
OR Tambo	19,221	75,559	66,863	201,256	362,899
Sarah Baartman	77,264	24,129	1,567	573,068	676,028
Total Exc Metros	216,088	254,362	98,198	2,944,040	3,512,688
Buffalo	767,485			0	767,485
NMB	503,017	446	38,293	1,023,775	1,565,531
Total Incl Metros	1,486,590	254,808	136,491	3,967,815	5,845,704

Source : NT Local Government Database

75. Nelson Mandela Bay Metropolitan Municipality reported creditors amounting to R1.5 billion while Buffalo City Metropolitan Municipality reported outstanding creditors amounting to R767.4 million.

76. Municipalities in the Chris Hani, Sarah Baartman and Joe Gqabi districts reported the highest amount of outstanding creditors at R1.3 billion, R719.8 million and R676 million respectively. As highlighted under the Eskom debt section of this report, two municipalities in the Chris Hani district are in the top five municipalities in terms of ESKOM arrears. These municipalities are Enoch Mgijima and Inxuba Yethemba local municipalities. Furthermore, the ESKOM arrears also affect the Joe Gqabi and Amathole districts in that Walter Sisulu Municipality and Raymond Mhlaba are also in arrears with their ESKOM accounts. This has contributed to the high levels of outstanding creditors in these districts.

E. mSCOA IMPLEMENTATION

77. The accounting officer of a municipality is required to, by no later than 10 working days after the end of each month, submit to the mayor of the municipality and the relevant provincial treasury in the prescribed format the statutory monthly reporting for the municipality, which includes the electronic monthly mSCoA transactional information submissions.

78. As at the end of September 2022, stage 1 validation status of the Eastern Cape Province is reflected in **Table 14** below:

Table 14: Status of Schedule of Submissions - stage 1(QTR1)								
#	MUNICIPALITY	STATUS OF SUBMISSION	#	MUNICIPALITY	STATUS OF SUBMISSION	#	MUNICIPALITY	STATUS OF SUBMISSION
1	Buffalo City	Submitted/Successful	14	Raymond Mhlaba	Submitted/Successful	27	Mhlontlo	Submitted/Successful
2	Nelson Mandela Bay	Submitted/Successful	15	Chris Hani	Submitted/Successful	28	Nguza Hills	Submitted/Successful
3	Alfred Nzo	Submitted/Successful	16	Emalahleni (EC)	Submitted/Successful	29	Nyandeni	Submitted/Successful
4	Matatiele	Submitted/Successful	17	Engcobo	Submitted/Successful	30	O R Tambo	Submitted/Successful
5	Mbizana	Submitted/Successful	18	Enoch Mgijima	Submitted/Successful	31	Port St Johns	Submitted/Successful
6	Ntabankulu	Submitted/Successful	19	Intsika Yethu	Submitted/Successful	32	Blue Crane Route	Submitted/Successful
7	Umtzimvubu	Submitted/Successful	20	Inxuba Yethemba	Submitted/Successful	33	Dr Beyers Naude	Submitted/Successful
8	Amahlathi	Submitted/Successful	21	Sakhisizwe	Submitted/Successful	34	Kou-Kamma	Submitted/Successful
9	Amathole	Submitted/Successful	22	Elundini	Submitted/Successful	35	Kouga	Submitted/Successful
10	Great Kei	Submitted/Successful	23	Joe Gqabi	Submitted/Successful	36	Makana	Submitted/Successful
11	Mbhashe	Submitted/Successful	24	Senqu	Submitted/Successful	37	Ndlambe	Submitted/Successful
12	Mnquma	Submitted/Successful	25	Walter Sisulu	Submitted/Successful	38	Sarah Baartman	Submitted/Successful
13	Ngqushwa	Submitted/Successful	26	Kino Sabata Dalindyebo	Submitted/Successful	39	Sundays River Valley	Submitted/Successful

79. **Table 15** below shows stage 2 validations. Subsequent to the receipt of the monthly mSCoA transactional data strings, National Treasury Local Government Portal conducts segment validation of the data strings to ensure that municipalities have applied the correct segments based on predetermined rules.

Table 15: Stage 2 validations								
Month 03 (September 2022) Stage 2 validations - QTR1								
#	MUNICIPALITY	STATUS OF VALIDATION	#	MUNICIPALITY	STATUS OF VALIDATION	#	MUNICIPALITY	STATUS OF VALIDATION
1	Buffalo City	Successful (Phase 2)	14	Raymond Mhlaba	Successful (Phase 2)	27	Mhlontlo	Successful (Phase 2)
2	Nelson Mandela Bay	Successful (Phase 2)	15	Chris Hani	Successful (Phase 2)	28	Ngqiza Hills	Successful (Phase 2)
3	Alfred Nzo	Successful (Phase 2)	16	Emalahleni (EC)	Successful (Phase 2)	29	Nyandeni	Successful (Phase 2)
4	Matatiele	Successful (Phase 2)	17	Engcobo	Successful (Phase 2)	30	O R Tambo	Successful (Phase 2)
5	Mbizana	Successful (Phase 2)	18	Enoch Mgijima	Successful (Phase 2)	31	Port St Johns	Successful (Phase 2)
6	Ntabankulu	Successful (Phase 2)	19	Intsika Yethu	Successful (Phase 2)	32	Blue Crane Route	Successful (Phase 2)
7	Umtzimvubu	Successful (Phase 2)	20	Inxuba Yethemba	Successful (Phase 2)	33	Dr Beyers Naude	Successful (Phase 2)
8	Amahlathi	Successful (Phase 2)	21	Sakhisizwe	Successful (Phase 2)	24	Kou-Kamma	Successful (Phase 2)
9	Amathole	Unsuccessful	22	Elundini	Successful (Phase 2)	35	Kouga	Successful (Phase 2)
10	Great Kei	Successful (Phase 2)	23	Joe Gqabi	Successful (Phase 2)	36	Makana	Successful (Phase 2)
11	Mbhashe	Successful (Phase 2)	24	Senqu	Successful (Phase 2)	27	Ndlambe	Successful (Phase 2)
12	Mnquma	Successful (Phase 2)	25	Walter Sisulu	Successful (Phase 2)	38	Sarah Baartman	Successful (Phase 2)
13	Ngqushwa	Successful (Phase 2)	26	King Sabata Dalindyebo	Successful (Phase 2)	39	Sundays River Valley	Successful (Phase 2)

80. Amathole District Municipality failed to submit the monthly reports on time. The municipality cited challenges with the financial system for the delay. The reports have since been submitted after the verification.

81. During the quarter under review the following activities were prioritised:

- Analyses of data strings to ensure credibility and provide feedback to municipalities for continuous improvement;
- Supporting municipalities to submit/correct data string errors;
- Support and monitor “red” highlighted municipalities:
 - Obtain Action Plans (Road Maps) and attend Steercom meetings; and
 - Monitor progress against National mSCOA Road Map (Joint strategy).

F. GOVERNANCE PROVINCIAL OVERVIEW

Risk management and Internal Audit

82. In terms of MFMA sec 165(1),

Each municipality and each municipal entity must have an internal audit unit, subject to subsection (3).

During the quarter under review, Provincial Treasury (PT) in collaboration with CoGTA participated in the quarterly Municipal Internal Audit and Risk Management Forum, which took place in August 2022. The purpose of the Forum for this quarter was to assist Internal Auditors to assess the 2021/22 AFS before submission to the AG.

Internal audit support

The following municipalities were assisted with Internal Audit activities during the quarter under review:

- Ndlambe Local Municipality–technical advice on the internal assessment approach.

Risk Management Support

With regard to the risk management support for the quarter under review, the municipalities received support on Risk Management through facilitation and attendance of Risk Assessment workshops and information sharing on risk management. The following municipalities were assisted:

- Sundays River Valley Local Municipality and
- Ndlambe Local Municipality

Minimum Competency Level

83. **Table 15** below shows the preliminary summary status of the minimum competency level (MCL) confirmed with municipalities updated in July 2021 in compliance with the prescribed regulations. For the quarter under review Provincial Treasury together with National Treasury are currently busy the verification of the submitted information by municipalities.

Table 16: EC MINIMUM COMPETENCY LEVELS - 31 July 2022

Provincial Summary Status	Accounting Officers	Chief Financial Officers	Other Senior Managers	Other SM with MCL	Other SM with No MCL
<i>Total positions</i>	39	39	154		
<i>Completed</i>	36	34		114	
<i>Not Completed</i>	3	3			35
<i>Acting Capacity</i>	0	3			
<i>% Completed</i>	92%	87%		74%	
<i>% Not Completed</i>	8%	8%			23%
<i>% Acting Capacity</i>	0%	8%			0%

Source: Eastern Cape Municipal Submissions

84. According to the result, the status has remained constant due to the fact that the minimum competency statistics are updated on a bi annual basis. These will be next updated in January 2022. **Full details in Annexure F.**

J. RECOMMENDATIONS

85. Given the challenges identified, the following interventions are required as tabulated below:

CHALLENGES IDENTIFIED	INTERVENTION AREA	ANTICIPATED IMPACT / OUTCOME
Under-collection of revenue on municipal services.	- Strengthening of support in the area of revenue management in the 4 municipalities identified; - Continue with the Revenue Management Forum as a platform for all municipalities in the province to share best practices on common challenges; - Technical Advisor support on various aspects of the revenue management chain – i.e cost reflective tariffs, valuation reconciliations, completeness of billing and tightening of credit control policies and by-laws of municipalities to give effect to revenue management	- Improvement in the collection rate of municipalities which ultimately result in improve cash flow; - Streamlined activities in the revenue chain of municipalities; - Levying of tariffs that take into account the cost of providing services to municipalities.
Underspending on operating expenditure	PT analysis of data strings reported by municipalities and feedback to CFOs and municipal officials	Improvement in the quality of reports submitted to the LG Portal for informed decision making based on credible information

CHALLENGES IDENTIFIED	INTERVENTION AREA	ANTICIPATED IMPACT / OUTCOME
Low spending trends on capital budgets	- Regular monitoring of monthly spending trends with timeous communication to municipalities on underspending; - Quarterly District Wide Infrastructure Forums (DWIFs) to assist municipalities to overcome delays in spending; - Monitoring of procurement plans of municipalities that are struggling to spend in order to escalate any undue delays in appointment of service providers to the leadership of municipalities and the PT	- Improve spending on conditional grants and capital budgets; - Prevent losses of conditional grants that are stopped and re-allocated due to municipalities not meeting the prescribed thresholds in the DORA; - Minimize the risk of municipalities further incurring financial losses as a result of rollover applications that are rejected. It is easier to spend allocated conditional grants than motivating a rollover application at year end.
Creditors that are not paid within 30 days of receiving an invoice – particularly for bulk services	- The signing of payment agreements presents an opportunity for municipalities to negotiate longer payment terms for arrear debt, particularly on ESKOM and the Water Boards; - PT to participate in the debt meetings between ESKOM and municipalities on arrear bulk accounts.	The extended payment period is likely to ease pressure on cash flow resources of some financially distressed municipalities and possibly resulting in the adoption of funded budgets. This intervention cannot be looked in isolation to the revenue collection interventions highlighted above.
Monthly reports by some municipalities are not complete while some (Nelson Mandela Metro) are incorrect.	- Regular feedback reports by PT to municipalities on analysis of data string; - Meetings with systems vendors (as well as municipalities) to address credibility of reports submitted by municipalities, particularly on cash flow and grants reporting	Improvements in the credibility and completeness of monthly reports submitted by municipalities;

86. The challenges identified above require regular monitoring for the remainder of the 2022/23 financial year and are to result in the improvement of the state of finances for some of the municipalities in the province.

87. Lastly, the success of the above challenges depends largely on municipal councils embracing the support from the Provincial Treasury.

88. In light of the above issues identified and some of the interventions to improve the state of municipal finances, it is recommended that the MEC:

- a. **Notes** the content of the report;
- b. **Notes** various interventions done by PT in collaboration with sector departments in assisting municipalities to expedite spending on conditional grants and
- c. **Notes** support on operating expenditure structure efficacy, assets and liability management to improve prudent financial management and due diligence leading to 2022/23 MTREF;

Ikhwezi Lomso greetings: Serving with Honesty, Humility and Integrity

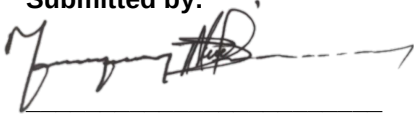
Prepared by:


Mr. NCEBA BOMVANE
DEPUTY DIRECTOR: MFG
DATE: 16 November 2022

Reviewed by:


Ms. LINDELWA MAJOVA-SONGCA
DIRECTOR: MFG
DATE: 16 /11/2022

Submitted by:


Mr. TEMPLETON PHOGOLE
CHIEF DIRECTOR: MFG
DATE: 16 Nov 2022

RECOMMENDED/~~NOT RECOMMENDED~~


MRS. NOMBULELO OLIPHANT
ACTING PROGRAMME MANAGER
DATE: 17/11/2022

APPROVED


Mr. DALUHLANGA MAJEKE
HEAD OF DEPARTMENT

DATE: 01/02/2023


Mr. M.G MVOKO (MPL)
MEMBER OF THE EXECUTIVE COUNCIL
MINISTRY OF FINANCE, ECONOMIC DEVELOPMENT, ENVIRONMENTAL AFFAIRS AND TOURISM

DATE: 06/02/2023

ANNEXURE A: STATEMENT OF OPERATING REVENUE AND EXPENDITURE FOR THE 4th QUARTER ENDED 30 SEPTEMBER 2022

Part1: Operating Revenue and Expenditure

		2022/23				2021/22		Q1 of 2021/22 to Q1 of 2022/23	
		Budget	First Quarter		Year to Date		First Quarter		
		Main appropriation	Actual Expenditure	1st Q as % of Main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	Actual Expenditure		Total Expenditure as % of main appropriation
R thousands									
Operating Revenue and Expenditure									
Operating Revenue		42,902,509	15,825,361	36.9%	15,825,361	36.9%	9,813,801	25.1%	61.3%
Property rates		6,690,363	4,983,936	74.5%	4,983,936	74.5%	1,636,957	26.6%	204.5%
		-	-	-	-	-	-	-	-
Service charges - electricity revenue		9,767,608	2,475,327	25.3%	2,475,327	25.3%	1,464,533	15.6%	69.0%
Service charges - water revenue		5,207,204	1,802,181	34.6%	1,802,181	34.6%	1,387,762	37.6%	29.9%
Service charges - sanitation revenue		1,857,110	464,050	25.0%	464,050	25.0%	329,439	19.1%	40.9%
Service charges - refuse revenue		1,108,665	342,234	30.9%	342,234	30.9%	299,361	27.0%	14.3%
		-	-	-	-	-	-	-	-
Rental of facilities and equipment		121,052	28,939	23.9%	28,939	23.9%	24,423	19.7%	18.5%
Interest earned - external investments		461,726	88,995	19.3%	88,995	19.3%	47,516	9.5%	87.3%
Interest earned - outstanding debtors		982,149	383,955	39.1%	383,955	39.1%	219,329	21.0%	75.1%
Dividends received		-	-	-	-	-	-	-	-
Fines, penalties and forfeits		183,099	25,009	13.7%	25,009	13.7%	12,177	4.8%	105.4%
Licences and permits		125,092	29,651	23.7%	29,651	23.7%	33,334	23.0%	(11.0%)
Agency services		116,744	14,915	12.8%	14,915	12.8%	14,112	12.7%	5.7%
Transfers and subsidies		13,346,799	4,803,657	36.0%	4,803,657	36.0%	3,768,597	31.1%	27.5%
Other revenue		2,860,184	379,581	13.3%	379,581	13.3%	574,057	21.1%	(33.9%)
Gains		74,715	2,930	3.9%	2,930	3.9%	2,203	4.1%	33.0%
Operating Expenditure		43,291,784	9,018,190	20.8%	9,018,190	20.8%	8,275,887	20.7%	9.0%
Employee related costs		14,196,588	3,100,239	21.8%	3,100,239	21.8%	2,551,769	18.9%	21.5%
Remuneration of councillors		750,153	174,609	23.3%	174,609	23.3%	136,456	18.4%	28.0%
Debt impairment		4,765,005	488,019	10.2%	488,019	10.2%	330,814	8.5%	47.5%
Depreciation and asset impairment		4,287,919	645,410	15.1%	645,410	15.1%	503,465	12.9%	28.2%
Finance charges		255,488	53,628	21.0%	53,628	21.0%	430	2%	12,369.1%
Bulk purchases		8,850,726	2,769,689	31.3%	2,769,689	31.3%	1,507,247	18.5%	83.8%
Other Materials		1,143,898	215,886	18.9%	215,886	18.9%	167,484	12.6%	28.9%
Contracted services		4,572,878	678,505	14.8%	678,505	14.8%	571,774	13.9%	18.7%
Transfers and subsidies		536,499	132,057	24.6%	132,057	24.6%	106,783	20.6%	23.7%
Other expenditure		3,773,663	738,982	19.6%	738,982	19.6%	2,399,869	69.2%	(69.2%)
Losses		158,968	21,167	13.3%	21,167	13.3%	(203)	(.3%)	(10,529.9%)
Surplus/(Deficit)		(389,274)	6,807,170		6,807,170		1,537,913		
Transfers and subsidies - capital (monetary allocations) (Nat / Prov and Dis		6,696,221	911,194	13.6%	911,194	13.6%	592,139	9.1%	53.9%
Transfers and subsidies - capital (monetary alloc)(Departm Agencies,HH,P		57,595	17,801	30.9%	17,801	30.9%	10,591	22.5%	68.1%
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	110	-	(100.0%)
Surplus/(Deficit) after capital transfers and contributions		6,364,542	7,736,165		7,736,165		2,140,753		
Taxation		-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		6,364,542	7,736,165		7,736,165		2,140,753		
Attributable to minorities		-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		6,364,542	7,736,165		7,736,165		2,140,753		
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		6,364,542	7,736,165		7,736,165		2,140,753		

ANNEXURE B: CAPITAL REVENUE AND EXPENDITURE

Part 2: Capital Revenue and Expenditure

	2022/23					2021/22		Q1 of 2021/22 to Q1 of 2022/23
	Budget	First Quarter		Year to Date		First Quarter		
	Main appropriation	Actual Expenditure	1st Q as % of Main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	
R thousands								
Capital Revenue and Expenditure								
Source of Finance	9,790,979	2,655,262	27.1%	2,655,262	27.1%	1,664,793	18.7%	59.5%
National Government	6,171,476	2,286,588	37.1%	2,286,588	37.1%	1,304,894	21.5%	75.2%
Provincial Government	417,336	165,776	39.7%	165,776	39.7%	40,872	16.2%	305.6%
District Municipality	57,311	(3)	-	(3)	-	2,260	34.3%	(100.1%)
Transfers and subsidies - capital (monetary alloc)(Departm Agencies,HH	43,645	3,082	7.1%	3,082	7.1%	2,220	5.2%	38.8%
Transfers recognised - capital	6,689,768	2,455,443	36.7%	2,455,443	36.7%	1,350,247	21.2%	81.9%
Borrowing	1,058,231	20,569	1.9%	20,569	1.9%	31,090	4.1%	(33.8%)
Internally generated funds	2,042,979	179,250	8.8%	179,250	8.8%	283,456	15.7%	(36.8%)
	-	-	-	-	-	-	-	-
Capital Expenditure Functional	9,865,808	1,759,860	17.8%	1,759,860	17.8%	1,920,497	21.2%	(8.4%)
Municipal governance and administration	756,860	20,684,150	2,732.9%	20,684,150	2,732.9%	246,954	34.2%	8,275.7%
Executive and Council	15,399	20,699	134.4%	20,699	134.4%	869	4.6%	2,283.0%
Finance and administration	740,572	20,663,435	2,790.2%	20,663,435	2,790.2%	246,061	35.0%	8,297.7%
Internal audit	890	16	1.8%	16	1.8%	25	3.8%	(37.7%)
Community and Public Safety	802,032	1,172,720	146.2%	1,172,720	146.2%	123,758	16.0%	847.6%
Community and Social Services	157,749	312,226	197.9%	312,226	197.9%	61,563	45.5%	407.2%
Sport And Recreation	145,523	283,736	195.0%	283,736	195.0%	29,634	22.1%	857.5%
Public Safety	88,185	(55,114)	(62.5%)	(55,114)	(62.5%)	4,430	6.2%	(1,344.0%)
Housing	399,351	564,488	141.4%	564,488	141.4%	26,829	6.3%	2,004.0%
Health	11,223	67,383	600.4%	67,383	600.4%	1,302	16.9%	5,073.6%
Economic and Environmental Services	3,037,847	(25,552,623)	(841.1%)	(25,552,623)	(841.1%)	456,067	18.0%	(5,702.8%)
Planning and Development	672,505	835,819	124.3%	835,819	124.3%	95,553	17.2%	774.7%
Road Transport	2,364,478	(26,582,638)	(1,124.2%)	(26,582,638)	(1,124.2%)	337,646	17.1%	(7,972.9%)
Environmental Protection	865	194,196	22,450.4%	194,196	22,450.4%	22,867	-	749.2%
Trading Services	5,165,308	5,432,162	105.2%	5,432,162	105.2%	1,085,704	22.1%	400.3%
Energy sources	622,263	1,475,609	237.1%	1,475,609	237.1%	122,242	19.0%	1,107.1%
Water Management	3,365,027	2,491,797	74.0%	2,491,797	74.0%	862,744	25.0%	188.8%
Waste Water Management	1,065,023	954,678	89.6%	954,678	89.6%	47,593	7.0%	1,905.9%
Waste Management	112,994	510,077	451.4%	510,077	451.4%	53,126	36.4%	860.1%
Other	103,761	23,451	22.6%	23,451	22.6%	8,014	6.5%	192.6%

ANNEXURE C: CASH RECEIPTS AND PAYMENTS

Part 3: Cash Receipts and Payments

	2022/23					2021/22		Q1 of 2021/22 to Q1 of 2022/23
	Budget	First Quarter		Year to Date		First Quarter		
	Main appropriation	Actual Expenditure	1st Q as % of Main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	
R thousands								
Cash Flow from Operating Activities								
Receipts	46,466,035	8,032,517	17.3%	8,032,517	17.3%	7,680,136	18.8%	4.6%
Property rates	7,093,448	631,851	8.9%	631,851	8.9%	761,692	14.4%	(17.0%)
Service charges	18,543,207	1,426,715	7.7%	1,426,715	7.7%	1,153,577	8.5%	23.7%
Other revenue	5,509,563	1,769,319	32.1%	1,769,319	32.1%	1,923,895	63.0%	(8.0%)
Transfers and Subsidies - Operational	9,265,558	3,036,787	32.8%	3,036,787	32.8%	3,044,224	24.1%	(.2%)
Transfers and Subsidies - Capital	5,815,895	1,137,883	19.6%	1,137,883	19.6%	781,039	14.1%	45.7%
Interest	238,364	29,963	12.6%	29,963	12.6%	15,710	2.2%	90.7%
Dividends	-	-	-	-	-	-	-	-
Payments	(27,175,523)	(4,724,227)	17.4%	(4,724,227)	17.4%	(5,866,817)	20.7%	(19.5%)
Suppliers and employees	(26,753,448)	(4,653,154)	17.4%	(4,653,154)	17.4%	(5,546,426)	19.9%	(16.1%)
Finance charges	(108,560)	(7,553)	7.0%	(7,553)	7.0%	(293,150)	222.4%	(97.4%)
Transfers and grants	(313,515)	(63,520)	20.3%	(63,520)	20.3%	(27,241)	11.2%	133.2%
Net Cash from/(used) Operating Activities	19,290,512	3,308,289	17.1%	3,308,289	17.1%	1,813,318	14.5%	82.4%
Cash Flow from Investing Activities								
Receipts	95,574	16,610	17.4%	16,610	17.4%	(49,932)	(51.3%)	(133.3%)
Proceeds on disposal of PPE	83,360	5,991	7.2%	5,991	7.2%	6,961	21.3%	(13.9%)
Decrease (increase) in non-current debtors (not used)	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables	24,689	9,501	38.5%	9,501	38.5%	(57,202)	(103.9%)	(116.6%)
Decrease (increase) in non-current investments	(12,475)	1,118	(9.0%)	1,118	(9.0%)	310	3.2%	261.1%
Payments	(7,934,917)	(689,880)	8.7%	(689,880)	8.7%	(612,420)	9.3%	12.6%
Capital assets	(7,934,917)	(689,880)	8.7%	(689,880)	8.7%	(612,420)	9.3%	12.6%
Net Cash from/(used) Investing Activities	(7,839,343)	(673,270)	8.6%	(673,270)	8.6%	(662,352)	10.2%	1.6%
Cash Flow from Financing Activities								
Receipts	784,146	(63)	-	(63)	-	(43)	-	45.1%
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	776,614	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	7,532	(63)	(.8%)	(63)	(.8%)	(43)	3.9%	45.1%
Payments	(66,568)	(14,744)	22.1%	(14,744)	22.1%	(12,160)	20.2%	21.3%
Repayment of borrowing	(66,568)	(14,744)	22.1%	(14,744)	22.1%	(12,160)	20.2%	21.3%
Net Cash from/(used) Financing Activities	717,579	(14,807)	(2.1%)	(14,807)	(2.1%)	(12,203)	(2.5%)	21.3%
Net Increase/(Decrease) in cash held	12,168,748	2,620,212	21.5%	2,620,212	21.5%	1,138,763	17.4%	130.1%
Cash/cash equivalents at the year begin:	5,959,901	4,258,149	71.4%	4,258,149	71.4%	4,368,764	79.9%	(2.5%)
Cash/cash equivalents at the year end:	18,128,648	7,424,854	41.0%	7,424,854	41.0%	5,595,229	46.6%	32.7%

Annexure E: MINIMUM COMPETENCY REGULATIONS

Table: EC - Minimum Competency Levels (MCL) - 31 July 2022

No.	Municipality	Accounting Officer	Chief Financial Officer	Number of Other Senior Managers		
				Total Senior Managers	With MCL	Without NO MCL
NON-DELEGATED						
1	Buffalo City Metro	✓	✓	6	4	2
2	Nelson Mandela Bay Metro	✓	✓	6	2	4
3	OR Tambo District	Acting MM	Acting CFO	5	4	1
	<i>Total positions</i>	3	3	17		
	<i>Completed</i>	2	2		10	
	<i>Not Incompleted</i>	0	0			7
ALFRED NZO						
1	Alfred Nzo District	✓	✓	4	4	0
2	Umzimvubu LM	✓	✓	5	4	1
3	Matatiele LM	✓	✓	4	3	1
4	Mbizana LM	✓	✓	4	3	1
5	Ntabankulu LM	✓	✓	4	4	0
	<i>Total positions</i>	5	5	21		
	<i>Completed</i>	5	5		18	
	<i>Not Incompleted</i>	0	0			3
AMATHOLE DISTRICT						
1	Amathole District	✓	✓	4	2	2
2	Amahlali LM	✓	✓	6	2	4
3	Great Kei LM	✓	✓	1	1	0
4	Mbhashe LM	✓	✓	5	1	4
5	Ngqushwa LM	✓	✓	4	2	2
6	Raymond Mhlaba LM	✓	Acting CFO	2	2	0
7	Mnguma LM	✓	✓	5	2	3
	<i>Total positions</i>	7	7	27		
	<i>Completed</i>	7	6		12	
	<i>Not Incompleted</i>	0	0			15
SARAH BAARTMAN						
1	Sarah Baartman District	Acting MM	✓	2	2	0
2	Blue Crane Route LM	✓	✓	5	5	0
3	Kou Kamma	✓	✓	2	1	1
4	Kouga	✓	✓	4	4	0
5	Makana	✓	✓	3	3	0
6	Ndlambe	✓	✓	3	3	0
7	Sundays River Valley	✓	✓	2	2	0
8	Dr Beyers Naudé	✓	Acting CFO	0	0	0
	<i>Total positions</i>	8	8	21		
	<i>Completed</i>	7	7		20	
	<i>Not Incompleted</i>	0	0			1
CHRIS HANI						
1	Chris Hani District	✓	✓	4	4	0
2	Engcobo LM	Acting MM	✓	4	3	1
3	Intsika Yethu LM	Acting MM	✓	4	3	0
4	Inxuba Yethemba LM	✓	✓	4	0	0
5	Sakhisizwe LM	✓	✓	2	2	0
6	Emalahleni (EC) LM	✓	✓	4	3	1
7	Enoch Mgijima LM	✓	✓	7	7	0
	<i>Total positions</i>	7	7	29		
	<i>Completed</i>	5	7		22	
	<i>Not Incompleted</i>	0	0			2
JOE QGABI DISTRICT						
1	Joe Gqabi District	✓	✓	5	5	0
2	Elundini LM	Acting MM	✓	3	3	0
3	Walter Sisulu LM	✓	✓	3	3	0
4	Sengu LM	✓	✓	4	3	1
	<i>Total positions</i>	4	4	15		
	<i>Completed</i>	3	4		14	
	<i>Not Incompleted</i>	0	0			1
OR TAMBO						
1	King Sabata Dalindyebo LM	✓	✓	8	7	1
2	Mhlontlo LM	✓	✗	4	1	3
3	Nyandeni LM	✓	✓	3	3	0
4	Port St. Johns LM	✓	✓	4	2	2
5	Ingquza Hill LM	Acting MM	✓	5	5	0
	<i>Total positions</i>	5	5	24		
	<i>Completed</i>	4	4		18	
	<i>Not Completed</i>	0	1			6

Table 16: EC Minimum Competency Levels - 31 March 2022

Provincial Summary Status	Accounting Officers	Chief Financial Officers	Other Senior Managers	Other SM with MCL	Other SM with No MCL
<i>Total positions</i>	39	39	154		
<i>Completed</i>	33	35		114	
<i>Not Completed</i>	0	1			35
<i>Acting Capacity</i>	0	3			
<i>% Completed</i>	85%	90%		74%	
<i>% Not Completed</i>	0%	3%			23%
<i>% ActingCapacity</i>	0%	8%			0%

Source: Eastern Cape Municipal Submissions

Legends

✗	No information Submitted
✓	Not Meeting MCL Criteria
✓	Meets MCL Criteria

