

**2022-2023**  
**ADJUSTMENT BUDGET**  
**REPORT**



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## **PURPOSE OF THE REPORT**

To seek approval from Council on the adjustments proposed to the 2022/2023 original Operational and Capital Budget.

To set out the options available to Council to fund the adjusted capital budget and to improve the municipality's cash flow position.

## **LEGISLATIVE BACKGROUND**

Section 72(3) of the MFMA requires that the Accounting Officer must as part of the (mid-year) review:

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

In addition, Regulation 23(3) of the Municipal Budget and Reporting Regulations requires that if a National or Provincial Adjustments Budget allocates or transfers additional revenues to a municipality, the Mayor of the municipality must, at the next available Council meeting, but within 60 days of the approval of the relevant National or Provincial Adjustments Budget, table an Adjustments Budget referred to in Section 28(2)(b) of the MFMA in the municipal council to appropriate these additional revenues.

In terms of Section 28(2) of the MFMA, an Adjustments Budget-

- a) Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
- b) May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programs already budgeted for;
- c) May, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the Mayor or the municipality;
- d) May authorize the utilization of projected savings in one vote towards spending under another vote;
- e) May authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when current year was approved by the Council;
- f) May correct any errors in the annual budget; and
- g) May provide for any other expenditure within a prescribed framework.

Regulation 21 of the Municipal Budget and Reporting Regulations states that an Adjustments Budget and supporting documentation of a municipality must be in the format specified in Schedule B and include all the tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of Section 168(1) of the Act.

Regulation 22 of the Municipal Budget and Reporting Regulations further states that

- 1) an adjustments budget must be appropriately funded and
- 2) the supporting documentation tabled in a municipal council in terms of Section 28(5) of the Act must contain an explanation of how the adjustments budget is funded.

When processing virements in the annual budget, the municipality must consider MFMA Circular No. 51 and ensure that the virements are made in accordance with the municipality's approved virements policy. The following principles should be adhered to:

- virements should not be permitted in relation to the revenue side of the budget;
- virements between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management;
- virements from the capital budget to the operating budget should not be permitted;
- virements to or from the following items should not be permitted: bulk purchases, debt impairment, interest charges, depreciation, grants to individuals, revenue foregone, insurance and VAT;
- virements should not result in adding 'new' projects to the Capital Budget;
- virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted; and
- there should be prudent limits on the amount of funds that may be moved to and from votes and sub-votes (e.g. not more than 5% of the budget may be moved to or from a vote, program, project etc.)

The importance of tabling funded budgets is highlighted in MFMA Circular 89 and is one of the game changers identified in local government to ensure financial sustainability. The municipality has challenges in correcting the budget to ensure it is funded in one financial year. As a result, the municipality must together with the 2021/2022 MTREF budget table a plan in the council on how and by when the budget will improve from an unfunded to a funded position.

Virements may be used by the municipality to address differences between the mSCOA data string and the Council approved budget. In line with this the virement policy needs to be reviewed and aligned to mSCOA requirements. The virement policy is required to be aligned to MFMA Circular 51. Cognizance must be taken of a change to any of the prescribed segments of mSCOA. Restrictions and/or limitations within MFMA Circular No 51 must be adhered to when aligning the virement policy to the requirements of mSCOA.

The Adjustment budget submission must ensure that the project detail (IDP) contains all projects from the strategic initiative of the municipality and are aligned to the financial data contained in the adjustment budget.

Only the Mayor may table an Adjustments budget in the municipal council. When an adjustments budget is tabled it must be accompanied by-

- a) An explanation of how the adjustments budget affects the annual budget;
- b) A motivation of any material changes to the annual budget;
- c) An explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years;
- d) Any other supporting documentation that may be prescribed;
- e) The Adjustment Budget must be tabled not later than 28 February

## ADJUSTMENT BUDGET SPEECH

The 2022/2023 Adjustment Budget Speech by his worship the Mayor, Councillor MC Maphisa, will be tabled in Abaqulusi Council Chambers on or before the 28<sup>th</sup> of February 2023 at a Council meeting.

This adjustment document is prepared in terms of the Municipal Budget and Reporting Regulations.

With the tabling and approval of the 2022/2023 adjustment budget, a strong focus is placed on Service Delivery and fighting poverty.

It is important to state that the focus of the adjustment budget is based on the result of the Mid-year review concentrating on the performance management of each department looking at the mid-year expenditure against the budget.

The adjustment budget has been prepared in such a way that value for money and sustainability are key considerations. It is important to note that expenditure required to address the challenges facing the municipality and our communities will always exceed the available funding, hence difficult choices have been made in balancing expenditure against realistically anticipated revenue as stipulated in Section 18 of the MFMA.

### **MID-YEAR BUDGET ASSESSMENT**

The following observations were made during the mid-year budget assessment report that was tabled before Council on the 31<sup>st</sup> of January 2023.

#### **Operating Budget Revenue**

In total 97% of revenue or R 379,2 million compared to the budget of R 391,7 million has been received. To date 2 tranches of Equitable Share and all other grant funding has been received.

The municipality billed 101% of the property rates compared to the approved budget at mid-year which is R 50,2 million collected against a budget of R 49,5 million and the estimated actual for the financial year is R100,5 million

Revenue from service charges was collected as follows:

Revenue from electricity billed is 97% or R 100 million and budget of R 102,9 million and the estimated actual for the financial year is R 200,1 million

Revenue from water billed is 71% or R 21 million and budget of R 29,5 million and the estimated actual for the financial year is R 42,1 million

Revenue from sanitation billed is 104% or R 18,1 million and budget of R 17,4 million, the estimated actual for the financial year is R 36,2 million

Revenue from refuse collection billed is 87% or R 11,8 million and budget of R 13,5 million and the estimated actual for the financial year is R 23,6 million

The collection of revenue from fines and penalties is 20,2% or R10,1 million compared to a budget of R2,6 million. Included under fines and penalties is the penalties charged to consumers on overdue accounts.

Revenue collected for licences and permits amounts to 39% or R1,3 million compared to the mid-year budget of R3,5 million

Revenue from interest on the current accounts is 65% or R528 thousand compared to a mid-year budget of R810 thousand

Total internal revenue estimated for the financial year is R379,2 million which is R11,9 million less than the original budget, total equitable share and operating grants of R135,6 million, R24 million for MIG and INEP of R9 million is included in the revenue received

The total estimated revenue for 2022/2023 is R 684,9 million which includes grant funding for MIG and INEP projects

## **Expenditure**

The actual expenditure for the first 6 months is 87% or R304,9 million against the approved budget of R350,2 million and this is attributed to:

- Employee costs of 102% or R98,2 million compared to the budget of R96 million due to bonuses paid in December and staff appointments
- Bulk purchases of 87% or R115,2 million compared to the budget of R130,7 million which has been paid in the 1<sup>st</sup> six months of the year, however the Eskom accounts are paid a month in arrears and therefore only 5 months Eskom accounts have been paid
- Free basic services costs of R8,2 million and estimated for the year of R16,4 million
- Repairs and Maintenance expenditure of 82% or R12,7 million compared to the budget of R15,6 million
- Contract payments of 86% or R48 million compared to the budget of R56 million
- Capital payments of 52% or R19,6 million mostly from MIG compared to the budget of R37,7 million
- General expenditure of 95% or R21,6 million compared to the budget of R22 million

## **Main Challenges**

- The main challenge the municipality is facing is the impact that the collection of revenue from consumers are failing to pay for services and this has resulted in less revenue being collected
- The ongoing challenge due to the ageing of water and sanitation pumps is impacting on expenditure and communities being without water and resulting in the hiring of water tankers to deliver water to the community
- The ongoing theft of cable and cutting of poles is a big loss of income from energy
- The deterioration of roads and insufficient capital to refurbish roads that have passed their lifespan made worse by unusually heavy rainfall
- One of the main challenges being experienced is the need to reprioritize projects and high expenditure rate given the cash flow realities and declining cash position of the municipality
- The on-going growth of the debtor ageing and indigent applications, the municipality is struggling to maintain a 90% collection rate as in the past
- The outstanding debtors amounts to R370,5 million of which R307,8 million is older than 90 days
- Ageing infrastructure for water, sanitation, roads and electricity as well as limited resources within the departments
- Continuous high tariff increases making services no longer affordable and the Eskom % increase compared to the % increase allowed by municipalities
- Affordability of capital own funded capital projects, original allocations have to be reduced during the current year and factored where possible into the following financial year placing a further burden on the draft budget

## **Achievements**

During the 1<sup>st</sup> half of the year the municipality managed to spend 50% on MIG

## **Focus**

As it is clear that the municipality is cash strapped, over and above cost containment measures preferred by the National Treasury, the municipality needs to adopt a bold and radical approach in its revenue enhancement program. As a matter of utmost urgency, the municipality needs to consider the following from March ongoing:



- ✓ The writing off the old debt that has been identified following the data cleansing exercise and maintenance of the consumer database
- ✓ Disconnect fraudulent consumers, in all respects
- ✓ Provide and replace water meters to address water losses
- ✓ Provide and replace electricity meters to address electricity losses
- ✓ Source funding from National Departments
- ✓ Rehabilitate our environment
- ✓ Improve tourist attraction
- ✓ Make a foot print on local economic development
- ✓ Using funds for purposes they are meant for and have time-lined implementation plans
- ✓ Ward IDP

The following recommendations be approved: (Proposed Resolutions)

1. That the operational expenditure budget be adjusted from R 700,5 million to R 664 million. The main proposed adjustments are as a result of the budget funding plan that was adopted on the 27<sup>th</sup> of October 2022
2. The revenue budget be adjusted by R1,6 million from R715,5 million to R713,9 million
3. That the payment levels which in previous years has been above 92% but reduced in the 2<sup>nd</sup> quarter to 84% be monitored and ensure the collection rate increases to above 90%
4. To implement and monitor the cash flow turnaround strategy to improve effective financial management
5. To monitor collection levels during the remaining budget period to ensure that funding is available to finance expenditure
6. That under no circumstances should expenditure be incurred that is not budgeted for. Disciplinary action be taken against the person liable for that unbudgeted expenditure
7. That, in compliance with the MFMA the financial results regarding the operating and capital budgets for the Adjustment Budget of the 2022/2023 financial year, and supporting documents as required by National Treasury (Schedule B) be submitted to Council for approval
8. This report be submitted to the National Treasury and the relevant Provincial Treasury **immediately after** tabling of the report in the council, in both a Council approved document and in electronic format to the GoMuni Upload Portal as guided by MFMA Circulars No 115 and 122
9. No hand orders be issued for suppliers, only suppliers registered on the CSD be utilized to ensure there is no expenditure incurred for which there is no budget
10. No temporary requisitions be issued by stores, all departments requiring stock from stores submit a Munsoft requisition prior to items being released from stores
11. During the 2021/22 financial year departments carried out work without official orders being obtained prior to work commencing and invoices were submitted at

year end. During the 2<sup>nd</sup> half of the 2022/23 no invoices will be paid unless accompanied by an official order and all relevant supporting information indicating that the funds are available

## EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities

The Municipality's service delivery priorities were reviewed as part of the planning and adjustment budget process. A critical review was undertaken of expenditure on non-essential and 'nice-to-have' items. The Adjustment Budget for 2022/23 is based on the realisation that revenues and cash flows remain under pressure and the municipality must adopt a conservative approach when projecting expected revenues and cash receipts

The Adjustment budget was compiled by ensuring that the financial management processes are transparent, aligned to the accountability cycle and facilitate good governance that is accountable to the local community

During the approval of the 2022/2023 budget we had advised that the cash collection rate may still feel the impact of the recession the country is experiencing. In the previous financial year, the collection rate was 86,86% and for the six months of this financial year it has decreased to 84%

Some of the anticipated own revenue collection on trading services (i.e. Electricity, Water, Sanitation & Waste Management) has not materialised as projected, however when compared to the 1<sup>st</sup> six months in the previous financial year revenue the billed revenue has increased and is much more in line with the budgeted amount for basic services

In keeping with National Treasury Circulars regarding the managing of costs, reductions have been made on costs which are not urgent in the current financial year, or in the short term, have been deferred to the next financial year should resources be available. The reductions are in keeping with the cost containment that has been implemented

### **Current funding compliance assessment information**

The audit outcomes relate to the past performance of a municipality and provide a good indication on the state of municipal financial management rather than the state of municipal finances.

The following key financial management objectives are used:

- a) Short term viability and consideration of whether the community is 'paying its way' relative to economic benefits received;
- b) Medium and long-term sustainability; ensuring that the broader community maintains control over outcomes within appropriate levels of affordability;
- c) Achievement of community aspirations and service delivery goals;
- d) Maintenance of a good credit rating and minimising financing costs; and
- e) Achieving and maintaining key prudential measurements; e.g. borrowing limits.

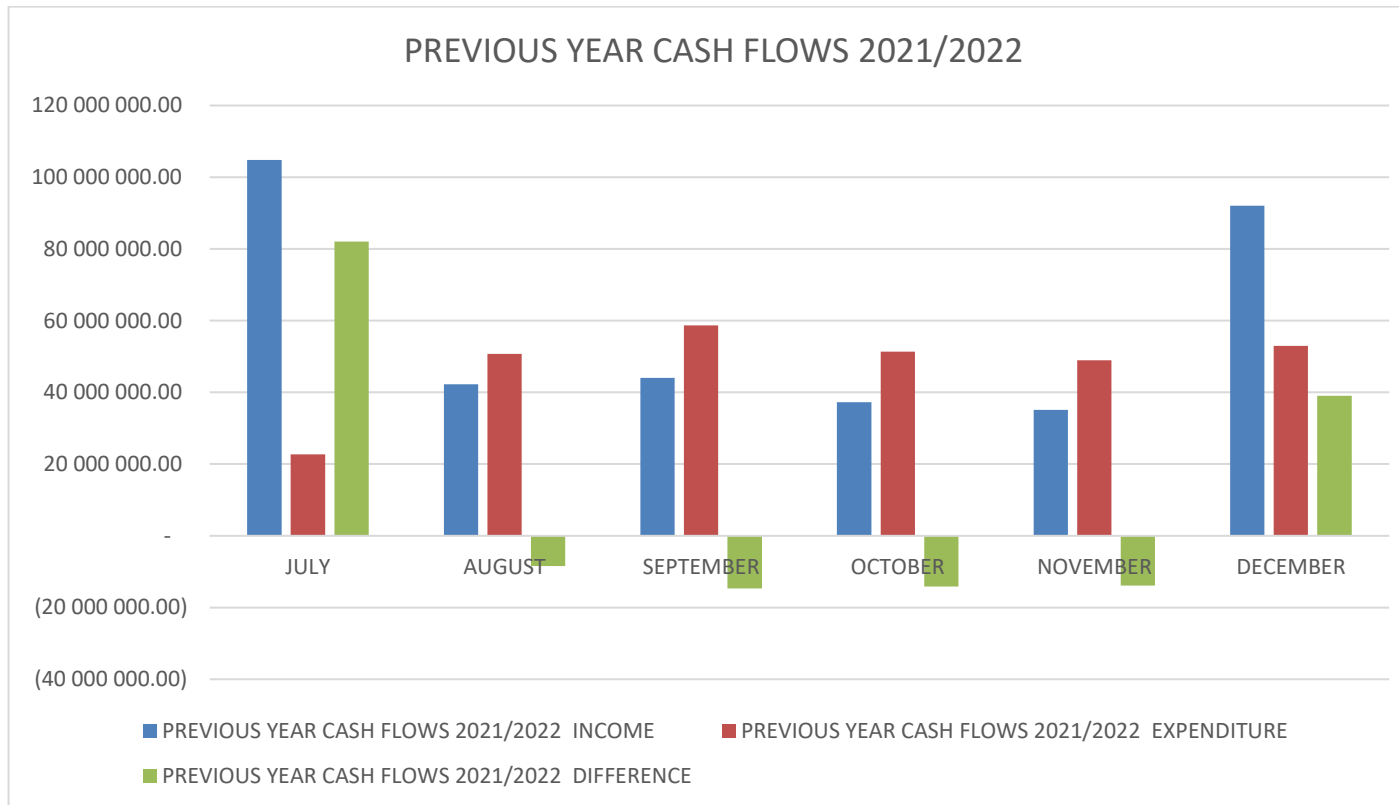
### **Vulnerable cash position**

The municipality may not in terms of section 45 of the MFMA close the financial year with any short-term borrowing or overdraft. It must further ensure that there must be sufficient cash and investments to fulfill our legal obligations to provide not only to be able to meet the monthly payments as and when they fall due but for the cash-backing of reserves and other working capital requirements. It is generally accepted that the municipality must have sufficient cash coverage of three months of average operational expenditure.

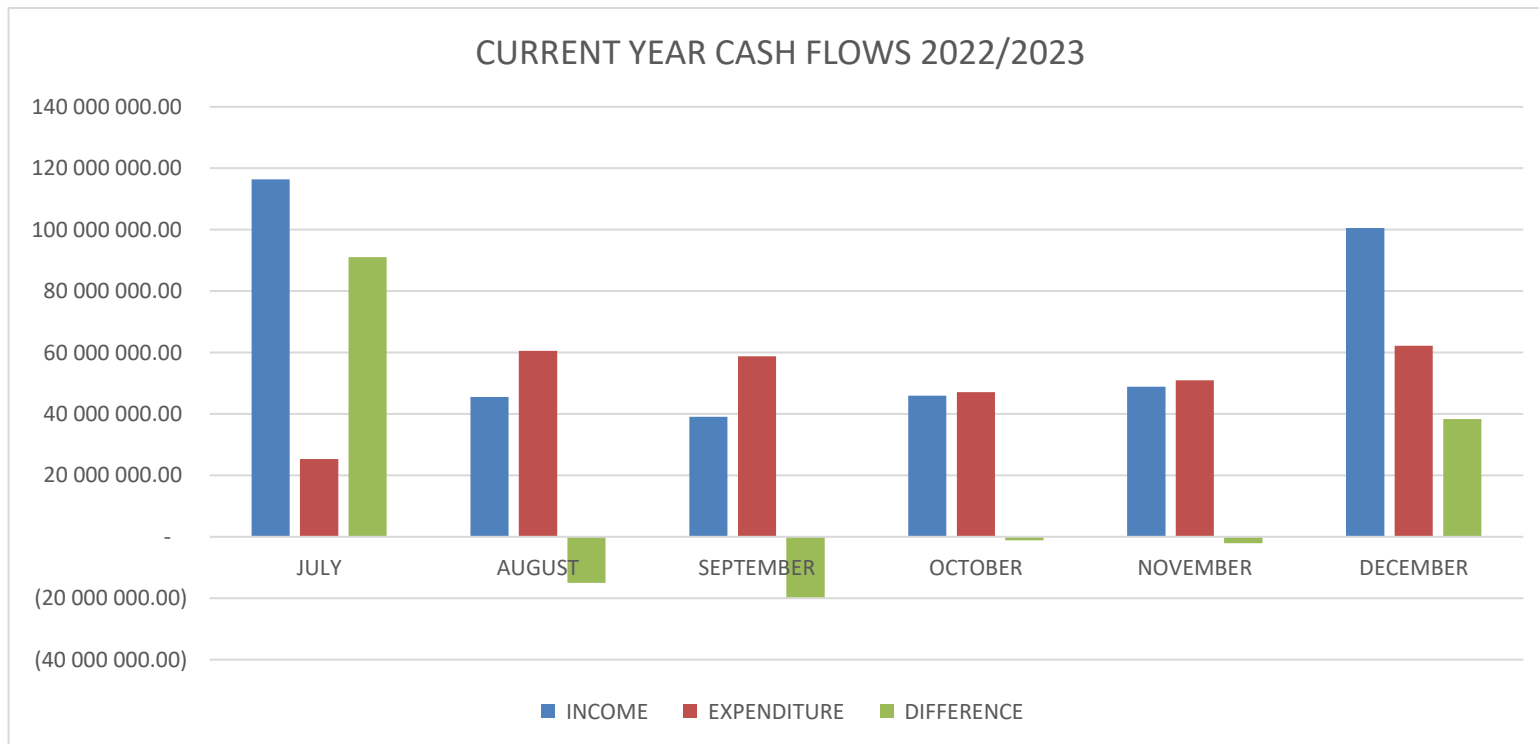
Of the reasons noted by National Treasury why municipalities' cash coverage is:

- A deterioration in revenue collections due to the impact of the economic recession and the rising rates and tariffs on the affordability of household budgets;
- The need to pay suppliers, especially contractors responsible for capital projects;
- The need to finance the cash-flow difference between paying for the increased cost of bulk electricity and the collection of revenues from customers;
- Any major breakdown in service delivery resulting in non-supply (especially water and electricity), and therefore no revenue.
- A rate-payers/consumers boycott.

PREVIOUS YEAR CASH FLOWS 2021/2022			
	INCOME	EXPENDITURE	DIFFERENCE
JULY	104 798 770.92	22 717 918.67	82 080 852.25
AUGUST	42 299 202.93	50 751 689.17	-8 452 486.24
SEPTEMBER	44 001 597.89	58 677 415.54	-14 675 817.65
OCTOBER	37 219 465.53	51 383 961.95	-14 164 496.42
NOVEMBER	35 124 204.57	48 955 543.38	-13 831 338.81
DECEMBER	92 038 183.43	52 948 494.37	39 089 689.06
	355 481 425.27	285 435 023.08	70 046 402.19



CURRENT YEAR CASH FLOWS 2022/2023			
	INCOME	EXPENDITURE	DIFFERENCE
JULY	116 385 302.41	25 286 975.92	91 098 326.49
AUGUST	45 537 700.28	60 555 510.38	-15 017 810.10
SEPTEMBER	39 125 473.63	58 803 984.14	-19 678 510.51
OCTOBER	45 937 578.22	47 060 790.91	-1 123 212.69
NOVEMBER	48 824 564.55	50 956 130.19	-2 131 565.64
DECEMBER	100 546 257.63	62 239 173.21	38 307 084.42
	396 356 876.72	304 902 564.75	91 454 311.97



## **Risks posed by the current state of finances**

The municipality must ensure that it does fall into the risks associated with financial stress which are:

### Service delivery risks

- Staff do not get paid – and so refuse to work
- Bulk services do not get paid for – so services could be cut and incur fruitless and wasteful expenditure (interest)
- Contractors and suppliers do not get paid – non compliance with MFMA
- Repairs and maintenance are invariably among the first expenditures cut placing service delivery at risk, as well as future revenue

### **Fiscal risks**

- Poor financial management processes and systems exposes the municipality to corruption
- The municipalities are failing to properly utilised the resources available to them by failing to collect available revenues
- Poor financial management increases the cost of borrowing

### **Budget Related Resolutions**

The Municipal Finance Management Act (MFMA) No 56 of 2003 requires that the municipality table and adopt the budget and budget resolutions. The format of the budget and supporting documentation is prescribed by the Municipal Budget and Reporting Regulations.

### **Summary Statement of Financial Performance**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Adjustment Budget</b>
Revenue	- 715 543 591.00	1 620 000.00	- 713 923 591.00
OPEX	700 543 741.00	- 36 522 609.00	664 021 132.00
	<b>- 14 999 850.00</b>	<b>- 34 902 609.00</b>	<b>- 49 902 459.00</b>
CAPEX	55 904 000.00	-2 930 000.00	52 974 000.00
<b>Funding Sources</b>			
MIG	39 979 000.00		39 979 000.00
INEP	925 000.00	-	925 000.00
Economic Dev	-	1 520 000.00	1 520 000.00
Own Revenue	15 000 000.00	-4 450 000.00	10 550 000.00
	<b>55 904 000.00</b>	<b>- 2 930 000.00</b>	<b>52 974 000.00</b>

## **CHALLENGES FOR THE 2ND HALF OF 2022/2023**

The major challenge the municipality faces going forward is that due to the depleted revenue and the current over commitments the general expenditure will be blocked. Further challenges include the cost containment measures that National Treasury have advised municipalities to implement to provide reasonable assurance that all expenditure in all sections are necessary, appropriate, paid promptly and adequately recorded. Given the economic challenges facing the community where resources are scarce it is imperative that funds are utilised effectively and economically.

To ensure compliance the following measures must be implemented as National Treasury have notified the Auditor-General who will be monitoring whether these changes have been implemented when the audit is conducted:

- Engagement of consultants and contractors – ensure a needs analysis has been confirmed that the relevant section does not have the requisite skills or resources in its full time employ to perform the assignment in question. The appointment of consultants may only be approved by the Accounting Officer and consultants may only be remunerated in terms of the guidelines issued by SAICA.
- Hotel accommodation must be in terms of the National Treasury policy. Overnight accommodation must be limited to instances where the distance by road exceeds 500 kilometers to and from the destination.
- Trips by vehicles must be optimised to reduce costs. Travel must be limited to meetings or events that are considered absolutely critical and the number of employees attending such meetings or events must be limited to those employees that are directly involved in the matter or event.
- Supplier and early settlement discounts must be negotiated to secure lower prices.
- Staff should be encouraged / educated on the prudent use of water and electricity usage in buildings to lower utility costs.
- Stricter control of allowances to employees
- Telephone and/or video conferencing facilities must be used, where possible, to avoid unnecessary travel and subsistence costs.
- Advertising for vacancies should be placed through bulk advertisements.
- Every effort must be made to recover debts from debtors before giving any consideration to writing off debts.
- Meetings and planning sessions must as far as practically possible be held in-house. Meetings attended by Councillors/employees may not incur catering expenses for internal



meetings. Catering should be limited to functions where external government departments are attending and limited to light snacks.

- Purchasing of new furniture and equipment and office refurbishments should only be undertaken where absolutely necessary.

Revenue generated from property rates and service charges forms a significant percentage of the revenue source of the municipality.

The approved operating revenue budget amounts to R715,5 million. For the period under review the planned SDBIP target is R391,1 million and the actual revenue collected to date is R379,2 million. When comparing the planned against the actual revenue there is a 3% under performance shown. The 1<sup>st</sup> and 2<sup>nd</sup> tranche of Equitable Share having been received as well as funding for MIG, INEP, FMG. Arts & Culture (Museum) and EPWP.

### **Reasons for major variances between planned and billed/actual revenue collected as at 31 December 2022:**

- revenue billed from rates is 1% above the planned projection
- revenue billed from electricity sales is 3% below the planned projection
- revenue billed from water sales is 29% below the planned projection
- revenue billed from sanitation sales is 4% above the planned projection
- revenue billed from refuse sales is 13% below the planned projection
- It must also be noted that the half year income reflects the second tranche of the equitable share which must be carried over into next quarter. This inflates the six-month Income figure as shown above.

The municipality is still expected to deliver services in an area which is growing with fewer funds to do so.

The major operating revenue variances against budget to date are:

- Property rates billed including penalties and collection charges – R705 thousand more than budget
- Service charges billed – R6,4 million less than budget
- Government Grants and subsidies – Operating – no additional equitable share allocated by National Treasury to local municipalities
- Government Grants and subsidies – Capital – no additional funding will be received
- Other Income – R1,3 million more than budget

The Directors and Managers are playing their oversight on their budgets and monitoring their spending as advised monthly by the Finance Department, the main concern is the lack of income and this is going to result in Finance again having to block non-essential votes to try and limit spending.

The municipality has implemented a budget funding plan that was approved by National Treasury as the 2022/23 budget when assessed by Provincial Treasury was found to be unfunded. During the adjustment budget the budget funding plan that has been adopted and approved will be fully implemented which will result in no additional funding being available for departments.

The fact that the municipality is experiencing on-going cash flow challenges is highlighted and needs to be taken into account when approval is considered for specific initiatives. Departments continue to bypass the CFO for financial input for certain projects and this is impacting on the reprioritizing of funds during the Adjustment Budget due to the shortfall.

The approved operating expenditure budget amounts to R 700,5 million. For the period under review the planned SDBIP target is R 350,2 million and the actual expenditure to date is R304,9 million. When comparing the planned against the actual expenditure there is a 13% under expenditure

**Reasons for major expenditure variance variances against budget are:**

- Employee costs – 2% or R 2,2 million more than budget which is due to bonuses paid in December 2022 and filling of positions
- Repairs and Maintenance – 18% or R 2,8 million less than budget
- Bulk purchases – 13% or R 15,5 million less than budget, the municipal accounts are paid a month in arrears and to date only 5 months accounts have been paid
- General expenses – 5% or R417 thousand less than budget
- Contracted services – 14% or R7,9 million less than budget

**Reason for major variance of year-to-date capital expenditure, compared to departmental Service Delivery Budget Implementation Plans (SDBIP) targets for the municipal vote is:**

- Capital program for MIG projects is ongoing as well as the electrification of Eskom areas, these projects are funded from grants.

Borrowings – own resources need to be accumulated before capital projects are embarked upon.

As at the end of December 2022, R370,5 million was outstanding for debtors, with R307,8 million outstanding for longer than 90 days. The effect of the weak economy is evident and the outstanding debtors has increased by +/- R47 million when compared to the same time last year.

The municipality needs to consider appointing staff/outsource for the continuous audit and social assessments of households to identify households that apply for indigent status.

**Other Financial Issues**

This executive report continues to highlight the performance achievement of the Finance Department during the first half of the financial year, taking into account:

- i. The targets set in the service delivery and business delivery

The main strategic goals during the 2022/2023 as set out in the business plan and reported in the performance report were for the following:

- The optimization of revenue collection by using incentives to encourage payments, increasing the number of payment methods, increasing the billing coverage and vigorously implementing the credit control policy and bylaws through effective implementation of the existing legal processes.

- Increasing the number of paying consumers by improving better communication and better relationships with consumers.
- Reduction of costs through reduction in physical and bulk losses.
- Improve service delivery to community through best practices.
- Reduction and/or control of expenditures mainly through the control of overhead costs by utilizing effective systems (blocking projects on the financial system)
- Alignment of structure with organizational strategy.
- Counteract wasteful water and electricity practices through education and awareness campaigns.
- Raising the level of awareness of consumers about hygiene and environmental health in compliance with regulatory requirements.
- Continual development of the required strategic skills from managerial levels to lower levels.
- Identify and manage operational and financial risks within the existing regulatory framework/environment.
- Manage and maintain an effective and efficient network system within the total Abaqulusi area.
- The reduction of overtime costs by implementing stricter monitoring controls and limiting the number of hours per employee to 40 hours per month.

KZN263 Abaqulusi - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 24 February 2023

Description R thousands	Ref 1	2022/23									Budget Year 2023/24	Budget Year 2024/25
		Original Budget A	Prior Adjusted 3 A1	Accum. Funds 4 B	Multi-year capital 5 C	Unfore. Unavoid. 6 D	Nat. or Prov. Govt 7 E	Other Adjusts. 8 F	Total Adjusts. 9 G	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget
<b>Revenue by Source</b>												
Property rates	2	99 099	-	-	-	-	-	(1 620)	(1 620)	97 479	103 223	107 868
Service charges - electricity revenue	2	205 946	-	-	-	-	-	-	-	205 946	214 524	224 111
Service charges - water revenue	2	59 124	-	-	-	-	-	-	-	59 124	61 722	64 302
Service charges - sanitation revenue	2	34 920	-	-	-	-	-	-	-	34 920	24 271	25 284
Service charges - refuse revenue	2	24 649	-	-	-	-	-	-	-	24 649	23 645	24 623
Rental of facilities and equipment		8 634	-	-	-	-	-	-	-	8 634	8 634	8 634
Interest earned - external investments		1 620	-	-	-	-	-	-	-	1 620	1 620	1 620
Interest earned - outstanding debtors		64 834	-	-	-	-	-	-	-	64 834	67 237	69 632
Dividends received		-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		5 253	-	-	-	-	-	-	-	5 253	5 253	5 253
Licences and permits		7 110	-	-	-	-	-	-	-	7 110	7 110	7 110
Agency services		-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		200 369	-	-	-	-	-	-	-	200 369	211 490	227 037
Other revenue	2	1 487	-	-	-	-	-	-	-	1 487	487	487
Gains		-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>713 044</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 620)</b>	<b>(1 620)</b>	<b>711 424</b>	<b>729 217</b>	<b>765 961</b>
<b>Expenditure by Type</b>												
Employee related costs		192 166	-	-	-	-	-	3 119	3 119	195 285	200 621	209 649
Remuneration of councillors		19 806	-	-	-	-	-	-	-	19 806	20 678	21 608
Debt impairment		7 053	-	-	-	-	-	(7 053)	(7 053)	-	7 363	7 694
Depreciation & asset impairment		32 695	-	-	-	-	-	-	-	32 695	41 229	63 834
Finance charges		-	-	-	-	-	-	1 883	1 883	1 883	-	-
Bulk purchases - electricity		261 400	-	-	-	-	-	(21 373)	(21 373)	240 027	272 379	286 636
Inventory consumed		31 266	-	-	-	-	-	(9 025)	(9 025)	22 241	59 563	57 059
Contracted services		112 062	-	-	-	-	-	(4 595)	(4 595)	107 467	99 543	86 923
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-	-
Other expenditure		44 096	-	-	-	-	-	521	521	44 617	51 733	54 027
Losses		-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>700 544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36 523)</b>	<b>(36 523)</b>	<b>664 021</b>	<b>753 109</b>	<b>787 431</b>
<b>Surplus/(Deficit)</b>												
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		12 500	-	-	-	-	-	34 903	34 903	47 403	(23 891)	(21 470)
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		40 904	-	-	-	-	-	1 520	1 520	42 424	51 666	53 910
		-	-	-	-	-	-	-	-	-	-	-

Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) before taxation</b>	53 404	-	-	-	-	-	-	36 423	36 423	89 827	27 775	32 440
Taxation	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	53 404	-	-	-	-	-	-	36 423	36 423	89 827	27 775	32 440
Attributable to minorities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	53 404	-	-	-	-	-	-	36 423	36 423	89 827	27 775	32 440
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	53 404	-	-	-	-	-	-	36 423	36 423	89 827	27 775	32 440

The following amendments have been made:

- Revenue has decreased by R1,6 million which is for the Provision of Free Basic Rates for Indigent Consumers which was not provided for during the preparation of the Original budget
- Employee costs have increased by R3,1 million. The reason for the increase is the absorption of the Finance Interns whose contracts had expired into permanent positions, the filling of critical essential vacancies, the staff at Public Safety working on a shift system, increase in overtime due to storm damage and theft of electrical infrastructure and the increase in the Council contribution for medical aid
- The bulk purchase budget for Eskom has been reduced due to the impact of load shedding
- The reduction of R9 million in Inventory consumed due to the implementation of the Budget Funding Plan
- Contracted Services has been reduced by R4,5 million due to an analysis by departments during the Budget Funding Plan discussions and contractor's scope being reduced
- An increase of R521 thousand in other expenditure for the increase in payments to Ward Committee members and payment to SALGA

KZN263 Abaqulusi - Table B5 Adjustments Capital Expenditure Budget by vote and funding - 20 February 2023

Description R thousands	Ref	2022/23									Budget Year 2023/24	Budget Year 2024/25
		Original Budget A	Prior Adjusted 5 A1	Accum. Funds 6 B	Multi-year capital 7 C	Unfore. Unavoid. 8 D	Nat. or Prov. Govt 9 E	Other Adjus. 10 F	Total Adjus. 11 G	Adjusted Budget 12 H	Adjusted Budget	Adjusted Budget
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure to be adjusted</b>	2											
Vote 1 - VOTE1		-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance & Administration		-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Community & Social Services		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Energy Sources		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Housing		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Internal Audit		-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Other		-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Planning and Development		-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Public Safety		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Road Transport		-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Sport and Recreation		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Management		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Waste Water Management		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Water Management		-	-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	3	-	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be adjusted</b>	2											
Vote 1 - VOTE1		500	-	-	-	-	-	-	500	-	-	-
Vote 2 - Finance & Administration		7 000	-	-	-	-	-	(5 000)	(5 000)	2 000	6 000	7 287
Vote 3 - Community & Social Services		-	-	-	-	-	-	1 019	1 019	1 019	15 600	23 400
Vote 4 - Energy Sources		2 425	-	-	-	-	-	450	450	2 875	10 000	10 449
Vote 5 - Housing		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Internal Audit		-	-	-	-	-	-	100	100	100	-	-
Vote 7 - Other		-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Planning and Development		-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Public Safety		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Road Transport		45 979	-	-	-	-	-	(1 019)	(1 019)	44 960	26 066	20 061
Vote 11 - Sport and Recreation		-	-	-	-	-	-	-	-	-	2 500	2 500
Vote 12 - Waste Management		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Waste Water Management		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Water Management		-	-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		55 904	-	-	-	-	-	(4 450)	(4 450)	51 454	60 166	63 697
<b>Total Capital Expenditure - Vote</b>		55 904	-	-	-	-	-	(4 450)	(4 450)	51 454	60 166	63 697





KZN263 Abaqulusi - Table B6 Adjustments Budget Financial Position - 24 February 2023

Description R thousands	Ref	2022/23									Budget Year 2023/24	Budget Year 2024/25
		Original Budget A	Prior Adjusted 3 A1	Accum. Funds 4 B	Multi-year capital 5 C	Unfore. Unavoid. 6 D	Nat. or Prov. Govt 7 E	Other Adjus. 8 F	Total Adjus. 9 G	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget
<b>ASSETS</b>												
<b>Current assets</b>												
Cash		8 384	-	-	-	-	-	40 779	40 779	49 162	(999)	10 027
Call investment deposits	1	11 260	-	-	-	-	-	12 115	12 115	23 375	11 260	11 260
Consumer debtors	1	277 541	-	-	-	-	-	42 999	42 999	320 540	326 587	370 396
Other debtors		19 996	-	-	-	-	-	56 220	56 220	76 216	19 996	19 996
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-	-
Inventory		11 834	-	-	-	-	-	9 025	9 025	20 859	(38 704)	(95 763)
<b>Total current assets</b>		<b>329 015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>161 138</b>	<b>161 138</b>	<b>490 153</b>	<b>318 140</b>	<b>315 916</b>
<b>Non current assets</b>												
Long-term receivables		-	-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-	-	-
Investment property		70 605	-	-	-	-	-	-	-	70 605	70 605	70 605
Investment in Associate		-	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	1	1 283 007	-	-	-	-	-	(2 930)	(2 930)	1 280 077	1 302 081	1 302 087
Biological		-	-	-	-	-	-	-	-	-	-	-
Intangible		141	-	-	-	-	-	-	-	141	4	(139)
Other non-current assets		3 855	-	-	-	-	-	-	-	3 855	3 855	3 855
<b>Total non current assets</b>		<b>1 357 608</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2 930)</b>	<b>(2 930)</b>	<b>1 354 678</b>	<b>1 376 545</b>	<b>1 376 408</b>
<b>TOTAL ASSETS</b>		<b>1 686 623</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>158 208</b>	<b>158 208</b>	<b>1 844 831</b>	<b>1 694 685</b>	<b>1 692 324</b>
<b>LIABILITIES</b>												
<b>Current liabilities</b>												
Bank overdraft		-	-	-	-	-	-	-	-	-	-	-
Borrowing		-	-	-	-	-	-	-	-	-	-	-
Consumer deposits		16 192	-	-	-	-	-	-	-	16 192	16 192	16 192
Trade and other payables		99 625	-	-	-	-	-	129 923	129 923	229 548	68 277	38 112
Provisions		41 408	-	-	-	-	-	-	-	41 408	41 408	41 408
<b>Total current liabilities</b>		<b>157 225</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129 923</b>	<b>129 923</b>	<b>287 149</b>	<b>125 878</b>	<b>95 712</b>
<b>Non current liabilities</b>												
Borrowing	1	-	-	-	-	-	-	-	-	-	-	-
Provisions	1	50 338	-	-	-	-	-	-	-	50 338	50 338	50 338
<b>Total non current liabilities</b>		<b>50 338</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50 338</b>	<b>50 338</b>	<b>50 338</b>
<b>TOTAL LIABILITIES</b>		<b>207 563</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129 923</b>	<b>129 923</b>	<b>337 487</b>	<b>176 216</b>	<b>146 050</b>
<b>NET ASSETS</b>	2	<b>1 479 060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28 284</b>	<b>28 284</b>	<b>1 507 344</b>	<b>1 518 470</b>	<b>1 546 274</b>

<b>COMMUNITY WEALTH/EQUITY</b>													
Accumulated Surplus/(Deficit)		1 476 560	-	-	-	-	-	-	28 285	28 285	1 504 845	1 506 835	1 541 885
Reserves		-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>		<b>1 476 560</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28 285</b>	<b>28 285</b>	<b>1 504 845</b>	<b>1 506 835</b>	<b>1 541 885</b>

KZN263 Abaqulusi - Table B7 Adjustments Budget Cash Flows - 24 February 2023

Description R thousands	Ref	2022/23									Budget Year 2023/24	Budget Year 2024/25
		Original Budget A	Prior Adjusted 3 A1	Accum. Funds 4 B	Multi-year capital 5 C	Unfore. Unavoid. 6 D	Nat. or Prov. Govt 7 E	Other Adjus. 8 F	Total Adjus. 9 G	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>												
<b>Receipts</b>												
Property rates Service charges Other revenue								3 375	3 375	86 618		
Transfers and Subsidies - Operational Transfers and		83 243	-	-	-	-	-	7 941	7 941	368 884	86 708	90 610
Subsidies - Capital Interest		360 943	-	-	-	-	-	7 941	15 775	28 375	363 001	377 955
Dividends		12 600	-	-	-	-	-	15 775	-	200 369	12 600	12 600
<b>Payments</b>												
Suppliers and employees Finance charges		200 369	-	-	-	-	-	-	1 520	59 984	211 490	227 037
Transfers and Grants		58 464	-	-	-	-	-	1 520	-	1 620	51 666	53 910
	1	1 620	-	-	-	-	-	-	-	-	1 620	1 620
	1	-	-	-	-	-	-	-	-	-	-	-
	1	-	-	-	-	-	-	-	-	-	-	-
		(662 296)	-	-	-	-	-	29 470	29 470	(632 826)	(676 301)	(689 009)
		-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>54 943</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58 080</b>	<b>58 080</b>	<b>113 023</b>	<b>50 784</b>	<b>74 722</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
<b>Receipts</b>												
Proceeds on disposal of PPE		1 000	-	-	-	-	-	22	22	1 022	-	-
Decrease (increase) in non-current receivables Decrease		-	-	-	-	-	-	-	-	-	-	-
(increase) in non-current investments		-	-	-	-	-	-	-	-	-	-	-
<b>Payments</b>												
Capital assets		(73 464)	-	-	-	-	-	2 930	2 930	(70 534)	(60 166)	(63 697)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(72 464)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 952</b>	<b>2 952</b>	<b>(69 512)</b>	<b>(60 166)</b>	<b>(63 697)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
<b>Receipts</b>												
Short term loans		-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-	-
<b>Payments</b>												
Repayment of borrowing		-	-	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(17 521)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61 032</b>	<b>61 032</b>	<b>43 511</b>	<b>(9 382)</b>	<b>11 025</b>
Cash/cash equivalents at the year begin:	2	37 165	-	-	-	-	-	(8 138)	(8 138)	29 026	72 538	33 374
Cash/cash equivalents at the year end:	2	19 644	-	-	-	-	-	52 893	52 893	72 538	63 155	44 399

The following has been considered when compiling the cashflow

- During the preparation of the Budget Funding Plan, Provincial Treasury advised the norm for the collection rate on Property Rates is 84%, the municipality has budgeted for a 90% collection rate
- The collection rate for service charges has also been budgeted for at 90% compared to the 87,8% which was used by Provincial Treasury for the Budget Funding Plan.
- The Finance and Technical Departments are currently busy with a vigorous campaign of removing all illegal connections and enforcing strict credit control and disconnection of services not paid for

KZN263 Abaqulusi - Table B8 Cash backed reserves/accumulated surplus reconciliation - 24 February 2023

Description R thousands	Ref	2022/23									Budget Year 2023/24	Budget Year 2024/25
		Original Budget A	Prior Adjusted 3 A1	Accum. Funds 4 B	Multi-year capital 5 C	Unfore. Unavoid. 6 D	Nat. or Prov. Govt 7 E	Other Adjus. 8 F	Total Adjus. 9 G	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget
<b>Cash and investments available</b> Cash/cash equivalents at the year end Other current investments > 90 days	1	19 644	-	-	-	-	-	52 893	52 893	72 538	63 155	44 399
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	(52 893)	(23 112)
<b>Cash and investments available:</b>		<b>19 644</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52 893</b>	<b>52 893</b>	<b>72 538</b>	<b>10 262</b>	<b>21 287</b>
<b>Applications of cash and investments</b>												
Unspent conditional transfers		17 560	-	-	-	-	-	-	-	17 560	17 560	17 560
Unspent borrowing		-	-	-	-	-	-	-	-	-	-	-
Statutory requirements		3 805	-	-	-	-	-	(14 759)	(14 759)	(10 954)	3 805	3 805
Other working capital requirements	2	(183 877)	-	-	-	-	-	(30 056)	(30 056)	(213 933)	(259 737)	(329 051)
Other provisions		(41 408)	-	-	-	-	-	-	-	(41 408)	(41 408)	(41 408)
Long term investments committed		-	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments		-	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>(203 920)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44 816)</b>	<b>(44 816)</b>	<b>(248 736)</b>	<b>(279 780)</b>	<b>(349 093)</b>
<b>Surplus(shortfall)</b>		<b>223 564</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97 709</b>	<b>97 709</b>	<b>321 273</b>	<b>290 042</b>	<b>370 381</b>

**Feedback and responses from Provincial Treasury assessment of the Section 72 Mid-year report (the report has not yet been received but will be tabled with the report for Council)**



Our Ref.: 9/1/1/7

Your Ref.

Enquiries: M Mthembu

Dept.: Finance



57, VRYHEID 3100

c/o, Mark & High Street



(034) 982-2133



Fax: (034) 982-1939

E-mail: [finance@abaqulusi.gov.za](mailto:finance@abaqulusi.gov.za)

## QUALITY CERTIFICATE

I, **ZG Dhlamini**, Municipal Manager of **ABAQULUSI MUNICIPALITY**, hereby certify that: (mark as appropriate)

- The monthly budget statements
- Quarterly report on the implementation of the budget and financial state of affairs to the municipality
- Adjustment budget

The Adjustment Budget 2022/2023 has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

\_\_\_\_\_  
\_\_\_\_\_  
**ZG DHLAMINI**  
**MUNICIPAL MANAGER**  
**ABAQULUSI MUNICIPALITY**  
**KZN263**

**DATE**

Our Ref.: 9/1/1/7  
Your Ref.  
Enquiries: M Mthembu



✉ 57, VRYHEID 3100

c/o, Mark & High Street



(034) 982-2133



Fax: (034) 982-1939

E-mail: [finance@abaqulusi.gov.za](mailto:finance@abaqulusi.gov.za)

## CONFIRMATION CERTIFICATE

I, MPE Mthembu, the Chief Financial Officer of (**ABAQULUSI MUNICIPALITY**), have checked the Report and done the Review Session with my Department. The POE's are categorised according to the index. *(Marked as appropriate)*

The December Monthly Report	<input type="checkbox"/>
Quarterly Report on the implementation of the Financial State of affairs to the Municipality	<input type="checkbox"/>
Adjustment Budget	<input checked="" type="checkbox"/>
Medium Term Report	<input type="checkbox"/>

I hereby confirm that the above is a true reflection of the Finance Section and in full compliance with Schedule 2 of the Municipal Systems Act.

\_\_\_\_\_  
**MPE MTHEMBU**  
**CHIEF FINANCIAL OFFICER**  
**ABAQULUSI MUNICIPALITY**

\_\_\_\_\_  
**DATE**

**KZN263**