

29 October 2018

SPEAKER OF COUNCIL

Attention: Cllr. Siyonzana

AUDIT COMMITTEE REPORT ON THE REVIEW OF THE 2018/19 1st QUARTER MFMA SECTION 52(d) REPORT

Dear Speaker

The Audit Committee held its scheduled Ordinary Meeting on Thursday, 25 October 2018. Amongst reports that were discussed by the Committee, was the municipality's 1st Quarter MFMA Section 52(d) Report.

After having discussed this report, the Committee made the following observations and is bringing such to the attention of Council;

1. The report indicates a shortfall of about R 285 million in relation to cash backed reserves vis-à-vis unspent conditional grants as at the end of September 2018. Reference can be made to paragraph 5.3 (b) of the report.
2. The liquidity ratio of the municipality as at 30 September 2018 is also worrying as the current liabilities of the municipality were far exceeding the current assets of the municipality as at 30 September 2018 (i.e. current assets as at 30 September were recorded as R 6.6 Billion vis-à-vis total current liabilities of R 7.5 billion, a shortfall of almost a R1 billion).

The above paints a gloomy picture on the Financial Position of the municipality as at end of the 2018/19 First Quarter and calls for radical steps by the municipality to change the picture to a more positive one come end of the 2nd quarter of the financial year. The above also suggests that the municipality's finances are under serious pressure and a radical approach to debt collection is urgently needed.

The Committee therefore recommends the following to Council;

- (a) Management should come up with a radical turnaround plan that will lead to the improvement of Council's finances come end of the 2nd quarter of the Financial Year.
- (b) Council should embark on a rigorous collection drive to ensure that monies owed to the municipality by both Business, Government and Domestic customers are collected to ensure that the finances of the municipality are improved.
- (c) The Credit Control of the municipality should be earnestly implemented by management.

In conclusion, the Committee reports that it will continue monitor the situation and report to Council on a Quarterly basis on the outcome of its analysis on the financial position of the Municipality.

This report is submitted to Council in compliance to MFMA Section 166(2) for consideration and it should be read together with the Municipality's MFMA Section 52(d) report for the quarter ending 30 September 2018.

Submitted on behalf of the Audit Committee by;



Mr. G Mahlatsi
Audit Committee Chairperson

CC: Hon. Mlamleli
EXECUTIVE MAYOR