



NGQUSHWA LOCAL MUNICIPALITY(EC 126)

BUDGET MONITORING REPORT

FOR THE QUARTER ENDING 30 SEPTEMBER 2016

IN TERMS OF SECTION 52(d) OF THE MFMA



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1. REPORT OF THE HONORABLE MAYOR

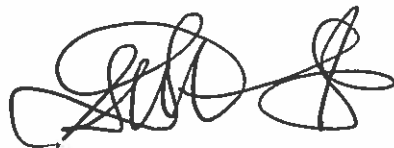
In accordance with Section 52(d) of the Municipal Finance Management Act 56 of 2003(MFMA); I submit a report to the council within 30 days after the end of the First quarter of 2016/17, on the implementation of the budget and financial state of affairs of the Ngqushwa Local Municipality.

The submission of this report forms part of the general responsibilities of the Mayor of a municipality, and is intended to inform and enable the council to fulfil its oversight responsibility.

It must be noted that the figures contained in this report are interim and are unaudited. The use of the figures reported in this report is therefore for the designated audience and any other use of this information for other purposes; the municipality disclaims itself.

Honorable Mayor

Signature



Date

28/10/2016

2. MUNICIPAL MANAGER 'S CERTIFICATION

I, **Thandekile Mnyimba**, the municipal manager of **Ngqushwa Municipality, EC 126** hereby certify that -

(mark as appropriate)

- the monthly budget statement
- quarterly report on the implementation of the budget and financial state of affairs of the municipality
- mid-year budget and performance assessment

for the first quarter 2017 of 2016/2017 has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print Name: Mr. T.T. Mnyimba
Municipal Manager of Ngqushwa Municipality (EC126)

Signature

Date

27/10/2016

3. MAYORS RECOMMENDATIONS

1. That the Council notes the contents of this report and supporting documentations for the first quarter of 2016/17 financial year.
2. That Council notes the Q1 section 52d report and its contents and recommend to Council to note the report as presented.
3. That Council notes that Q1 section 52d is unaudited and has been submitted to Internal Audit for audit purposes.
4. That Council notes section 32 report and refers the report to MPAC for further investigation and for MPAC to report back to Council for recommended actions.

4. INTRODUCTION

The first quarter local government budget monitoring report covers revenue and expenditure for the month of 01 July 2016 to 30 September 2016 in the 2016/17 municipal financial year.

The budget monitoring report assesses the in-year financial performance of the municipality against the budgeted revenue and expenditure. The budget monitoring report focuses on the credibility of municipal budget, covering capital and operating budgets as well as sustainability of the municipality covering debtors, creditors and cash flow position.

The straight-line method of projection was used as a benchmark for expenditure and revenue at the end of the first quarter set to be 25%.

5. LEGISLATIVE FRAMEWORK

In terms of section 52 (d) of the Municipal Finance Management Act, (Act 56 of 2003) (MFMA) the Mayor of a municipality must within 30 days after the end of each quarter submit a report to the council on the implementation of the budget and the financial state of affairs of the Municipality. Section 74 of the MFMA requires accounting officers to submit such information, returns, documents, explanations and motivations as may be required.

6. CREDIBILITY OF MUNICIPAL BUDGET

6.1 CAPITAL BUDGET

Sources of Funding - Capital Expenditure

Table "T1" reflects the Source of Funding used to finance capital expenditure for the period 01 July 2016 to September 2016 as a

percentage of the capital funding budget for the 2016/17 financial year. The total capital financing as at 30 September 2016 was at R 32, 1 m. Noteworthy is that in the quarter under review an amount of R24,7 m was sourced from external capital funds - Municipal Infrastructure Grant (MIG).

Table T1

<u>Description</u>	<u>Original Budget 000</u>	<u>Projections YTD 000</u>	<u>Actuals YTD 000</u>	<u>%</u>
Capital Revenue funded by	-	-	-	-
National Government	R 24,761	R 6,190	R 3,220	52.02
Provincial Government	R 0	R 0	R 0	-
District Municipality	R 0	R 0	R 0	-
Other transfers and grants	R 0	R 0	R 0	-
Transfers recognised – capital	R 24,761	R 6,190	R 3,220	52.02
Internally generated funds	R 6,756	R 1,689	R 174	10.30
Total Capital Funding	R 31,517	R 7,879	R 3,394	43.08

Capital Budget Funding

Table 1 highlights the year to date and quarter one financing of capital expenditure as a percentage of the total budget capital funding. The primary revenue source for capital expenditure is National Transfers in the form of MIG. The original budget of conditional grants from National Government amounted to R 24, 7 m for capital projects. It must be noted that the amount allocated to finance the Capital expenditure through MIG in the 2016/17 financial year was R 20, 7 m (The total allocated to the municipality from MIG amounts to R 21,8m and 5% was allocated to the operations of the Project Management Unit). Also in the amount of National transfers there is an amount of R 4 m allocated to the municipality for the Integrated Electrification Municipal Program Grant, this grant is allocated to the municipality in order to meet the target on electrification

shortfalls in the targeted municipal areas. The amount transferred as at 30 September 2016 as per municipal schedule for MIG was R 4, 9 m INEG was R 1m.

The internal generated funds which were budgeted for to finance capital expenditure amounted to R 6, 7 m. The municipality spent R 174 000 which is 14% less than projected amount figure compared to the budget.

Capital Expenditure by vote.

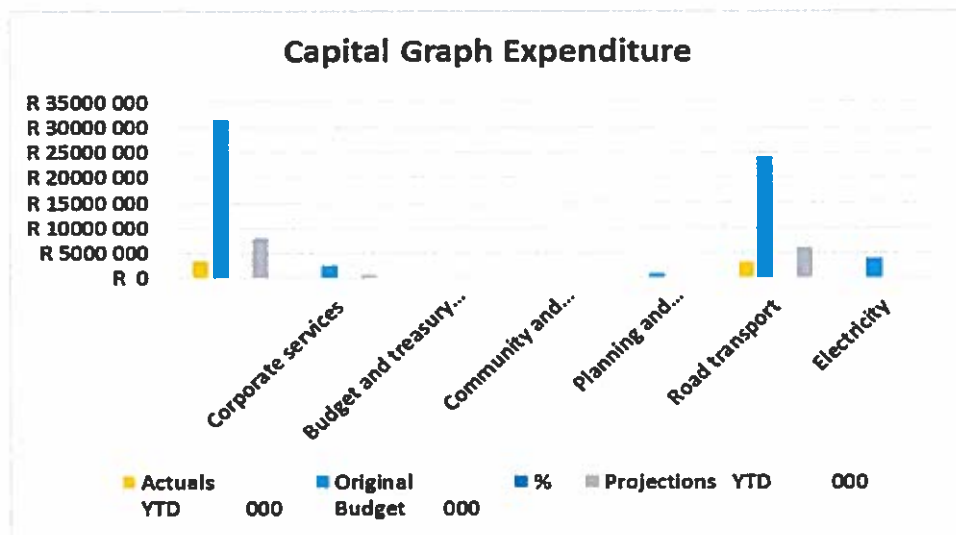
Table "T2" below reflects the capital expenditure for the period from 01 July 2016 to 30 September 2016 by" vote". The total capital expenditure as at 30 September 2016 was R3, 3 m. or 62% compared to the year to date projections.

Table T2

<u>Description</u>	<u>Original Budget</u> <u>000</u>	<u>Projections</u> <u>YTD</u> <u>000</u>	<u>Actuals</u> <u>YTD</u> <u>000</u>	<u>%</u>
	R 31,517	R 7,879	R 3,394	43.07
Corporate services	R 2,446	R 611	R 174	28.46
Budget and treasury office	R 37	R 9	R 0	-
Community and social services	R 301	R 75	R 0	-
Planning and development	R 852	R 213	R 0	-
Road transport	R 23,881	R 5,970	R 3,220	53.93
Electricity	R 4,000	R 0	R 0	-

The total capital expenditure of R3, 3 m was spent as following comparing to quarterly projections: 28.45 % was spent on Corporate Services, 53.94% was spent on Road Transport. Other votes has not yet implemented their capital budget. The Municipality did not have a rollover in the 2015/16 financial year.

The following chart shows the Capital expenditure



6.2 OPERATING BUDGET

6.2.1 Operating Revenue

Table "OR1" below reflects the actual operating revenue billed and collections as at 30 September 2016.

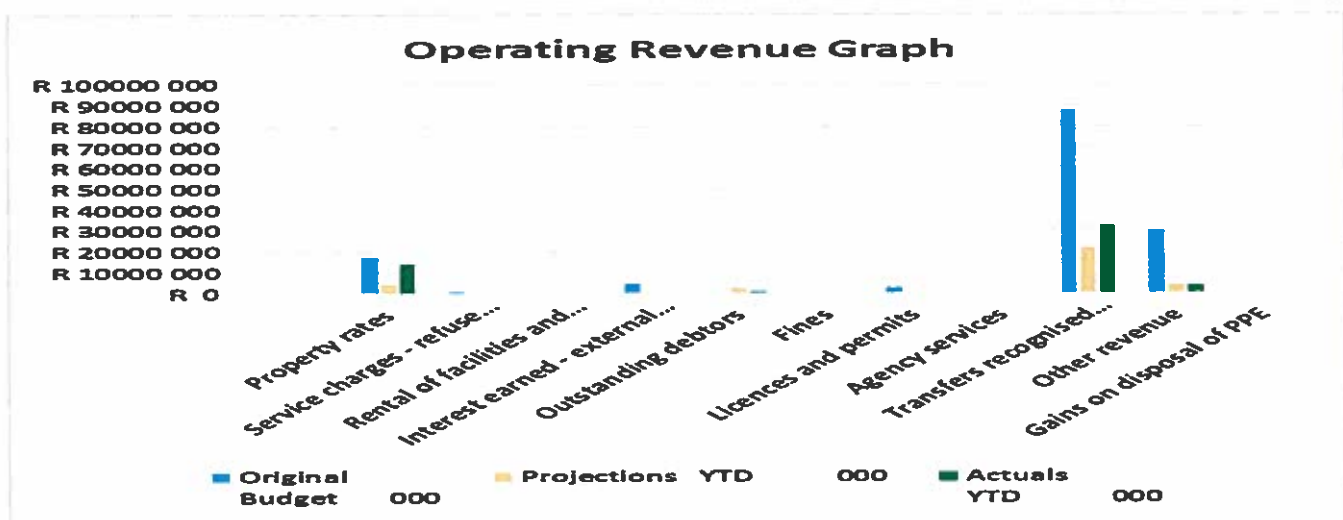
Table OR1

<u>Description</u>	<u>Original Budget</u> <u>000</u>	<u>Projections</u> <u>YTD</u> <u>000</u>	<u>Actuals</u> <u>YTD</u> <u>000</u>	<u>%</u>
Property rates	R 17,236	R 4,210	R 14,156	82.13
Service charges - refuse revenue	R 674	R 161	R 148	21.88
Rental of facilities and equipment	R 122	R 63	R 48	39.28
Interest earned - external investments	R 4,411	R 500	R 364	8.26
Outstanding debtors	R 126	R 32	R 983	780.09
Fines	R 285	R 102	R 69	24.24

Licences and permits	R 2,526	R 427	R 471	18.63
Agency services	R 254	R 63	R 121	47.74
Transfers recognised operational	R 87,231	R 21,665	R 32,011	36.70
Other revenue	R 29,441	R 4,012	R 3,702	12.57
Gains on disposal of PPE	R 350	R 150	R 0	-
Total Revenue	142,658	31,384	52,073	

The table above highlights the year to date revenue as a percentage of the total budget for operating revenue. It must be noted that the billing for property rates and refuse includes those properties that are billed annually hence the overbilling compared to projections. The line item "Other revenue" comprise of Building plan fees, Public toilet fees, Vat, Cemetery Fees and Billboards. Transfers recognized are as per municipal payment schedule and are spread over three trenches in a year. Grants like Financial Management Grant (FMG), Municipal System Improvement Grant (MSIG) are received once off and others are received in three trenches, where the first trenches were received in August 2016.

The following chart shows Operating Revenue by source.



Below is a breakdown of the current billed rate:-

- Property Rates: 82.13%
- Refuse removal: 21.88%

6.2.2 Operating Expenditure by type

Table "OX2" reflects the year-to-date operating expenditure by type from 1 July 2016 to 30 September 2016 of the operating expenditure budget for the financial year 2016/17.

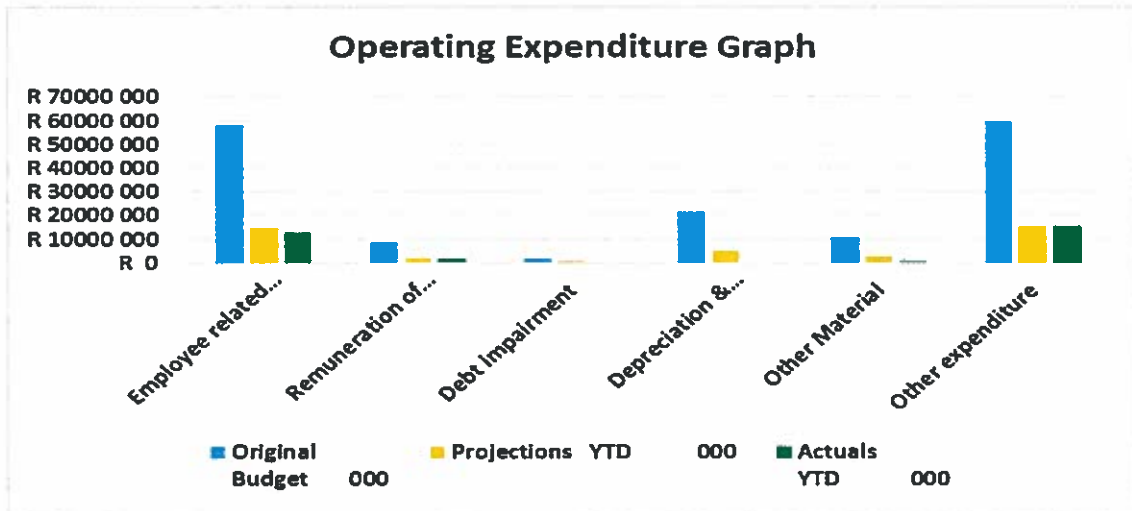
Table OX2

<u>Description</u>	<u>Original Budget 000</u>	<u>Projections YTD 000</u>	<u>Actuals YTD 000</u>	<u>%</u>
Employee related costs	R 57,868	R 14,467	R 12,720	87.92
Remuneration of councilors	R 8,416	R 2,104	R 1,846	87.75
Debt impairment	R 1,789	R 447	R 0	-
Depreciation & asset impairment	R 21,269	R 5,317	R 0	-
Repairs and maintenance	R 10,310	R 2,578	R 864	33.52
General expenses	R 59,308	R 14,827	R 15,517	104.65
Total Expenditure	158,959	39,740	30,947	

% Expenditure budget against actuals:-

Employee related costs 87.92%, and Remuneration of Councillors 87.75%. The depreciation and debt impairment line item shows no actuals as at 30 September because they have not been provided as yet. Other expenditure shows an over expenditure compared the projections, this because of expenditure projects that took place that were not budgeted for.

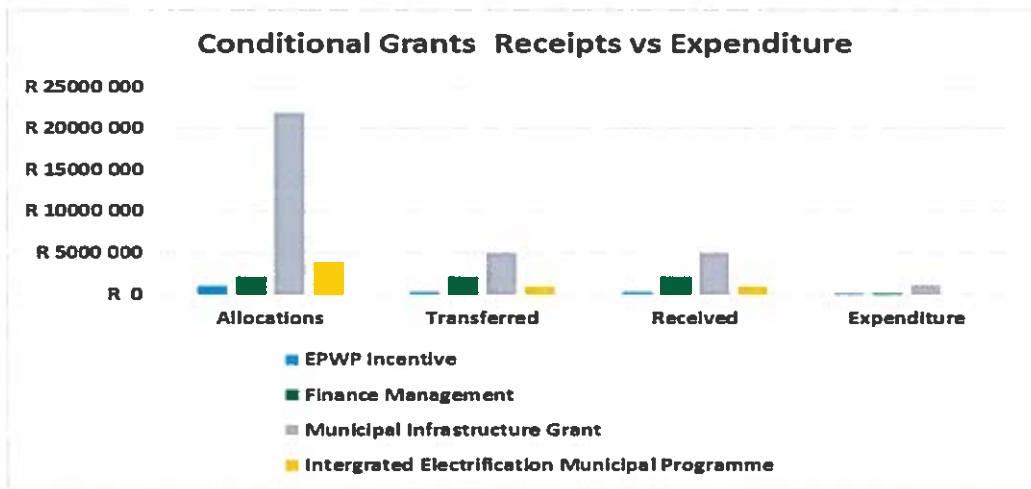
The following Graph shows Operating Expenditure by type.



6.3 GRANT EXPENDITURE

Table GE

Conditional Grants Receipts vs Expenditure					
Grants National	Allocations	Transferred	Received	Expenditure	%
EPWP Incentive	R 1 000 000	R 250 000	R 250 000	R 82 150	32.86%
Finance Management	R 2 010 000	R 2 010 000	R 2 010 000	R 123 764	6.16%
Municipal Infrastructure Grant	R 21 854 000	R 4 955 000	R 4 955 000	R 1 114 040	22.48%
Intergrated Electrification Municipal Programme	R 4 000 000	R 1 000 000	R 1 000 000	R 0	0.0%



It was reported at 30 September 2016 that the National Grants were allocated and spent by Ngqushwa Local Municipality as follows:

- Expended Public Works ((EPWP) Incentive: R1 m was allocated for this financial year. Transfers made to the Municipality were R 250 000. Expenditure reported to date is R 82 150.
- Financial Management Grant (FMG): R 2, m allocated and transferred to Ngqushwa Local Municipality. Expenditure reported to be R 123 764.
- Municipal Infrastructure Grant (MIG): R21, 8 m was allocated for this financial year. Transfers made to the Municipality were R 4, 9 m. Expenditure is currently sitting at R 3, 8 m.
- Integrated Electrification Municipal Grant (INEG): R4 M is allocated and R 1m was received. Expenditure reported to be R 0.

7. SUSTAINABILITY OF THE BUDGET

7.1 DEBTORS AGE ANALYSIS

Table **D1** reflects debtors by Customer group and table **D2** reflects debtors per service as at 30 September 2016.

D1

Ngqushwa Local Municipality									
								Rep Date:	9/30/2016
DEBTORS AGE ANALYSIS - BY SERVICE									
Description	0 - 30 Days R	31 - 60 Days R	61 - 90 Days R	91 - 120 Days R	121 - 150 Days R	151 - 180 Days R	181 Days - 1 Year R	Over 1 Year R	Total - R
Receivables from Non- exchange Transactions - Property Rates	30,124.00	200,000.00	8,500,913.00	769,725.00	24,914.00	91,720.00	2,852,612.00	19,123,766.24	31,593,774.24
Receivables from Exchange Transactions - Waste Management	35,715.00	36,436.00	34,458.00	36,143.00	24,384.00	28,793.00	135,487.00	1,142,813.00	1,474,229.00
Receivables from Exchange Transactions - Property Rental Debtors	11,473.00	11,473.00	11,473.00	133,263.00	5,064.00	9,660.00	9,447.00	36,712.00	228,565.00
Interest on Arrear Debtor Accounts	325,603.00	329,996.00	325,772.00	342,387.00	320,679.00	312,943.00	1,844,087.00	5,269,468.00	9,070,935.00
Totals:	402,915.00	577,905.00	8,872,616.00	1,281,518.00	375,041.00	443,116.00	4,841,633.00	25,572,759.24	42,367,503.24

D2

Ngqushwa Local Municipality	
	Rep Date: 9/30/2016
DEBTORS AGE ANALYSIS BY CUSTOMER GROUP	

Description	0 - 30 Days R	31 - 60 Days R	61 - 90 Days R	91 - 120 Days R	121 - 150 Days R	151 - 180 Days R	181 Days - 1 Year R	Over 1 Year R	Total - R
Organs of State	0,092,358.12	206,805.21	8,432,533.80	1,001,235.16	104,291.09	170,215.88	2,897,260.60	18,882,941.14	31,787,641.00
Commercial	105,518.23	117,661.75	96,995.44	49,973.40	71,781.37	75,503.00	490,474.68	2,200,000.87	1,007,907.87
Households	190,026.58	222,451.90	183,496.63	198,742.00	187,424.66	174,395.12	404,320.14	5,207,603.62	6,748,460.65
Other Farms and Rental)	15,012.07	30,986.14	159,590.13	31,567.44	31,543.88	23,002.00	1,049,577.58	1,482,214.48	2,823,493.72
Totals:	402,915.00	577,905.00	8,872,616.00	1,281,518.00	375,041.00	443,116.00	4,841,633.00	25,572,759.24	42,367,503.24

Analyzing debtors per service billed, the largest amount of service billed that is outstanding is property rates followed by refuse removal. The bigger portion of the amount owed to the municipality, is by Department of Rural Development, Provincial and National Public Works followed by Households and Businesses. There have been numerous engagements between Ngqushwa representatives, Public works and Rural Development to verify all the amounts outstanding and owed to Ngqushwa Local Municipality The Department of Public works is busy verifying the remaining information submitted to them so that they can be able to process payments of all amounts that have been reconciled in line with the total outstanding debt. The picture reflects a high level of negativity from the customers, in terms of paying for the municipal services and property rates. The Revenue section will employed strategies to collect outstanding debt from businesses and households i.e. Letters of demand will be sent to both businesses and households. Budget and Treasury Office has appointed a Debt Management and Credit Controller. Budget and Treasury Office has also started with the processes of appointing the Debt Collector to strengthen credit control and debt collection. The total outstanding amount for our debtors is sitting at R 42 m at the end of this quarter.

7.2 FREE BASIC SERVICES

The municipality is currently offering free basic services in the form of electricity and refuse removal. These services that are reflected on the table below as budgeted for in the 2016/16 financial year.

Monthly Budgeted as at July 1st to September 30th 2016

Service Description	Amount Budgeted	Amount Spent
	R	R
Prepaid Electricity	1 600 000.00	R 198 190.80
Refuse Removal	1 500 000.00	R 163 426.00
Total	3 100 000.00	R 361 616.80

As per survey conducted recently at Ngqushwa Local Municipality there is a high rate of unemployment and poverty which results to a rate of indecency and the table above does not give a true reflection of these stats. The municipality has to employ more strategies (for example putting more budget on free basic services, establishment of indigent steering committee , embark on registration of indigent households to all wards) to ensure that all indigent households within the municipal jurisdiction are registered to our municipal indigent register.

7.3 CREDITORS AGE ANALYSIS

The following Table reflects the total outstanding creditors owed by the municipality as at 30 September 2016:

Eastern Cape: Ngqushwa		Creditors					
	0 - 30 Days	31 - 60 Days	61 - 90 Days	90 - 120 Days	120 - 150 Days	150 - 180 Days	Total
R thousands	Amount 000	Amount 000	Amount 000	Amount 000	Amount 000	Amount 000	Amount 000
Trade Creditors	R 1 908	R 0	R 0	R 0	R 0	R 6	R 1 914
Auditor General	R 0	R 0	R 0	R 0	R 0	R 0	R 0
Other (Amathole)	R 500	R 153	R 148	R 14 219	R 0	R 0	R 15 020
Total	R 3 503	R 0	R 82	R 0	R 0	R 6	R 16 934

Analysing line item expenditure per category, the largest amount of creditors are our trade creditors. The table above reflects that the municipality is striving to pay its creditors within 30 days which is in line with section 65 (e) of the MFMA. The line on "Other" is Amathole District Municipality of which Ngqushwa municipality owes ADM R15 m.

The municipality was owing Amathole District Municipality a sum of R 20,m in 2015/16 financial debt back dates from 1 July 2006. This debt relates to fire levy and basic charge for water on municipal vacant land, this includes vacant land that has been earmarked to build low-cost housing serviced and unserviced. Engagement with Amathole District Municipality management and negotiations and it was discovered that the District Municipality was billing Ngqushwa Municipality for unserviced vacant land, through the verification that amount has been reduced to R15 m.

Creditors over 90 days amounting to R15 m relates to the Amathole District Municipality debt.

7.4 WITHDRAWALS

In terms of Section 11 of the Municipal Finance Management Act, Act 56 of 2003 refers: The Accounting officer must within 30 days after the end of each quarter table to the Council a consolidated report of all withdrawals made during the quarter.

The total amount withdrawn from primary account was R66, 9 m. The withdrawals were in respect of trade creditors, salaries, third party and investments made/paid at the end of quarter one.

7.5 CASH FLOW

Cashflow Statement for the Period ending 30 September 2016

Cashflow from Operating Activities	Actuals Year To Date 000
Receipts	R 51 872
Property rates, penalties & collection charges	R 7 406
Service charges(refuse)	R 173
Other revenue	R 2 625
Government - operating	R 36 349
Government - capital	R 4 955
Interst on internal Investments	R 364
Payments	-R 34 480
Suppliers and employees	-R 34 480
Transfers and Grants	
Net cash from Operating Activities	R 17 392
Cashflow from Investing Activities	
Receipts	
Proceeds on disposal of PPE	R 0
Payments	R 0
Capital assets	-R 3 885
Net cash from Investing Activities	-R 3 885
Cashflow from Financing Activities	
Receipts	
Borrowing long term/refinancing	R 0
Increase (decrease) in consumer deposits	
Payments	
Repayment of borrowing	R 0
Net cash from Financing Activities	R 0
Net Cash Increase/Decrease in cash held	R 13 508
Cash/cash equivalents at beginning:	R 1 200
Cash/cash equivalents at month/year end:	R 14 708

7.5.1 Cash and Cash equivalent

The below spreadsheet are the cash and cash equivalent balances of the municipality as at 30 September 2016.

Description	Account	Balance (R')
Main Account	62022000898	R 7 366 736.00
Rates Account	62414349763	R 733 261.00
EPWP Operating account	62414353441	R 965.00
FMG Operating account	62414358912	R 1 739.00
Infrastructure Grant	62270667531	R 12 443.00
Reserve Account	62035920596	R 1 771.00
Investment Account	62606330463	R 6 581.54
Investment	74623820541	R 6 584 183.00
Total		R 14 707 679.54

8. ASSET MANAGEMENT

The following is the Summary of the asset register from 01 July to 30 September 2016

ASSET REGISTER SUMMARY AS AT 30 SEPTEMBER 2016

ASSET CATEGORY	OPENING BALANCE AS AT 1 JULY 2016	ADDITIONS	DISPOSALS	TRANSFERS	RETURN TO LESSOR	DEPRECIATION AND IMPAIRMENT	ADJUSTMENT TO OPENING BALANCE	CLOSING BALANCE AS AT SEPTEMBER 2016
Land	R 7 743 600.00							R 7 743 600.00
Building	R 57 957 991.13			R 0.00		-R 12 256 812.45		R 45 701 178.68
Plant and Machinery	R 14 658 598.30	R 0.00	R 0.00		R 0.00	-R 9 698 495.08		R 4 960 103.22
Furniture and Fixture	R 165 881.84	R 0.00	R 0.00			-R 160 363.84		R 5 518.00
Motor Vehicle	R 5 248 261.32	R 0.00	R 0.00			-R 3 655 238.60		R 1 593 022.72
Office equipment	R 550 218.22	R 22 000.00	R 0.00			-R 556 083.72		R 16 134.50
IT Equipment	R 561 161.47	R 0.00	R 0.00			-R 551 358.44		R 9 803.03
Infrastructure	R 31 790 498.01	R 0.00	R 0.00	R 0.00		-R 25 542 311.38		R 6 248 186.63
Maintenance Equipment	R 164 955.91	R 0.00	R 0.00			-R 163 520.15		R 1 435.76
Security Equipment	R 169 110.39					-R 169 110.40		-R 0.01
Other Assets	R 25 591.04	R 75 000.00	R 0.00	R 0.00		-R 51 841.04		R 48 750.00
Capital Work in Progress	R 33 331 898.52	R 2 389 404.95		R 0.00			R 0.00	R 35 721 303.47
Park facilities	R 9 646 493.32			R 0.00		-R 2 068 510.04		R 7 577 983.28
Minor Assets	R 0.00	R 995.00				-R 995.00		R 0.00
Investment Property	R 37 951 900.00					R 0.00	R 0.00	R 37 951 900.00
Intangible Asset	R 649 024.81					-R 645 327.36		R 3 697.45
	R 200 615 184.28	R 2 487 399.95	R 0.00	R 0.00	R 0.00	-R 55 519 967.50	R 0.00	R 147 582 616.73

Reconciliation of Property Plant and Equipment with total of additions to date amounting to R 2, 4 work in progress being the larger contributing item.

9. REPORT ON THE COMPLIANCE WITH THE SCM POLICY AND PROCEDURES FOR THE QUARTER ENDED 30 SEPTEMBER 2016

The SCM policy and procedures are being followed as follows

- o procurement from R0 – R2000 petty cash
- o from R2000-R30 000 three quotes
- o from R30 000-R200 000 7 days notice
- o R200 000 and above 14 days advert on the newspaper

- Whenever there are deviations, they are recorded and approved by SCM Manager, CFO and the Municipal Manager prior to the issue of an order
- The adverts are also placed on the municipal website as per Section 75 of the MFMA
- The bids are all opened in public and the register is posted on the municipal notice board for a period of 7 days,
- The bid committees sit as per their appointments with the end user on each committee and the final award is done by the Municipal Manager
- On appointment of the service provider, the performance evaluation is conducted by the project manager and forwards the report to the Supply Chain management unit and to CFO.
- The compliance checklist is used when evaluating tenders so as to ensure that the one appointed is the one that meets the specification criteria

The following registers are kept as per the Supply chain management regulations;

- Irregular, unauthorized and wasteful expenditure;
- Gift register;
- Declaration register;
- Closing registers for each tender;
- Deviation register;

9.1 COMPLIANCE WITH SECTION 75 OF THE MFMA

All bids are advertised on the website

All bids received are recorded in a closing register, advertised in the website and the register is checked when the bids are evaluated and adjudicated.

9.2 COMPLIANCE WITH CIDB REGULATIONS 18(1) and 18(1)(a)

All tenders for every project consisting of a single construction works contract above R200 000 must be advertised on the CIDB's website and registered in the CIDB register of projects.

A check is always done to ensure that the contractors for all construction projects is registered on the CIDB grading systems and for the level required for the works to be provided and a printout is attached to the project file.

9.3 COMPLIANCE WITH SCM REGULATION 43 CIRCULAR 29

A check is performed to verify the validity of tax clearance certificates of all suppliers for bids and written price quotations above R30 000 prior to the award.

9.4 CONTRACTS AWARDED ABOVE R100 000

MFMA circular 34 states that for each award above R100 000 a separate report should be submitted to National Treasury at the time the contract is signed.

The municipality is currently having challenges with the website and all the contracts that have been awarded have not yet been reported to NT. The Treasury website is currently not running hence these contracts cannot be reported. However all contracts above the threshold are reported to Treasury through the quarterly reports. See attached Annexure A

9.5 PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY ANOTHER SERVICE OF THE STATE

Services for the Construction of Bell Community Hall were procured using Section 32 of the SCM Regulations in Mphashe Local Municipality the service provider is Mgunculu

9.6 REPORT FOR DEVIATIONS FOR THE QUARTER ENDING 30 SEPTEMBER 2016

The municipality has processed deviations amounting to **R5 034 254.88** for the period from 01 July 2016 – 30 September 2016 and all the deviations have been approved by Accounting Officer. All these deviations were guided as follows;

- (a) In an emergency;
- (b) If such goods or services are produced or available from a single provider only;
- (c) For the acquisition of special works of art or historical objects where specifications are difficult to compile;
- (d) Acquisition of animals for zoos;
- (e) Acquisition of breeding stock; and
- (f) In any other exceptional circumstances where it is impractical or impossible to follow the official procurement process, including:
 - (i) Any purchase made at a public auction;
 - (ii) Any contract with another organ of state for:
 - (aa) The provision of goods or services to the NLM;
 - (bb) The provision of a municipal service or assistance in the provision of a municipal service;
 - (cc) The procurement of goods and services under a contract secured by that other organ of state, provided

- that the relevant supplier has agreed to such procurement;
- (vi) Any contract in respect of which compliance therewith would not be in the public interest;
 - (vii) ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids; See attached Annexure B

9.7 REPORT ON THE GIFT REGISTER FOR THE QUARTER ENDING 30 SEPTEMBER 2016

It is a requirement that the councillors and officials must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person, There are no councillors and officials who declared any gifts during the quarter ending September 2016. See attached Annexure C.

9.8 REPORT ON INSTITUTIONAL PROCUREMENT PLANS FOR THE QUARTER 30 ENDED SEPTEMBER 2016

Municipal departments have prepared Procurement plans in line with strategic documents of the municipality in order to make sure all municipal procurement of goods and services are guided by SCM policies and procedures and are in line with IDP, SDBIP and budget of the municipality. However there are sections which have not submitted procurement plans. The SCM office issued a template in June for departments to populate and return to SCM for the compilation of the Master Procurement Plan for the Institution. Though there are still challenges with full compliance some departments have submitted the Plans.

The Municipality has initiated a process of preparing procurement plans of 2016/17 and ensure that it is implemented and reviewed timeously.

Attached as Annexure is the procurement plan for the institution

The targets on the procurement plan for the quarter ending September 2016 some have been achieved others are still to be achieved. See attached Annexure D.

9.9 REPORT ON THE PERFORMANCE OF SERVICE PROVIDERS FOR THE QUARTER ENDING 30 SEPTEMBER 2016

The municipality has a monitoring tool for all long term contracts for are currently being implemented by the municipality. The project managers submit assessment of the service providers as per the table above. Only ICT reported on the performance of the Leased Photocopiers and on the contract with First Technology for ICT Support and Maintenance.

Performance reports for all Construction projects were not received from Technical Services for all projects currently being implemented this remains the greatest challenge in monitoring service providers and subsequently relieving them of their duties when they fail to perform as agreed upon. Department's failure to report renders it impossible to report consistently on the performance of service providers all project managers should ensure that the reports are submitted to Supply Chain on the agreed dates.

9.10 REPORT TO COUNCIL ON IRREGULAR, WASTEFUL AND UNAUTHORISED EXPENDITURES RELATING TO PREVIOUS FINANCIAL PERIODS AND EXPENDITURE IDENTIFIED DURING THE QUARTER ENDING 30 SEPTEMBER 2016

Section **32 (2)** of the MFMA states that a municipality must recover irregular, fruitless & wasteful and unauthorized expenditures from the person liable unless the expenditure:

- In the case of unauthorized expenditure, is unauthorized in an adjustment budget or certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by council. And there is no Unauthorized Expenditure identified for the quarter ending.

- In the case of irregular or fruitless and wasteful expenditure, is, after investigation by the council as irrecoverable and written off by council.
- There are No instances of Fruitless and Wasteful Expenditure identified for the quarter ending 30 September 2016.

10. KEY FINDINGS

- The municipality didn't collect its revenue as per projections which directly affected its operations and overall performance for the period ended 30 September 2016
- The creditor's age analysis includes R 15, m for usage of water in this financial year and other previous years, the municipality is still under negotiations with Amathole District Municipality in solving this credit.
- The Municipality has incurred Irregular Expenditure and has deviated from normal procurement process in the quarter ending 30 September.
- The municipality has incurred more operational expenditure when comparing to the quarter projections.

11. KEY RECOMMENDATIONS

1. That the Council notes the contents of this report and supporting documentations for the first quarter of 2016/17 financial year.
2. That Council notes the Q1 section 52d report and its contents and recommend to Council to note the report as presented.

3. That Council notes that Q1 section 52d is unaudited and has been submitted to Internal Audit for audit purposes.

4. That Council notes section 32 report and refers the report to MPAC for further investigation and for MPAC to report back to Council for recommended actions.

12. ANNEXURES

- Annexure A – Indigent Households per Ward

- Annexure B – Contracts Register

- Annexure C – Deviation Register

- Annexure D – Gift Register

- Annexure E – Procurement Plans

- Annexure F – Performance of Service Providers