



NGQUSHWA LOCAL MUNICIPALITY(EC 126)

BUDGET MONITORING REPORT

FOR THE QUARTER ENDING 30 JUNE 2017

IN TERMS OF SECTION 52(d) OF THE MFMA



TABLE OF CONTENTS

1. Report to the Mayor.....	5
2. Municipal Managers Certificate.....	6
3. Recommendations.....	7
4. Introduction.....	8
5. Legislative Frameworks.....	8
6. Credibility of Municipal Budget.....	9
6.1 Capital Budget.....	9
6.2 Operating Budget.....	12
6.3 Grant Expenditure.....	16
7. Sustainability of Municipal Budget.....	17
7.2 Free Basic Service.....	19
7.3 Creditors Age Analysis.....	20
7.4 Withdrawal Report.....	21
7.5 Cash flow Statement.....	22
8. Asset Management.....	23
9. Supply Chain Management.....	24
10. Key Findings.....	35
11. Recommendations.....	36
12. Annexures.....	36

Glossary

Adjustments budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

Budget – The financial plan of the Municipality.

Budget related policy – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy, credit control and debt collection policy.

Capital expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

Cash flow statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

Equitable share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality

MBRR – Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations.

MFMA – Local Government: Municipal Finance Management Act (56/2003). The principle piece of legislation relating to municipal financial management. Sometimes referred to as the Act.

MTREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.

Operating expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages.

Rates – Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic objectives – The main priorities of the Municipality as set out in the IPP. Budgeted spending must contribute towards the achievement of the strategic objectives.

Unauthorised expenditure – Generally, is spending without, or in excess of, an approved budget.

Virement – A transfer of budget.

Virement policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

Vote – one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned. . In Ngqushwa Municipality this means votes such as Executive & Council, Financial Services, Corporate Services, and Public Safety etc.

1. REPORT OF THE HONOURABLE 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 fourth 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.

Honourable Mayor

M.T. SIWISA

Signature



Date

.....

2. MUNICIPAL MANAGER 'S CERTIFICATION

I, **Luzuko Govu**, the acting 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

☐

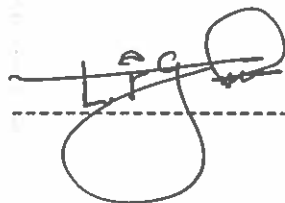
mid-year budget and performance assessment

for the fourth 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. L. Govu

Acting Municipal Manager of Ngqushwa Municipality (EC126)

Signature



Date

3. INTRODUCTION

The fourth quarter local government budget monitoring report covers revenue and expenditure for the month of 01 April 2017 to 30 June 2017 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 used as a benchmark for expenditure and revenue at the end of the fourth quarter set to be 25%.

4. 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.

5. CREDIBILITY OF MUNICIPAL BUDGET

5.1 CAPITAL BUDGET VERSUS ACTUAL

T" below reflects the capital expenditure for the quarter ending 30 June 2017 by" vote". The total capital expenditure as at 30 June 2017 was R 10, 3m or 130% compared to the quarter projections. This is an improvement looking on to the previous quarter which was 96.11%.

Table T''

Description	Original Budget	Adjusted Budget	Projections Q4	Actuals Q4	12 Months	%
	000	000	000	000	Expenditure	
	R 31 517	R 31 552	R 7 888	R 10 312	R 25 426	130.73
Corporate services	R 2 446	R 1 894	R 473	R 1 043	R 1 645	220.35
Budget and treasury office	R 37	R 37	R 9	R 25	R 27	265.03
Community and social services	R 301	R 351	R 88	R 334	R 466	381.31
Planning and development	R 852	R 1 009	R 252	R 101	R 101	39.98
Road transport	R 23 881	R 23 881	R 5 970	R 7 438	R 19 713	124.58
Electricity	R 4 000	R 4 380	R 1 095	R 1 371	R 3 474	125.20

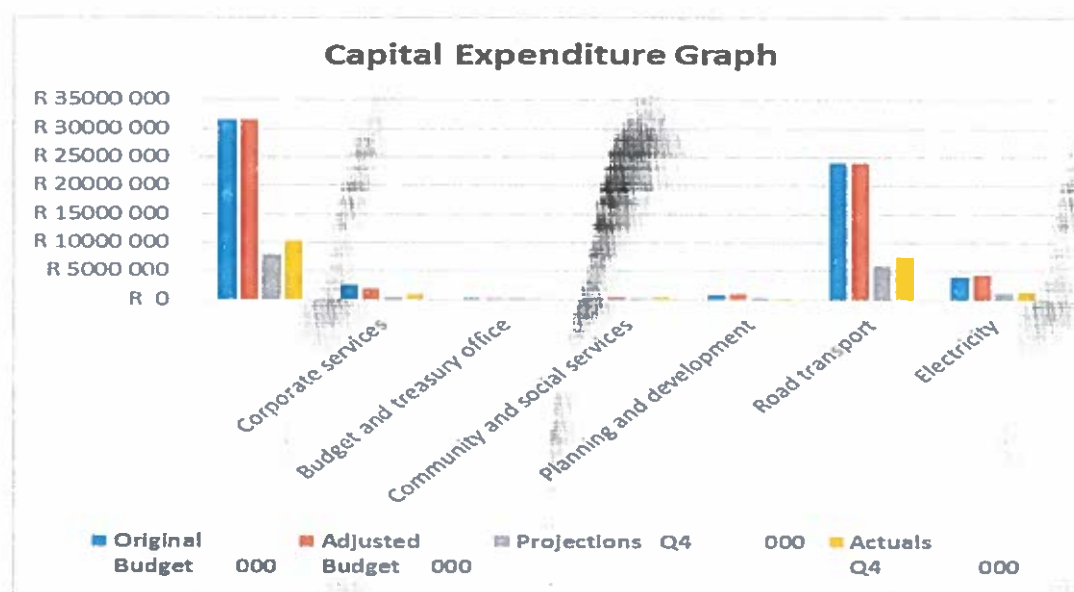
The total capital expenditure of R10, 3 m was spent as following comparing to this quarter projections: 220.35% on Corporate Services, 265 % on Budget and Treasury, 381.31% on Community and Social services, 39,98% on Planning section, 124.58% on Road transport and 125.20 on Electricity section,

The fourth quarter 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 and INEP. The allocation 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 internal generated funds which were budgeted for to finance capital expenditure amounted to R 6, 7 m. The municipality spent R 2,9m which is 74% more than quarterly projected budget figure.

The total capital source of funding at the end of the quarter was at R 10, 3 m. Noteworthy is that in the quarter under review an amount of R 6, 1 m was sourced from external capital funds - Municipal Infrastructure Grant (MIG), R 1,1m was sourced from Integrated Electrification Municipal programme Grant (INEP) and R 2,9m was sourced from own generated funds.

The following chart shows the capital expenditure



5.2 OPERATING BUDGET

5.2.1 Operating Revenue

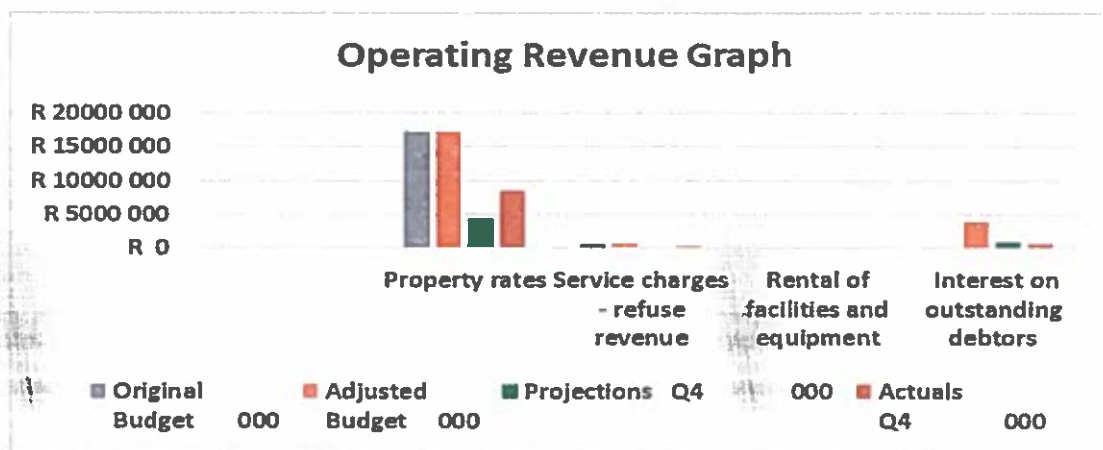
Table "OR1" below reflects the billed services revenue for the quarter ended 30 June 2017.

Table OR1

Description	Original Budget	Adjusted Budget	Projections	Actuals	12Mnths	%
	000	000	Q4 000	Q4 000	Actuals 000	
Property rates	R 17 236	R 17 236	R 4 309	R 8 448	R 30 972	196.05
Service charges - refuse revenue	R 674	R 674	R 169	R 232	R 653	137.93
Rental of facilities and equipment	R 122	R 138	R 34	R 38	R 136	109.97
Interest on outstanding debtors	R 126	R 3 877	R 969	R 749	R 3 729	77.26

The table above highlights the fourth quarter revenue as a percentage of the total projected adjusted budget for operating billed revenue. Property rates billing shows an over billing of R 4,1 m compared to quarterly projection this because of the surveyed properties (rural Schools and Clinics) received from Department of Provincial Public works. These properties were only billed in March 2017.

The following chart shows Operating billed revenue by source.



Below is a breakdown of the collection percentage on services and other revenue compared to adjusted projected budget:

Description	Original Budget	Adjusted Budget	Projections	Actuals	12Mnths Actuals	%
	000	000	Q4 000	Q4 000	000	
Revenue By Source						
Property rates	R 17 236	R 17 236	R 4 309	R 11 737	R 30 466	272.39
Service charges - refuse revenue	R 674	R 674	R 169	R 16	R 260	9.36
Rental of facilities and equipment	R 122	R 138	R 34	R 34	R 110	97.66
Interest earned - external investments	R 4 411	R 2 411	R 603	R 190	R 830	31.57
Fines	R 285	R 785	R 196	R 9	R 172	4.58
Licences and permits	R 2 526	R 1 666	R 417	R 380	R 1 606	91.28
Agency services	R 254	R 454	R 114	R 80	R 356	69.99
Other revenue	R 29 441	R 17 210	R 4 303	R 65	R 16 452	1.51
Gains on disposal of PPE	R 350	R 350	R 88	R 0	R 0	-
Total Revenue	55 427	44 802	11 200	12 511	50 251	111.70

- Property Rates: 272.39 %, Refuse removal: 9,36%
- The overall collection of own revenue for the quarter ending 30 June is at 111.70%, this is excellent as shows that the revenue collection mechanism that the municipality have employed for revenue collection are yielding good results.

5.2.2 Operating Expenditure by type

Table "OX2" reflects operating expenditure by type for the quarter ending 30 June 2017 of the adjusted operating expenditure budget for the financial year 2016/17.

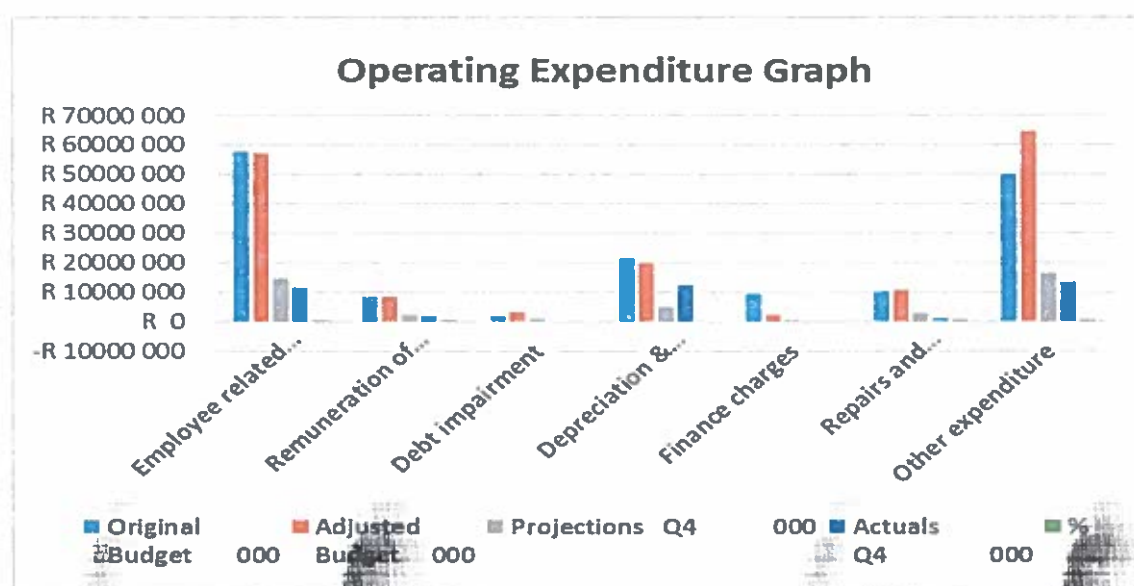
Table OX2

Description	Original	Adjusted	Projections	Actuals	12Mnths	%
	Budget	Budget	Q4	Q4	Actuals	
	000	000	000	000	000	
Employee related costs	R 57 868	R 57 407	R 14 352	R 11 276	R 51 404	78.57
Remuneration of councillors	R 8 416	R 8 416	R 2 104	R 1 805	R 7 392	85.79
Debt impairment	R 1 789	R 3 200	R 800	R 0	R 0	-
Depreciation & asset impairment	R 21 269	R 19 898	R 4 975	R 12 151	R 12 151	2.44
Finance charges	R 9 300	R 2 100	R 525	-R 244	R 1 116	-46.53
Repairs and Maintenance	R 10 310	R 10 672	R 2 668	R 819	R 7 061	30.69
Other expenditure	R 50 008	R 64 569	R 16 142	R 13 100	R 57 927	81.15
Total Expenditure	158 959	166 263	41 566	38 907	137 050	93.60

Expenditure projected adjusted budget against actuals:-

Employee related costs 78.57%, with an under expenditure of R3m, this is due to a portion of employee costs (infrastructure section) expenditure being costed to internal projects and Remuneration of Councillors is at 85, 79% with an under expenditure of R300 thousand. The depreciation shows an over expenditure, the depreciation shown is for the whole year but was only calculated and recorded at the end of the financial year. Debt impairment line item shows no actuals as at 30 June, the municipality is busy with calculation for debtor's impairment and will provide the figure at a later stage. Repairs and maintenance are 30.69% with 1.8m, under expenditure this is to be noted and the municipality needs to come up with the implementable maintenance plan as to avoid this in future. The main contributing factor is that the municipality did not have a maintenance plan in place. Other expenditure shows an under expenditure of R3m compared the quarter projections this is because of the municipality ran out of cash flow and procurement was stopped.

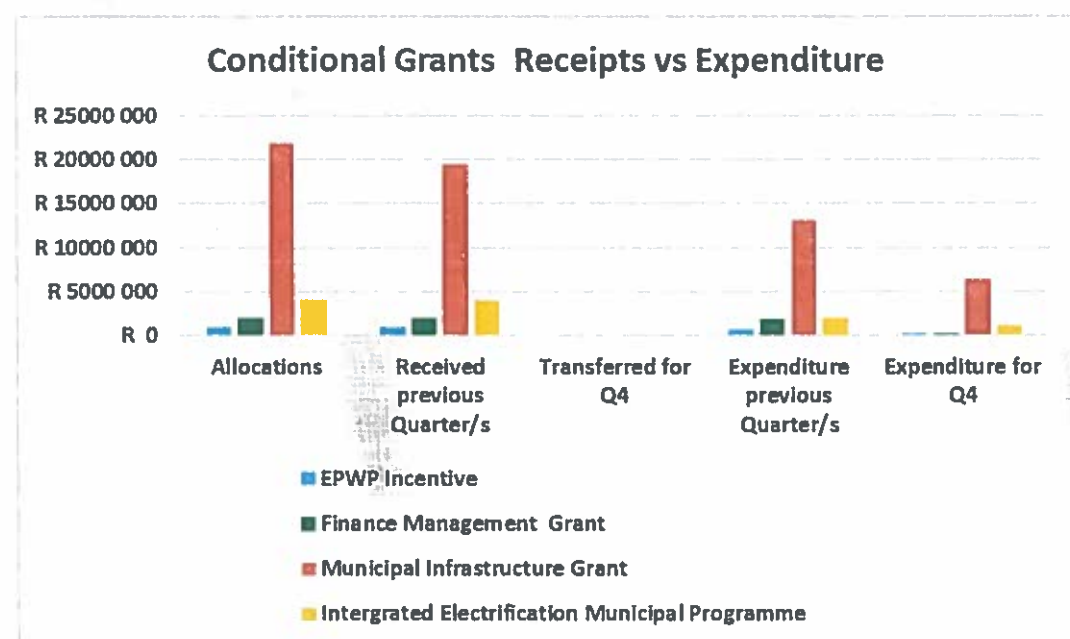
The following Graph shows Operating Expenditure by type.



5.3 CONDITIONAL GRANTS EXPENDITURE

Table GE

Conditional Grants Receipts vs Expenditure								
Grants National	Allocations	Received previous Quarter/s	Transferred for Q4	Expenditure previous Quarter/s	Expenditure for Q4	12 Months Expenditure	Unspent for the year	%
EPWP Incentive	R 1 000 000	R 1 000 000	R 0	R 731 520	R 268 480	R 1 000 000	R 0	100.00
Finance Management Grant	R 2 010 000	R 2 010 000	R 0	R 1 824 884	R 185 116	R 2 010 000	R 0	100.00
Municipal Infrastructure Grant	R 21 854 000	R 19 475 000	R 0	R 13 055 996	R 6 419 004	R 19 475 000	R 0	100.00
Integrated Electrification Municipal Programme	R 4 000 000	R 4 000 000	R 0	R 1 928 380	R 1 172 076	R 3 100 456	R 899 544	77.51



At 30 June 2017 that the National Conditional 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 this quarter to the Municipality were R 0. Expenditure reported this quarter is R 268 480.
- Financial Management Grant (FMG): R 2, m allocated and transferred to Ngqushwa Local Municipality. Expenditure reported this quarter R 185 116.
- Municipal Infrastructure Grant (MIG): R21, 8 m was allocated for this financial year. Transfers made this quarter to the Municipality were R0. Expenditure reported this quarter R 6.4 m. The last tranche of R 3,9 m MIG was expected to be transferred to the municipality during quarter 3 but only R1,5 m was received, a difference of R2,3m is withheld by National Treasury due to under-spending/performing on the grant.
- Integrated Electrification Municipal Grant (INEG): R4 M is allocated and received. Expenditure reported to be R 1,1m this quarter.
- Looking at the above information, the have manage to spend all other grants by financial year end except for INEP which has an unspent balance of R 899 543.73 this does not portrays a good picture as we may recall that in the third quarter the municipality had a portion of MIG receipts withheld, this calls out to Management to look at this to come with plans to avoid such from happening going forward.

6. SUSTAINABILITY OF THE BUDGET

6.1 DEBTORS AGE ANALYSIS

Table **D1** reflects debtors by Customer group and table **D2** reflects debtors per service as at 30 June 2017.

D1

Ngqushwa Local Municipality								
								Rep Date: 2017/06/30
DEBTORS AGE ANALYSIS BY CUSTOMER GROUP								
Description	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Total-
Organs of State	7 260 503.80	878 709.40	184 835.38	272 615.10	219 204.81	224 821.26	13 104 914.15	22 145 604
Commercial	150 396.92	151 174.83	99 595.02	91 234.52	87 450.33	86 158.67	3 492 826.96	4 158 837.25
Households	213 636	217 464	178 828	158 834	164 962	146 860	6 781 342	7 861 925
Other (Government Inst and Rental)	225 622.95	73 520.15	32 751.55	30 822.06	33 793.37	30 152.24	3 404 128.47	3 830 790.79
Totals:	7 850 160.16	1 320 868.54	496 009.94	553 505.50	505 410.19	487 991.68	26 783 211.28	37 997 157.29

D2

Ngqushwa Local Municipality								
								Rep Date: 2017/06/30
DEBTORS AGE ANALYSIS - BY SERVICE								
Description	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Total-
Receivables from Non-exchange Transactions - Property Rates	7 500 184.47	895 726.31	139 809.29	209 731.53	119 050.22	110 198.91	17 360 080.88	26 334 779.61
Receivables from Exchange Transactions - Waste Management	40 683.89	112 308.81	24 822.63	23 662.72	22 913.14	21 994.86	1 016 490.44	1 262 876.49
Receivables from Exchange Transactions - Property Rental Debtors	7 208.28	1 853.63	900.21	900.21	900.21	900.21	123 058.27	135 519.02
Interest on Arrear Debtor Accounts	302 085.52	311 179.79	330 477.81	319 211.04	362 546.62	354 899.70	8 283 581.69	10 263 982.17
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Totals:	7 850 160.16	1 320 868.54	496 009.94	553 505.50	505 410.19	487 991.68	26 783 211.28	37 997 157.29

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 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 property management section of Rural Development has further investigated more properties that are owned by the Department, total has increased to 742 and for the past years no Department was liable for the

payment of these properties, to date the number of properties that have been billed and part paid by the Department is 266, the department is still preparing for the payment for the remaining properties from that 266, meaning in 2017/2018 the billing will increase as it will include these properties that were not surveyed before.

The municipality has collected rates revenue from various Departments in 2016/2017 as follows:

National Public Works	= R 35 472.78
Provincial Public Works	= R 15 974 701.42
Department of Rural & Land Reform	= R 11 441 372.95

The Department of Provincial Public Works constructed schools and clinics in rural areas, these schools and clinics were not surveyed for many years, from numerous meetings with the Department these schools were surveyed in 2015, in total they of 194 properties (schools and Clinics) only 101 has been surveyed, these initiatives contributed a large portion of revenue in 2015/16 and 2016/2017 financial years. With that said still 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 has employed strategies to collect outstanding debt from businesses and households i.e. Letters of demand were to both businesses and households. The Debt Collector has started to chase all customers who are at 90 and above to settle their debt. The primary focus on the debt collector will be on businesses and households and also to clean up the old debt book. The total outstanding amount of debtors as at 30 June 2017 is sitting at R 37.9m.

6.2 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 2016/17 financial year.

Monthly Budgeted as at 30 June 2017

Service Description	Amount Budgeted	Amount Spent
Prepaid Electricity	R 2 100 000.00	2 090 493.21
Refuse Removal	R 1 000 000.00	2 451 987.90
Total	R 3 100 000.00	4 542 481.90

As per survey conducted recently at Ngqushwa Local Municipality there is a high rate of unemployment and poverty which results to a rate of indigency and the table above does not give a true reflection of these stats.

The municipality has under budgeted for its free basic services as result it has incurred an over expenditure that has resulted in shifting of funds. It is to be noted that the figure shown on amount spent is the annual figure. The municipality has to employ more strategies (for example putting more budget on free basic services, embark more 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. The Municipality has established a Free Basic Steering Committee.

The FBS unit in the revenue section of the municipality has took upon themselves to update indigent register for 2016/2017 financial year. This has been done with assistance of ward committees secretaries ward Councillors and indigent steering committee. All forms are distributed by ward committees to all households per village.

The ward committees are distributing the indigent application forms to all indigent households and submit them back to the municipality and also the

process of road shows has an input on the registration campaign, ward committees have done the registration in the following wards.

6.3 CREDITORS AGE ANALYSIS

The following Table reflects the total outstanding creditors owed by the municipality as at 30 June 2017:

Eastern Cape: Ngqushwa			Creditors		Report Date: 2017-06-30			
	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 12 640	R 48	R 0	R 0	R 0	R 0	R 12 688	
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 13 140	R 201	R 148	R 14 219	R 0	R 0	R 27 708	

Analysing our creditors 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 "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. Engaging 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 R14 m relates mainly to the Amathole District Municipality debt and other trade creditors.

6.4 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 R 32 884 480.66. The withdrawals were in respect of trade creditors, salaries, third party and investments made/paid for the quarter ending 30 June 2017.

6.5 CASH FLOW

Cashflow Statement for the Quarter ending 30 June 2017	
Cashflow from Operating Activities	Actuals Year To Date 000
Receipts	R 12 511
Property rates, penalties & collection charges	R 11 737
Service charges(refuse)	R 16
Other revenue	R 567
Government - operating	R 0
Government - capital	R 0
Interst on internal Investments	R 190
Payments	-R 23 176
Suppliers and employees	-R 23 176
Net cash from Operating Activities	-R 10 666
Cashflow from Investing Activities	
Receipts	
Proceeds on disposal of PPE	R 0
Payments	R 0
Capital assets	-R 5 722
Net cash from Investing Activities	-R 5 722
Cashflow from Financing Activities	
Receipts	
Borrowing long term/refinancing	R 0
Payments	
Repayment of borrowing	-R 187
Net cash from Financing Activities	-R 187
Net Cash Increase/Decrease in cash held	-R 16 575
Cash equivalents at beginning of the quarter:	R 17 841
Cash/cash equivalents at month/year end:	R 1 266

6.5.1 Cash and Cash equivalent

The below spreadsheet are the cash and cash equivalent balances of the municipality as at 30 June 2017.

ACCOUNT NAME	ACCOUNT NUMBER	CLOSING BALANCE
RESERVE ACCOUNT	62035920596	1 784
MIG ACCOUNT	62270667531	13 003
RATES ACCOUNT	62414349763	96 119
EPWP OPERATING ACCOUNT	62414353441	973
FMG OPERATING	62414358912	1 752
BUSINESS CALL ACCOUNT	62606330463	6 878
MAIN BANK ACCOUNT	62022000898	1 145 308
		1 265 817

Our municipality during this quarter was facing financial constraints which required all municipal departments to apply cost containment measures as per national treasury circular 82 of the MFMA.

The following were the cost drivers which requires all departments to focus on cutting such costs in order to ensure that we meet our financial obligation till end of our financial year.

- Training and accommodation
- Catering for our meeting and public meetings
- Private security services

NGQUSHWA LOCAL MUNICIPALITY

12 Months Cash flow 2017 2018

	Municipal Running Costs: - Employee Related costs	Municipal Running Costs: - Councillor Remuneration	Municipal Running Costs: - Interest on External Borrowings	Municipal Running Costs: - Operating Costs	Municipal Running Costs: - Repairs & Maintenance	Municipal Running Costs: - Contracted Services	Capital	Total Expected Monthly Expenditure
Jul-17	5 209 527	742 720	73 381	1 155 816	170 593	1 279 151	2 533 419	11 164 608
Aug-17	5 209 527	742 720	73 381	1 155 816	170 593	1 279 151	2 533 419	11 164 608
Sep-17	5 209 527	742 720	73 381	1 155 816	170 593	1 279 151	2 533 419	11 164 608
Oct-17	5 209 527	742 720	73 381	1 155 816	170 593	1 279 151	2 533 419	11 164 608
Nov-17	5 209 527	742 720	73 381	1 155 816	170 593	1 279 151	2 533 419	11 164 608
Dec-17	5 209 527	742 720	73 381	1 155 816	170 593	1 279 151	2 533 419	11 164 608
Jan-18	5 209 527	742 720	73 381	1 155 816	170 593	1 279 151	2 533 419	11 164 608
Feb-18	5 209 527	742 720	73 381	1 155 816	170 593	1 279 151	2 533 419	11 164 608
Mar-18	5 209 527	742 720	73 381	1 155 816	170 593	1 279 151	2 533 419	11 164 608
Apr-18	5 209 527	742 720	73 381	1 155 816	170 593	1 279 151	2 533 419	11 164 608
May-18	5 209 527	742 720	73 381	1 155 816	170 593	1 279 151	2 533 419	11 164 608
Jun-18	5 209 527	742 720	73 381	1 155 816	170 593	1 279 151	2 533 419	11 164 608
	62 514 326	8 912 640	880 572	13 869 798	2 047 121	15 349 818	30 401 022	133 975 296

UNPAID CREDITORS AS AT 30 JUNE 2017

12 687 871

TOTAL EXPECTED EXPENDITURE

146 663 167

Disclaimer: The information provided by the municipality in this report has not been audited and is made available for providing guidance.

	RATES 60%	REFUSE 60%	OTHER INCOME	EQUITABLE SHARE	FMG	MIG	EPWP	INEP	Total Monthly Expected Revenue
Jul-17	-1 166 109	-35 865	-885 197	-6 134 583	-195 417	-1 902 750	-127 583	-250 000	-10 697 505
Aug-17	-1 166 109	-35 865	-885 197	-6 134 583	-195 417	-1 902 750	-127 583	-250 000	-10 697 505
Sep-17	-1 166 109	-35 865	-885 197	-6 134 583	-195 417	-1 902 750	-127 583	-250 000	-10 697 505
Oct-17	-1 166 109	-35 865	-885 197	-6 134 583	-195 417	-1 902 750	-127 583	-250 000	-10 697 505
Nov-17	-1 166 109	-35 865	-885 197	-6 134 583	-195 417	-1 902 750	-127 583	-250 000	-10 697 505
Dec-17	-1 166 109	-35 865	-885 197	-6 134 583	-195 417	-1 902 750	-127 583	-250 000	-10 697 505
Jan-18	-1 166 109	-35 865	-885 197	-6 134 583	-195 417	-1 902 750	-127 583	-250 000	-10 697 505
Feb-18	-1 166 109	-35 865	-885 197	-6 134 583	-195 417	-1 902 750	-127 583	-250 000	-10 697 505
Mar-18	-1 166 109	-35 865	-885 197	-6 134 583	-195 417	-1 902 750	-127 583	-250 000	-10 697 505
Apr-18	-1 166 109	-35 865	-885 197	-6 134 583	-195 417	-1 902 750	-127 583	-250 000	-10 697 505
May-18	-1 166 109	-35 865	-885 197	-6 134 583	-195 417	-1 902 750	-127 583	-250 000	-10 697 505
Jun-18	-1 166 109	-35 865	-885 197	-6 134 583	-195 417	-1 902 750	-127 583	-250 000	-10 697 505
	-13 993 308	-430 383	-10 622 369	-73 615 000	-2 345 000	-22 833 000	-1 531 000	-3 000 000	-128 370 060

TOTAL EXPECTED CASH DEFICIT

18 293 107

Disclaimer: The information provided by the municipality in this report has not been audited and is made available for providing guidance.

7. ASSET MANAGEMENT

The following is the Summary of the asset register as the period quarter ended 30 June 2017

Asset register Summary

	Opening balance	Additions	Depreciation	Total
Land	7 743 600	0	-	7 743 600
Buildings	57 957 661	0	-2 043 451	55 914 210
Park Facilities	9 537 137	0	-375 046	9 162 091
Infrastructure	38 394 367	0	-7 206 852	31 187 515
Other assets	36 841	75 000	-38 421	73 420
Capital works in progress	28 320 369	13 836 192		42 156 560
Plant and equipment	14 584 306		-1 614 005	12 970 302
Maintenance equipment	164 854	97 105	-28 839	233 121
Security Equipment	169 110	0	-49 750	119 361
Motor Vehicle	5 229 383	763 398	-755 685	5 237 095
Office equipment	552 680	238 552	-171 338	619 893
IT equipment	559 511	521 353	-298 393	782 471
Office furniture	165 173	0	-45 390	119 782
Minor Equipment	0	22 605	-22 605	0
Total	163 414 992	15 554 205	-12 649 776	166 319 421

8. REPORT ON THE COMPLIANCE WITH THE SCM POLICY AND PROCEDURES FOR THE QUARTER ENDED 30 JUNE 2017

The SCM policy and procedures are being followed as follows

- procurement from R0 – R2000 petty cash
- from R2000-R30 000 three quotes
- from R30 000-R200 000 7 days' notice, advertised for which 3 quotes are required. This then goes through an evaluation process where the highest point scorers on the basis on price and BBBEE are awarded.
- R200 000 and above 21 days advert on the newspaper and evaluated based on price and BBBEE, with the highest point scorer being awarded the project.

- 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;

8.1 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.

8.2 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.

8.3 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

8.4 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. Refer to Annexure A for contracts register.

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

Supplier	Project	Date	Contract amount	Paid to date
ARMS	Fixed Asset Register	Monday, May 11, 2017	R3,200,000.00	No payment done yet
Mgunculu Trading	Construction of Jubisa Community Hall	Tuesday, May 30, 2017	R859, 999.47	R859, 999.47

Page 26

Disclaimer: The information provided by the municipality in this report has not been audited and is made available for providing guidance.

Protea Consulting	Financial Statements	Thursday, May 04, 2017	R3,300,000.00	NO payment has been done till date and the contract has been cancelled between the two parties.
-------------------	----------------------	------------------------	---------------	---

8.6 REPORT FOR DEVIATIONS FOR THE QUARTER ENDING 30 JUNE 2017

The municipality has incurred or processed deviations amounting to **R 5 439 595.62** and all the deviations have been approved Accounting Officer. All these deviations were guided as follows;

- (a) In an emergency;
- (b) If such goods or services are produced or available from single provider only;
- (c) For the acquisition of special works of art or historical object 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)n 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; Refer to Annexure B (Deviation register)

9.7 REPORT ON THE GIFT REGISTER FOR THE QUARTER ENDING 30 JUNE 2017

- 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 30 June 2017.

8.8 REPORT ON INSTITUTIONAL PROCUREMENT PLANS FOR THE QUARTER 30 ENDED JUNE 2017

- 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 Corporate Services has 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.

8.9. REPORT ON THE PERFORMANCE OF SERVICE PROVIDERS FOR THE QUARTER ENDING 31JUNE 2017

Below Standard (1)	The Construction / Service Provider did not meet the basic requirements as spelt out in the tender or contract. This may result in the contract being cancelled and/ or the retention fee being withheld from the contractor. The contractor may be asked
---------------------------	---

	to rectify the problem or the contract may be cancelled and another contractor / service provider be appointed to complete the contract/project. If a contract has been determined to below standard a separate report must be submitted to the Director: Finance explaining reasons for the below standard assessment.
Acceptable (2)	The Contractor / Service Provider completed the project and met the basic requirements of the tender/ contract. The Standard of work was good enough, passable or adequate in terms of the requirements by the Municipality
Excellent (3)	The Contractor / Service Provider completed the work above the standard required. The requirements of the tender were achieved above the expectation of the Municipality. There is a high quality of work and outstanding results achieved.

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.

COMMUNITY SERVICES

SUPPLIER NO	BID NO.	SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
AMAN0001	8/2/490/20016-2017	Amangutamahle Trading	Supply and Delivery of Insecticide	2
AMAN0001	8/2/518/2016-2017	Amangutamahle Trading	Provision of a Professional Aluminium Marquee Tent and Gazebo for a Period of 2 days	3
ANDI0002	8/2/487/20016-2017	Andile S G Trading	Hiring of 2 x Tents, Chairs, Sounds and etc.	3
CARN0001	8/2/517/2016-2017	Carnation Delux Events	Hiring of Sound System and Stage for Opening of the Festive Season Celebration	2
CARN0001	8/2/519/2016-2017	Carnation Delux Events	Hiring of Sound System and Stage for Hamburg Splash Festive on 16 & 17 December 2016	3
ENZO0001	8/2/482/20015-2016	Enzokuhle Enterprise (Pty) LTD	Ngqushwa Landfills Lifespan Assessment & Rehabilitation Costs 2015/2016	3
FALC0001	8/2/470/20015-2016	Falcolux	Establishment of a New Landfill Site: Peddie	1

FALC0001	8/2/471/20015-2016	Falcolux	Establishment of a New Cementery:Peddie	1
GLOR0001	8/2/450/2015-2016	Gloriaans Construction	Fitting of Aluminium Automatic Door and Fitting of Aluminum Windows	3
MANT0001	8/2/522/2016-2017	Mantella Trading T/A Designer Lighting	Supply and Installation of Christmas Lights	3
MOVE0001	8/2/489/20016-2017	Movetshe Trading	Supply and Delivery of Production Inputs	2
MZAN0001	8/2/499/2016-2017	Mzantsi Facilitators T/A S.A Guard Services	Life Guard Services are required for Festive Season 01 December 2016 to 03 January 2017, Easter Holiday 2017 4 Days	2
PENY0001	GV8/2/155/2011-2012	Penny Lindstrom Valuations	Procurement of Private Property Valuers	3
SPARK0001	8/2/484/2016-2017	Sparks & Ellis (PTY)ltd	Uniform for Security and Traffic Officers	2
TIAG0001	8/2/506/2016-2017	Tiaglo Pty (LTd)	Supply & Delivery of 3000 Bags of cold mix Asphalt Tar Fix	1
TMTS0001	8/2/524/2016-2017	TMT Services & Supplies	Traffic Fine Collection in Ngqushwa	N/A

TECHNICAL SERVICES

SUPPLIER NO	BID NO.	SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
AMAN0001	8/2/509/2016-2017	Amangutamahle Trading	Supply & Delivery of 22 new tires for lowbed truck	2
AMAN0001	8/2/512/2016-2017	Amangutamahle Trading	Supply & Delivery of Electrical Material for Municipal Building	2
ANDIL0002	8/2/498/2016-2017	Andile S G Trading	Supply and Delivery Electrical Tools & Testers	2
BANG0001	8/2/429/2015-2016	BANGE TRADING ENTREPRENEURS	Supply & Delivery of 12 Seater Bus, 2 x New Marked Diesel Cab with secure lid	3
BEAC0001	8/2/406/2014-2015	BEACON CONSULTING	Professional services (design & supervision) for regravelling of Tuku access roads	2
BEAC0001	8/2/464/2015-2016	Beacon Consulting Engineers	Professional services are required for Design and Construction Supervision of Mabaleni Internal Streets	2

BEAC0001	8/2/468/2015-2016	Beacon Consulting Engineers	Professionals services are required for Design and Construction Supervision of Thyata Internal Streets	4
GILG0001	8/2/407/2015-2016	GILGAL DEVELOPMENT CONSULTING ENGINEERS & PROJECT	Professional services (design & supervision) for gravelling of Hamburg Sports field	2
GXAM0001	8/2/507/2016-2017	Gxamza Trading	Supply & Delivery Protective Clothing for EPWP	2
HITE0001	8/2/366/2014-2015	HI TECH CONSTRUCTION	Construction and Rehabilitation works of Jubisa Sports field	1
HUMB0002	8/2/288/2013-2014	Humble Africans JV Tshawe	Construction of Jubisa Sports field (Professional Services)	1
LAMA0001	8/2/311/2013-2014	Laman Financial Services	Hire purchase facility for Plant & Equipment	2
MBSA0001	8/2/482/2015-2016	MBSA Consulting	Provision of Professional Services for Electrification of Villages	3
MBSA0001	8/2/502/2016-2017	MBSA Consulting	Professional Services-Peddie Town Street(Multi year project over a period of 3 years)	2
MAFA0001	8/2/496/2016-2017	Mafani Transfers	Electrical Material for High Mast Lights	3
MAYI0001	8/2/170/2012-2013	Mayibuye i-Afrika Trading	Construction of Peddie External Tar Roads	1
MBES0001	8/2/407/2014-2015	Mbesi Consuling	Professional services (design & supervision) for gravelling of Glenmore Sports field	2
MGUN0001	8/2/430/2015-2016	Mgunculu Trading	Construction & Rehabilitation of Glenmore Sports field	2
MGUN0001	8/2/493/20016-2017	Mgunculu Trading	Construction of Bell Community Hall	3
MVIC0001	8/2/460/2015-2016	MVI Construction	Construction of Hamburg Sports field	In house
NDLA0001	8/2/445/2015-2016	Ndlambe Investment	Repairs for Street lights	2
NDLA0001	8/2/510/2016-2017	Ndlambe Investment	Repair of Glenmore High Mast Lights	2
NGQU002	8/2/451/2015-2016	Technical Services Department Ngqushwa Mun	Construction of Tuku A Access Road	In house
NGQU002	8/2/452/2015-2016	Technical Services Department Ngqushwa Mun	Construction of Ngxakaxha Scheme Access Road	In house
NKAS0001	8/2/477/20015-2016	Nkasinet Construction	Construction of Rhode Community Hall	1
NKAS0001	8/2/478/20015-2016	Nkasinet Construction	Construction of Ntsinekana Community Hall	1

NOBA0001	8/2/373/2014-2015	Nobantu Construction JV Fallex Trading	Construction of Lewis Internal Roads	2
OKUH0001	8/2/494/2016-2017	Okuhlekodiwa Trading & Projects CC	Installation Replacement, Repairs and Maintenance of Air Conditioners for period of a year	1
PMBP0001	8/2/500/2016-2017	PMB Projects 06 CC	Construction of Mabaleni Internal Roads	2
PMBP0001	8/2/501/2016-2017	PMB Projects 06 CC	Construction of Tyhata Internal Roads	4
SAIG0001	8/2/405/2014-2015	Saigent Consulting Engineers	Professional Services for Re-gravelling of Ngqakaxa Access Road	1
SECT0001	8/2/280/2013-2014	Sectinal Poles	Installation of 10 High Mast in the Durban and German villages	3
SIYA0001	8/2/513/2016-2017	Siya and Aya Engineering	Electrification of 9 villages	2
SOKH0001	8/2/465/2015-2016	Sokhani Development Engineers	professional services are required for Design and Construction Supervision of Prudhoe Internal Streets	4
SOKH0001	8/2/466/2015-2016	Sokhani Development Engineers	professional services are required for Design and Construction Supervision of Tuku C Internal Streets	2
	8/2/514/2016-2017	Technical Services Department Ngqushwa Mun	Construction of Tuku C Internal Road	In house
	8/2/515/2016-2017	Technical Services Department Ngqushwa Mun	Construction of Prudoe Internal Road	In house
THUB0001	8/2/544/2016-2017	Thubalam Trading CC	Resurfacing of Peddie Town Streets & Construction of Storm water Drainage	In house
TIAG0001	8/2/495/2016-2017	Tiaglo Pty (LTd)	Supply and Deliver of High Pressure Washer	2
DIGI0001	8/2/379/2014-2015	Digicore Management Services T/A CTRAC Mzansi	Fleet Management Monitoring & Vehicle Recovery System	2
ZAMA0001	8/2/505/2016-2017	Zamajwarha Trading	Supply & Delivery of Concrete pipes	2

CORPORATE SERVICES

SUPPLIER NO	BID NO.	SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
AMAT0001	8/2/485/2016-2017	Amatola Cleaning T/A Industro Clean	Supply and Delivery of Cleaning Material	2
AMEN0001	8/2/483/2016-2017	Amended Recline Trading and Projects	Protective clothing for NLM Officials	1

CONT0001	8/2/152/2011-2012	CONTROL INSTRUMENT EASTERN CAPE CC	Fingerprint Time & Attendance System
GCID0001	8/2/533/2016-2017	GCIDA TRADING	Travel Agent
GXAM0001	8/2/486/20016-2017	Gxamza Trading	Supply and Delivery of Stationery
MAFA0001	8/2/5272016-2017	Mafani Transfers	Supply and Delivery of Stationery
TIAG001	8/2/529/2016-2017	TIAGLO	Supply and Delivery of Cleaning Material

2
2
2
2
2

Score	No of service providers	%
Below Standard	41	67%
Acceptable	10	16%
Above Average	3	5%
In house	7	12%

61

8.10 REPORT TO COUNCIL ON IRREGULAR, WASTEFUL AND UNAUTHORISED EXPENDITURES RELATING TO PREVIOUS FINANCIAL PERIODS AND EXPENDITURE IDENTIFIED DURING THE QUARTER ENDING 30 JUNE 2017

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

4th QUARTER SUMMARY

Irregular Expenditure

Irregular expenditure for the fourth quarter is R0.00

Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure of **R 13 255.46** was incurred in the form of interest and penalties on late payment. Refer to Annexure C

9. KEY FINDINGS

- The creditor's age analysis includes still 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 is under spent on one of its conditional grant (INEP).

10. KEY RECOMMENDATIONS

1. That the Council notes the contents of this report and supporting documents for section 52d of the 4th quarter of 2016/17 financial year.
2. That the Council notes that Q4 section 52d is unaudited and has not yet been submitted to Internal Audit for audit purposes
3. That the 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.

11 ANNEXURES

1. Annexure A- Contracts Register
2. Annexure B – Deviation Register
3. Annexure C- Fruitless and Wasteful Expenditure Register