



**NGQUSHWA LOCAL MUNICIPALITY( EC 126)**

**BUDGET MONITORING REPORT**

**FOR THE QUARTER ENDING 31 MARCH 2018**

**IN TERMS OF SECTION 52(d) OF THE MFMA**

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## 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 IDP. 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.

**MIG** – Municipal Infrastructure grant- Conditional grant capital in nature

**INEP** – Integrated Electrification (municipal) Programme grant capital in nature

**EPWP** –Expanded Public Works Programme

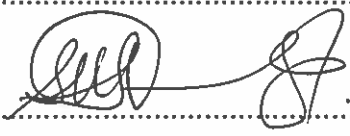
**FMG** – Financial Management Grant

## 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 third quarter of 2017/18, 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 : 22 MAY 2018

## 2. MUNICIPAL MANAGER 'S CERTIFICATION

I, **Misiwe Mpahlwa**, 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 third quarter 2018 of 2017/2018 has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print Name: Mrs. MP. Mpahlwa

Municipal Manager of Ngqushwa Municipality (EC126)

Signature

*M.P. Mpahlwa*

Date

22 MAY 2018

### **3. INTRODUCTION**

The third quarter local government budget monitoring report covers revenue and expenditure for the month of 01 January to 31 March 2018 in the 2017/18 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 third 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**

Table "T" below reflects the capital expenditure for the quarter ending 31 March 2018 by "vote". The total capital expenditure as at 31 March 2018 was R11.2m or 163.51 % compared to the quarter's projections. The third quarter reflects over expenditure of 63.51% against the quarter's projected budget. The Municipality performed well compared to the third quarter of 2016/17, where the municipality's capital expenditure amounted to 96.11% for the quarter compared to the budget projections.

**Table "T"**

Description	Original Budget	Adjusted Budget	Projections Q3	Actuals Q3	Actuals Q3
	000	000	000	000	%
	R 30 401	R 27 632	R 6 908	R 11 295	163.51
Finance and Administration	R 3 956	R 1 940	R 485	R 721	148.63
Community and social services	R 1 287	R 3 065	R 766	R 672	87.75
Planning and development	R 365	R 0	R 0	R 0	0.00
Road transport	R 21 793	R 18 728	R 4 682	R 8 562	182.87
Electricity	R 3 000	R 3 900	R 975	R 1 340	137.47

Comparing the actual capital expenditure per vote against the projected adjusted budget - Roads transport (Infrastructure services) 182.87% and Electricity section 137.47% Community Services 87.75 % and Finance and Admin148.63%. Departments are putting the plans in place to implement their capital projects, to avoid under performance by the end of the financial year.

Capital expenditure budgeted under Finance and Administration includes:- (IT infrastructure, Computer equipment, municipal vehicles and equipment scanners for barcoding)

Community and social services: - Community Halls and maintenance equipment

Road Transport: - Infrastructure projects

Electricity: - Electrification project of Villages

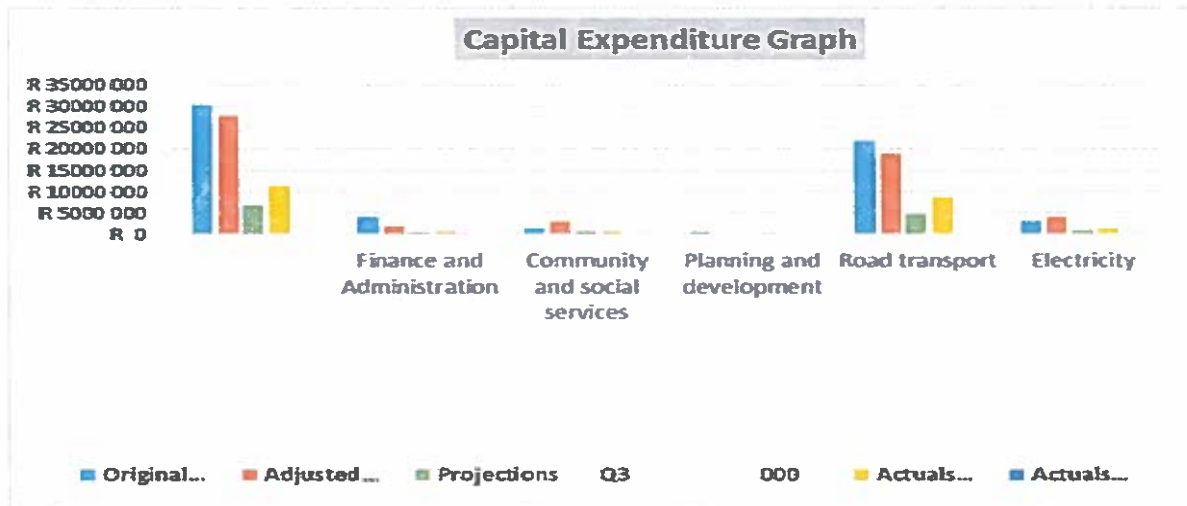
#### **5.1.1. CAPITAL EXPENDITURE SOURCES OF FUNDING**

The capital expenditure for the third quarter was financed from the MIG, INEP (received from National Government) and internal generated revenue.

***(Refer to item 5.3 Conditional grants expenditure – for the unspent portion of conditional grants received)***



The following graph shows the capital expenditure



## 5.2 OPERATING BUDGET

### 5.2.1 Operating Revenue

Table "OR1" below reflects the Projected Billing per service as well as the Actual Billing per service for the quarter ended 31 March 2018.

**Table OR1**

Description	Original Budget	Adjusted Budget	Projections	Actuals	Q3 %
	000	000	Billing Q3	Billing Q3	
			000	000	
Property rates	R 23 338	R 29 684	R 7 421	R 928	12.50
Service charges - refuse revenue	R 717	R 717	R 179	R 193	107.57
Rental of facilities and equipment	R 547	R 338	R 85	R 44	51.64
Interest on outstanding debtors	R 4 125	R 4 125	R 1 031	R 653	63.35

The table above highlights the third quarter - Projected Billing as a percentage of the actual billing. Property rates billed is at 12.50%. Service charges shows an increase in amount billed, due to properties that were affected by supplementary valuation 2016-17 financial year,

that are now categorized as commercial. The reason for variance between projected billing for rates and actual billing for rates, projected is billing is based on annual divided by four whereas actual billing excludes annual billing from quarter one and two. The rental on facilities is over budgeted for.

**The following chart shows Operating billed revenue by source.  
Actual Revenue collected vs. Actual Projections**

Table OR2 below, is a breakdown of the Actual revenue per service, as well as "other" actual revenue collected, compared to the Actual projections for Q3 ended on 31 March 2018

**Table OR2**

<u>Description</u>	<u>Original</u>	<u>Adjusted</u>	<u>Projections</u>	<u>Actuals</u>	<u>Q3</u> <u>%</u>
	<u>Budget</u> <u>000</u>	<u>Budget</u> <u>000</u>	<u>Q3</u> <u>000</u>	<u>Q3</u> <u>000</u>	
Revenue By Source					
Property rates	R 23 338	R 29 684	R 7 421	R 14 360	193.51
Service charges - refuse revenue	R 717	R 717	R 179	R 259	144.58
Rental of facilities and equipment	R 547	R 543	R 136	R 101	74.09
Interest earned - external investments	R 2 566	R 2 566	R 641	R 711	110.83
Fines	R 836	R 836	R 209	R 213	101.90
Licences and permits	R 1 773	R 1 773	R 443	R 667	150.38
Agency services	R 483	R 483	R 121	R 167	137.81
Other revenue	R 277	R 280	R 70	R 2 609	3 721.20
Gains on disposal of PPE	R 372	R 372	R 93	R 0	-
<b>Total Revenue</b>	<b>31 036</b>	<b>41 132</b>	<b>10 283</b>	<b>19 086</b>	<b>185.61</b>

- Property Rates: actual vs. projected collection 193.5 %, Refuse removal: actual vs. projected collection 144.58% this was due to re-categorization of debtors and Rental of facilities: actual vs. projected collection was 74.09%.other revenue collection

show an over collection the contributor to such increase is because of SARS refunds that were received which some relate to previous months but were only paid in the period under review. The improvements on collection relates to government institutions. The Department of Rural Development settled the long outstanding debt for rates in February up to March. Provincial Public Works is still on progress of settling.

- The overall collection of own revenue for the quarter ending 31 March 2018 was at 185.61%
- Other revenue: -
  - Tender documents
  - Interest SARS refunds
  - Advertisement fees
  - Public toilet entrance fees
  - Building plan fees
  - Cemetery fees

### 5.2.2 Operating Expenditure by type

Table "OX2" reflects operating expenditure by type for the quarter ending 31 March 2018 of the original operating expenditure budget for the financial year 2017/18.

**Table OX2**

<u>Description</u>	<u>Original</u>	<u>Adjusted</u>	<u>Projections:</u>	<u>Actuals</u>	<u>Q3</u> %
	<u>Budget</u>	<u>Budget</u>	<u>Q3</u>	<u>Q3</u>	
	000	000	000	000	
Employee related costs	R 62 784	R 60 852	R 15 213	R 13 802	90.73
Remuneration of councillors	R 8 989	R 8 887	R 2 222	R 2 394	107.76
Debt impairment	R 3 200	R 3 200	R 800	R 0	-
Depreciation & asset impairment	R 19 898	R 19 898	R 4 975	R 4 160	83.62
Finance charges	R 881	R 0	R 0	R 47	-
Repairs and Maintenance	R 2 036	R 2 613	R 653	R 1 113	170.43
Contacted services	-	R 23 863	R 5 966	R 5 613	-
Other expenditure	R 39 356	R 22 180	R 9 839	R 5 989	60.87
<b>Total Expenditure</b>	<b>137 144</b>	<b>141 493</b>	<b>39 667</b>	<b>33 118</b>	<b>83.49</b>

## Expenditure projected original budget against actuals:-

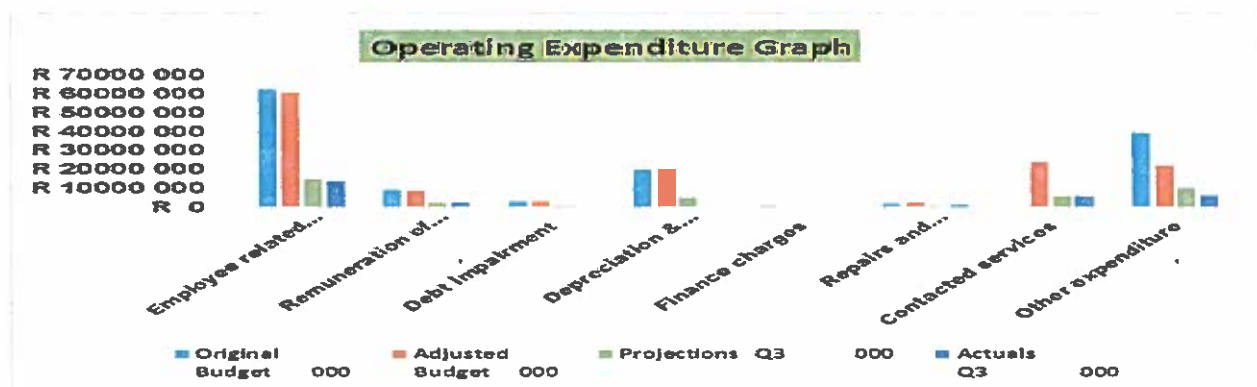
Employee related costs 90%, with an under expenditure of R1 4million, due vacant posts yet to be filled. Remuneration of Councillors is at 107.76 % with an over expenditure of R 172 thousand, this is due to back pay and implementation government gazette on councillors remuneration in January 2018. Debt impairment line item shows no actuals as at 31 March 2018. The municipality still needs to develop and implement an assets maintenance plan, to ensure that maintenance plan outcomes are achieved.

Other expenditure shows an under expenditure of R3.8m compared to the quarter's projections.

### Other Expenditure: -

- Contracted services
- Training services
- Catering services
- Private security services
- Consultation fees
- Audit fees
- Transport services
- Casual Labourers
- Municipal running costs
- Water and Electricity services
- Conference fees

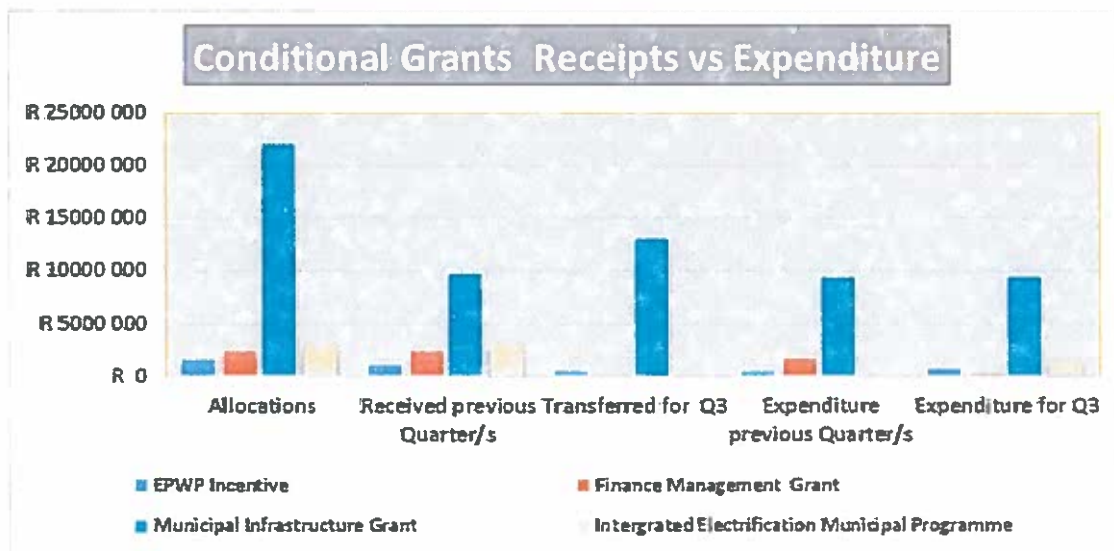
The following Graph shows Operating Expenditure by type.



### 5.3 Conditional grants expenditure

Table GE

Conditional Grants Receipts vs Expenditure							
Grants National	Allocations	Received previous Quarter/s	Transferred for Q3	Expenditure previous Quarter/s	Expenditure for Q3	Unspent	%
EPWP Incentive	R 1 531 000	R 1 071 000	R 460 000	R 545 700	R 693 250	R 292 050	80.92
Finance Management Grant	R 2 345 000	R 2 345 000	R 0	R 1 728 917	R 269 525	R 346 558	85.22
Municipal Infrastructure Grant	R 22 038 000	R 9 795 000	R 13 038 000	R 9 424 790	R 9 354 161	R 3 259 049	85.00
Intergrated Electrification Municipal Programme	R 3 000 000	R 3 000 000	R 0	R 144 000	R 1 340 192	R 1 515 808	49.47
<b>Total</b>	<b>R 28 914 000</b>	<b>R 16 211 000</b>	<b>R 13 498 000</b>	<b>R 11 843 407</b>	<b>R 11 657 128</b>	<b>R 5 413 465</b>	<b>81.28</b>



The National Conditional Grants that were allocated, received and spent by Ngqushwa Local Municipality as at 31 March 2018 were as following:-

- Expanded Public Works ((EPWP) Incentive: R1, 5 m was allocated for this financial year. Transfers made this quarter to the Municipality were R 460 000. Expenditure reported this quarter is R 693 249.84.
- Financial Management Grant (FMG): R 2.3 m allocated and transferred to Ngqushwa Local Municipality. Expenditure reported this quarter R269 524.99.
- Municipal Infrastructure Grant (MIG): R22. 8 m was allocated for this financial year. Transfers made this quarter to the Municipality were R. 22m. Expenditure reported this quarter R 5.6 m.

- Integrated Electrification Municipal Grant (INEG): R3 M is allocated and received this quarter R 0 Expenditure reported to be R1.3m.
- Looking at the above information, the Municipality is spending on all other grants. The municipality does not foresee any underspending on all its grants by end of financial year.

## 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 31 March 2018.

#### D1

Nqushwa Local Municipality										
									Rep Date:	2018/03/31
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	Over 1 Year	Total	
Organs of State	2 906 505.76	560 241.36	351 484.05	-	287 006.18	308 784.53	11 411 150.50	8 211 007.38	18 868 082.31	
Commercial	202 868.23	31 589.02	78 878.84	-	128 292.84	81 058.80	546 579.16	2 387 815.88	3 435 981.76	
Households	157 897.48	304 512.83	141 553.54	7 040.88	119 498.28	104 330.76	1 585 781.00	5 687 052.16	8 093 585.15	
Other	27 811.60	89 986.52	47 077.28	-	47 428.29	47 008.58	770 589.07	3 398 148.52	4 408 027.82	
<b>Totals:</b>	<b>2 998 103.05</b>	<b>966 309.72</b>	<b>618 972.29</b>	<b>7 040.88</b>	<b>582 823.55</b>	<b>520 063.64</b>	<b>14 314 088.82</b>	<b>17 684 113.94</b>	<b>34 505 687.04</b>	

#### D2

Nqushwa Local Municipality										
									Rep Date:	2018/03/31
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	Over 1 Year	Total	
Receivables from Non-exchange Transactions - Property Rates	2 429 254.82	856 436.76	94 378.48	8 890.88	53 500.04	2 741.59	11 922 032.98	8 774 748.00	20 844 860.17	
Receivables from Exchange Transactions - Waste Management	70 147.10	98 715.86	38 178.80	350.00	47 302.38	33 345.98	182 502.50	782 098.42	1 240 378.93	
Receivables from Exchange Transactions - Property Rental Debtors	11 808.02	9 775.84	4 887.92	0.00	4 887.92	4 887.92	2 682.94	108 838.30	147 398.98	
Interest on Arrear Debtor Accounts	126 593.23	593 772.08	481 527.22	0.00	477 133.21	484 571.33	2 198 780.40	7 812 903.52	12 273 280.99	
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Totals:</b>	<b>2 637 801.17</b>	<b>1 558 700.54</b>	<b>618 972.29</b>	<b>7 040.88</b>	<b>582 823.55</b>	<b>525 548.82</b>	<b>14 314 088.82</b>	<b>17 558 387.02</b>	<b>34 505 687.04</b>	

Analyzing debtors per service billed, the largest amount of service billed that is outstanding is property rates followed by interest on services. The bigger portion of the amount owed to the municipality, is by Department Provincial and National Public Works followed by Households and Businesses. There are about 32 properties that are still under investigation by National Public works.

The municipality has collected rates revenue from various Departments since 2016. The Department of Rural Development has paid their outstanding and current debt. The R18 million that reflects under "organs of state" refers to R 7 .7m for Rural Development relates to interest on rates, Department of Public works Provincial R1.1m for outstanding capital balance and R 6.3 m relates to interest on rates also

R342 946 thousand for Public works services (Publics works houses occupied by tenants, social development, arts and Culture, magistrate, Nompumelelo hospital and agriculture). Adding to the list is R 3.3 m for unknown properties (National 2) that are still under investigation who they belong to.

The department of Public works (Provincial) is still surveying rural schools and clinics (93). The total outstanding amount for our debtors is sitting at R 34 at the end of this quarter.

The municipality has evaluated 62 properties that belong to the Department of Provincial Public Works and as such the billing will increase in 2018/2019.

The draft 3 year Financial Recovery Plan, 5 year Financial Plan and 3 year Financial Recovery Implementation Plan have been received from the service provider. The municipality is to give feedback on the plans received.

## **6.2 FREE BASIC SERVICES**

**The municipality is offering free basic services into two categories:**

Refuse removal, the offering of refuse removal on all registered indigent household at tariff of R87.78 per household on monthly basis .The municipality is subsidizing 1993 low cost indigent households for refuse removal at R 87, 78 per household excluding vat on monthly basis, that is  $1993 \times 87.78 \times 12 = R 2\,099\,346.48$  annually although total the budget for free basic services is amounting to R5 470 782.48

Free basic electricity number of household currently registered is 6042 and the total of household benefiting is 5900. The total amount for free basic electricity per household is R 46 .50 for 2017/2018 meaning the budgeted amount for free basic prepaid electricity should R 3 371 436 per annum

The FBS unit has a target according to the SDBIP of developing a credible and updating indigent register for 2017/2018 financial year.

In the month of November, December 2017 and January 2018 ward committees have done indigent registration in all wards.

The proposed date for the Indigent steering Committee Meeting was the 21<sup>st</sup> February 2018, which didn't materialise due to affected sectors having commitments and another scheduled time will be further communicated. This meeting will include COGTA and other relevant stakeholders and the purpose of this meeting is to discuss processes of subsidizing indigent households.

### CHALLENGES ON FREE BASIC SERVICES

- Inadequate funding for the subsidy.

For 2017/18 financial year free basic services has been budgeted as follows:

#### Budget breakdown as at March 2018

Service Description	Amount Budget	Amount Spent
Prepaid electricity	R 2 800 000	R 1 932 989.98
Refuse removal	R 299 320.00	R 699 782.16
<b>Total</b>	<b>R1 299 892.00</b>	<b>R 2 048 228.93</b>

The above table shows budget on indigent after the Adjustments budget

### 6.3 CREDITORS AGE ANALYSIS

The following Table reflects the total outstanding creditors owed by the municipality as at 31 March 2018:

Eastern Cape: Ngqushwa Creditors		Report Date: 2018-03-31					
	0 -30 Days	31 -60 Days	91 -120 Days	151 -180 Days	181 Days -1Year	Over 1 Year	Total
R thousands	Amount 000	Amount 000	Amount 000	Amount 000	Amount 000	Amount 000	Amount 000
Trade Creditors	R 811	R 8	-R 2	R 0	R 1 701	R 0	R 2 517
Auditor General	R 0	R 0	R 0	R 0	R 0	R 0	R 0
Other (Amathole)	R 0	R 0	R 0	R 0	R 0	R 6 640	R 6 640
<b>Total</b>	<b>R 811</b>	<b>R 8</b>	<b>-R 2</b>	<b>R 0</b>	<b>R 1 701</b>	<b>R 6 640</b>	<b>R 9 262</b>

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 Amatole District Municipality (ADM) of which Ngqushwa municipality owes R6 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. The R15m was later revised and reduced to R 6m, explaining The amount was reduced due to the payments made by Ngqushwa Local Municipality, reversal of billing on all the vacant properties earmarked for RDP development in compliance to ADM Credit control & debt collection policy and reversal of billing on all areas where there has been no confirmation that there is no infrastructure such as Alf Dlamini Heights. Creditors over 180 days amounting to R 6.6 m relates mainly to the Amathole District Municipality.

#### 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. Withdrawals from primary bank account were as follows during the quarter under review:

JANUARY	FEBRUARY	MARCH	TOTAL
R16 979 457.80	R 21 258 999.16	R 33 031 437.94	R 71 269 893.80

The above table demonstrates that, in March month more withdrawals or expenditure was incurred with comparison to other months of the quarter under review. The expenditure (in March) comprised of staff benefits costs, councilors back pay, MIG payments, third party payments and other operating expenses. In March the overdraft was paid back, an overdraft was applied for and received in February to meet the current financial obligation that could not be paid in January and February due to cash flow limitation.

## 6.5 CASH FLOW

<b>Cash flow Statement for the Quarter ending 31 March 2018</b>		
<b>Cash flow from Operating Activities</b>	<b>Actuals</b>	<b>000</b>
	<b>Year To Date</b>	
<b>Receipts</b>	<b>R60 828</b>	
Property rates, penalties & collection charges	R19 241	
Service charges( refuse)	R88	
Other revenue	R165	
Government - operating	R19 230	
Government - capital	R22 038	
Interest on external Investments	R65	
<b>Payments</b>	<b>-R 27 249</b>	
Suppliers and employees	-R27 249	
<b>Net cash from Operating Activities</b>	<b>R33 579</b>	
<b>Cash flow from Investing Activities</b>		
<b>Receipts</b>		
Proceeds on disposal of PPE	R0	
<b>Payments</b>	<b>R0</b>	
Capital assets	-R 9 245	
<b>Net cash from Investing Activities</b>	<b>-R 9 245</b>	
<b>Cash flow from Financing Activities</b>		
<b>Receipts</b>		
Borrowing long term/refinancing	R0	
<b>Payments</b>		
Repayment of borrowing	R0	
<b>Net cash from Financing Activities</b>	<b>R0</b>	
<b>Net Cash Increase/Decrease in cash held</b>	<b>R24 334</b>	
Cash equivalents at beginning of the quarter:	R8 759	
<b>Cash/cash equivalents at month/year end:</b>	<b>R33 093</b>	

**Attached below is cash flow table from March 2018 to June 2018**

**CASH FLOW PROJECTION**

<u>Item description</u>	<b>Mar-18</b>	<b>Apr-18</b>	<b>May-18</b>	<b>Jun-18</b>	<b>TOTAL</b>
Internal Revenue	1 800 000.00	500 000.00	520 000.00	500 000.00	<b>28 246 483.62</b>
Equitable Share	18 403 000.00				<b>73 615 003.20</b>
Vat Refund	700 000.00	420 000.00	495 000.00	525 000.00	<b>8 307 755.46</b>
MIG		1 770 529.12	1 770 529.12	1 770 529.12	<b>5 311 587.37</b>
Maturing investments	6 000 000.00	7 000 000.00	6 000 000.00	3 170 752.27	<b>22 170 752.27</b>
Interest on investment	42 532.83	12 000.00	9 000.00	10 000.00	<b>413 795.44</b>
<b>Total</b>	<b>26 945 532.83</b>	<b>9 702 529.12</b>	<b>8 794 529.12</b>	<b>5 976 281.39</b>	<b>138 065 377.36</b>

Salaries	5 800 000.00	5 600 000.00	5 600 000.00	5 600 000.00	<b>56 570 962.78</b>
General Expenditure	3 250 000.00	2 750 000.00	2 850 000.00	2 900 000.00	<b>54 689 864.43</b>
Repairs	88 143.68	-	150 000.00	200 000.00	<b>3 641 951.69</b>
Capital Expenditure	946 259.42	-	-	400 000.00	<b>946 259.42</b>
FMG	126 997.99	126 997.99	126 997.99	126 997.99	<b>507 991.96</b>
INEP	378 951.98	378 951.98	378 951.98	378 951.98	<b>1 515 807.90</b>
EPWP	184 427.50	184 427.50	184 427.50	184 427.50	<b>737 710.00</b>
<b>Equitable share to be allocated for remaining months:</b>					
April	6 000 000.00				
May	7 000 000.00				
June	3 170 752.27				
Finance Costs on overdrafts					-
<b>Total</b>	<b>26 945 532.84</b>	<b>9 040 377.47</b>	<b>9 290 377.47</b>	<b>9 790 377.47</b>	<b>115 849 038.32</b>
<b>Surplus/(Deficit)</b>	<b>-0.00</b>	<b>662 151.66</b>	<b>-495 848.34</b>	<b>-3 814 096.07</b>	<b>22 216 339.04</b>

### 6.5.1 Cash and Cash equivalent

The below spreadsheet are the cash and cash equivalent balances of the municipality as at 31 March 2018.

ACCOUNT NAME	ACCOUNT NUMBER	CLOSING BALANCE
RESERVE ACCOUNT	62035920596	1
RATES ACCOUNT	62414349763	266 166
FMG OPERATING	62414358912	1
Main Bank	62022000898	14 794 967
BUSINESS CALL ACCOUNT	62606330463	23
REVENUE INVESTMENT	74750285569	6 032 178
INVESTMENT 3	74755609475	6 000 000
INVESTMENT 4	74755608063	6 000 000
<b>TOTAL</b>		<b>33 093 336.72</b>

## 7. REPORT ON THE IMPLEMENTATION OF ASSET MANAGEMENT FOR QUARTER ENDING 31 MARCH 2018

The Ngqushwa Local Municipality council has adopted its asset management policy for proper guidance in managing municipal assets including acquisition, safeguarding, maintenance, and disposal. There are 6 assets damage, 4 handovers, and 1 return, reported.

There's an improvement in terms of asset management reporting, but there's still movement without authorization.

The following is the Summary of the asset register as the period quarter ended 31 March 2018.

ASSET REGISTER RECONCILIATION AS AT 31 MARCH 2018								
Asset Category	Opening Balance (carrying value)	Additions	Disposals	Transfers	Depreciation Capitalised to project	Depreciation	Impairments and Written Off Asset	Carrying Value
Land	10 072 600	-	-	-	-	-	-	10 072 600.00
Buildings	63 565 157	-	-	-	-	1 278 533.68	-	62 286 623.32
Park Facilities	11 281 469	-	-	-	-	246 705.97	-	11 034 763.03
Infrastructure	53 619 892	-	-	-	-	5 758 955.51	-	47 860 936.49
Other Equipment	373 960	-	-	-	-	41 028.57	-	332 931.43
Capital works in progress	12 243 417	9 259 107.19	-	25 325.00	-	-	-	21 477 199.19
Plant and equipment	13 830 187	-	9 255 218.91	-	-	715 301.19	-	3 859 666.91
Maintenance equipment	223 555	-	-	-	-	16 694.17	-	206 860.83
Security Equipment	204 476	-	64 821.96	25 325.00	-	27 565.05	-	137 413.99
Motor Vehicles	5 066 513	-	658 664.40	-	-	494 803.04	-	3 913 045.56
Office equipment	670 767	-	4 181.96	-	-	89 894.27	-	576 690.78
IT equipment	710 747	-	16 019.32	-	-	140 915.32	-	553 812.36
Office furniture	148 061	-	-	-	-	17 012.87	-	131 048.13
Minor Equipment	-	-	-	-	-	-	-	0.01
Intangible Assets	880 470	-	-	-	-	121 030.00	-	759 440.00
Investment Properties	20 790 900	-	-	-	-	-	-	20 790 900.00
Heritage Assets	3	-	-	-	-	-	-	3.00
	193 682 174	9 259 107	-9 998 907	-	-	-8 948 440	-	183 993 935

## 8. SUPPLY CHAIN MANAGEMENT REPORT FOR THE QUARTER ENDED 31 MARCH 2018

### PURPOSE

To report Supply Chain Management processes and other procurements matters for the quarter ended 31 March 2018.

To report the deviations done for the quarter ended 31 March 2018.

To report bids invited, evaluated, adjudicated and awarded for the quarter ended 31 March 2018.

### BACKGROUND AND REASONING

For the quarter ended 31 March 2018, the Council has operated financially as follows:

### BIDS

The purpose of this report is to report to Council in terms of section 6(2) and 6 (3) of the Supply Chain Management Policy on the implementation of the Supply Chain Management Policy for the quarter ended 31 March 2018.

## COMPLIANCE

Bid committees have been established . Monthly reports have been submitted as required by regulation of Supply Chain Management Policy of the Council. Bid committee meetings have been recorded.

### 7 DAY (RFQ'S) FOR THE QAURTER ENDED 31 MARCH 2018

<u>NO</u>	<u>DESCRIPTION</u>	<u>DATE OF ADVERT</u>	<u>CLOSING DATE</u>	<u>DATE OF EVALUATION</u>	<u>COMMENTS</u>
1.	Supply and delivery of Production Inputs	11/01/2018	19/01/2018	05/02/2018	Awarded 05 March 2018 to <b>Movetshe Trading</b> for the amount of <b>R95 500.00</b> .
2.	Supply and delivery of Grader tyres 17.5.25 G3	20/02/2018	27/02/2018	28/02/2018	Awarded 09 March 2018 to <b>Snazo Development</b> for the amount of <b>R198 000.00</b>
3.	Supply and delivery of Grader tyres 17.5-25	20/02/2018	27/02/2018	28/02/2018	Awarded 09 March 2018 to <b>Tshezilam Trading</b> for the amount of <b>R189 900.00</b>
4.	Supply and deliver of ICT Equipment	31/01/2018	08/02/2018	09/02/2018	Awarded 09 February 2018 to <b>Tshezilam Trading</b> for the amount of <b>R154 000.00</b>
5.	Supply and delivery of Material for Lives stock Handling Facility	11/01/2018	19/01/2018	05/02/2018	Cancelled due to non availability of funds
6.	Supply and delivery of 500 Plastic Chairs	12/03/2018	20/03/2018	03/0/2018	Awarded 04/04/2018 to <b>Tiaglo Trading</b> for the amount of <b>R66 000.00</b>
7.	Services For ICT Maintenance and Support	24/01/2018	01/02/2018		Evaluation Stage.
8.	Revamping Municipal Fence and Main Gate	12/03/2018	20/03/2018	22/03/2018	Evaluation Stage.
9.	Services to Offender Tracking & ANPR Trailer	13/03/2018	06/04/2018		Evaluation Stage.
10.	Services for partial back office proposal for the	13/03/2018	06/04/2018		Evaluation Stage.

	traffic management system				
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**COMPETITIVE BIDS FOR THE QAUTER ENDED 31 MARCH 2018**

DESCRIPTION	BSC DATE	DATE OF ADVERT	CLOSING DATE	BEC DATE	BAC DATE	COMMENTS
1. Provision Of Legal Services – Three year Contract	10/01/2018	12/01/2018	08/02/2018	03/03/2018	26/03/2018	Awarded to Dyushu & Majebe Attorneys for amount R1500.00 hour .
2. Supply of Microsoft Server Software	10/01/2018	12/01/2018	08/02/2018	03/03/2018	26/03/2018	Awarded to CHM Vuwani for amount of R105 403.88
3. Server Consolidation and Virtualization	10/01/2018	12/01/2018	08/02/2018	03/03/2018	26/03/2018	Awarded to Resilent Serves and Network for amount R241 011.77
4. Professional Services for Design, Supervision and Construction Monitoring of Qugqwala Internal roads	03/02/2018	19/02/2018	27/02/2018			Evaluation Stage
5. Professional Services for Design, Supervision and Construction Monitoring of Runlets	03/02/2018	19/02/2018	07/02/2018			Evaluation Stage

Internal roads						
6. Professional Services for Design, Supervision and Construction Monitoring of Wesley Internal roads	03/02/2018	19/02/2018	27/02/2018			Evaluation Stage
7. Professional Services for Design, Supervision and Construction Monitoring of Hamburg Internal roads	03/02/2018	19/02/2018	27/02/2017			Evaluation Stage
8. Professional Services for Design, Supervision and Construction Monitoring of Mphekweni Internal roads	03/02/2018	19/02/2018	27/02/2017			Evaluation Stage



<b>TOTAL</b>						
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**PROCUREMENT THROUGH SECTION 32 OF SCM REGULATION**

Only one Section 32 was done through National Treasury for Speakers car for amount of **R719 814.24**

**Day to day quotations that were awarded**

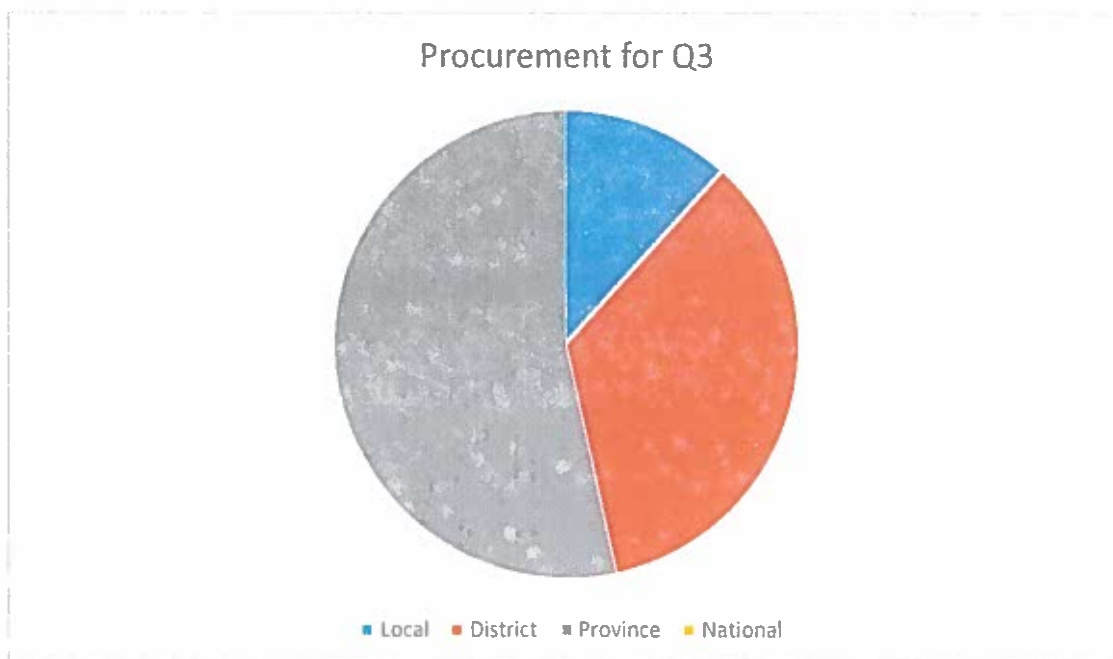
January 2018	February 2018	March 2018	TOTAL
R 359 994.29	R 466 074.21	R 133 580.74	R 959 649.24

**Competitive bidding that were awarded**

January 2018	February 2018	March 2018	TOTAL
-	R 346 415.65	-	R 346 415.65

**On total procurements of both quotations and bid awards, the allocations have been done as tabulated below,**

Local	District	Province	National	Total Procurements
R 648 640.10 (12%)	R 192 2708.38 (35%)	R 295 1725.25 (53%)	R 1256.99 (0.02%)	R 552 4330.72



### DEVIATIONS

The deviations recorded for the quarterly ended 31 March 2018 are as follows:

Please find "B" Annexures for quarterly deviations.

<b>DEVIATIONS AS PER THE DEPARTMENTS</b>			
<b>Department</b>	<b>Other</b>	<b>Fleet</b>	<b>Total</b>
Budget and Treasury Office	R5 700.00	-	R5 700.00
Community services	R474 103.10		R474 103.10
Corporate services	R36 448.00		R78 786.00
Technical Services		R695 424.57	R695 424.57

Municipal Managers Office	R442 134.76		R442 134.76
<b>Total</b>	<b>R 5634163.01</b>	<b>R695 424.57</b>	<b>1532 688.51</b>

## PERFORMANCE ON SERVICES PROVIDERS

Grading of Service(s) Rendered:

1-Poor      2-Satisfactory      3-Excellent

### COMMUNITY SERVICES

BID NO.	SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
	Movetshe Trading	Supply and delivery of Material for Lives stock Handling Facility	2
	Andile Trading	Supply and Delivery of refuse plastics	3

### TECHNICAL SERVICES

BID NO.	SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
	Seaspirit Trading (Peddie Engen Garage	Oils from the Engen Garage	2
	Inathi Olo Investment	Construction of Qamnyana Internal Roads	2
	Dintwa Trading	Construction of Cisira Internal	2
	Mgunculu Trading JV	Mdolomba Hall	2
	Iphupha Investment JV	Gcinisa	2
	PMB Projects	Construction of Newtondale Internal Roads	2
	Kyoway Pty LTD	Tyre puncture repair	2

	Laister Mechanicals	Repairing municipal vehicles	2
8/2/379/2014-2015	Digicore Management Services T/A CTRAC Mzansi	Fleet Management Monitoring & Vehicle Recovery System	2

#### CORPORATE SERVICES

NO.	BID	SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
		Fort Hare Trading Solutions	Enrollment for HR Manager towards Municipal Financial Management Programme	2

#### BTO

NO.	BID	SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
		VIP	Payroll support	2
		Camelsa	Financial System	1
		Camelsa	mSCOA implementation	2
		Amrs	Implementation Asset Register	2
		MMFAS	Implementation of Financial Statements	2
		OHS	Co-sourcing of internal audit	2
		Ntiyiso Consulting	Debt Recovery	1
		MaxProf	VAT submission	2

#### REPORT ON GIFT REGISTER FOR THE QUARTER ENDED 31st DECEMBER 2018

That, the report on gift register for the quarter ended 31 March 2018 amount to be noted **R 68 300.00**

#### REPORT ON FRUITLESS AND WASTEFUL EXPENDITURE FOR THE QUARTER ENDED 31 MARCH 2018

For the quarter ended 31 March 2018 the Council incurred fruitless and wasteful expenditure amounting to **R 349.60** Refer to Annexure.

#### REPORT ON IRREGULAR EXPENDITURE FOR THE QUARTER ENDED 31 MARCH 2018

That, the report on irregular expenditure for the quarter ended 31 March 2018 amount to be noted. **R 7,668,790.09**

## **9. KEY FINDINGS**

- The municipality is still to solve the remaining Amathole district Municipality water debt
- There is still a high amount of debtors owing the municipality
- The municipality is spending on its conditional grant
- The municipality is still need to carefully implement its cash, as has made request on overdraft two times already in this financial year.

## **10. KEY RECOMMENDATIONS**

1. That Council notes the contents of this report and supporting documents for section 52d of the third quarter of 2017/18 financial year.
2. That Council notes that Q3 section 52d is unaudited and has not yet been submitted to Internal Audit for audit purposes.
3. That Council refer all SCM section 32 reports of the MFMA to MPAC for investigation.

## **11 ANNEXURES**

"A" – Deviation register

"B" – Fruitless and wasteful expenditure register

"C" - Irregular Expenditure register

**NGQUSHWA LOCAL MUNICIPALITY**  
 Erf 313 Main Road  
 P.O. Box 539  
 Peddie  
 Tel: 040-6738095 Fax: 040-6738771



**SCM DEVIATION REGISTER - 2017-2018 FINANCIAL PERIOD**

**DEVIATION FORM PROCUMENT PROCESS- PARA 36 OF NATIONAL TREASURY REGULATIONS  
 MARCH REPORT 2017  
 THE DEVIATION REPORT PARA 17 & 18 OF THE POLICY**

31 March 2018

DATE	NAME OF DEPARTMENT	NAME OF SERVICE PROVIDER	TRANSACTION DESCRIPTION (Including dates)	AMOUNT	DEVIATION CLASSIFICATION	CIRCUMSTANCES / REASONS WHICH LED TO DEVIATION FROM NORM
26/01/2018	Community Services	JMJ Sales (Pty) Ltd	Procurement of brush cutter parts for repairs	R 10 811.40		The institution mowers/machinery are at MJM Sales company for services, MJM Sales is the only company that services or repairs the machinery
27/02/2018	Technical Services	Laister Mechanicals	To repair Municipal Vehicles including plant machinery	R 80 480.00	Emergency	give us quotations when they do, it would literally takes about a week to receive one quote and another week to get parts available and repair it. These vehicles and plant machinery are being used on a daily basis hence a service provider is being asked to render services urgently in support of services delivery. All vehicles are out of warranty and service plan.
01/03/2017	Community Services	Mutinet (Pty) Ltd	Replacement of Stolen and Damage Assets	R 125 000.00	Exceptional case and it is impractical or impossible to follow the official procurement processes	It is an emergency due to the theft occurred at traffic services. The Tangent chain broke while the machine was working on sight, tandem chain transmits power between rear axle and wheel shaft through chain drive, when the chain brakes, its means there's no power on the grader
09/03/2018	Technical Services	Peugair Border CC	Repairs of Technical services motor grader and maintenance of municipal plant machinery.	R 77 268.88	Emergency	Ngqushwa Municipality and department transport signed a SLA whereby the Municipality will render the services for the Department. An amount of R 79.00 is payable to the Department of Transport for the issue of a Drivers License card.
15/02/2018	Community Services	Prodiba	Driver's licence cards	R 19 671.00	Sole Provider	

12/02/2018	Corporate Services	SANCA Central E.Cape	In-Patient Treatment Programme for 1 official for 3 weeks	R 22 000.00	Exceptional case and it is impractical or impossible to follow the official procurement processes	of the employee it was impossible to resolve or to follow the necessary supply chain management processes.
01/03/2018	Technical Services	Seaspirit Trading 4 CC	Fuel	R 235 763.63	Sole Provider	It is impracticable to procure the fuel from any other garage as the next credible garage is 50 km's away.
07/02/2018	Community Services	Target Line	Replacement of Stolen and Damage Assets	R 20 733.18	Emergency	2017 at 06h45 I received a call where it was reported to me that there was a burglary at the traffic
21/02/2018	Community Services	Target Line	Replacement of Stolen and Damage Assets	R 80 712.00	Emergency	2017 at 06h45 I received a call where it was reported to me that there was a burglary at the traffic
06/03/2018	Corporate Services	Work Dynamics	verification of qualifications and Competency	R 14 448.00	Exceptional case and it is impractical or impossible to follow the official procurement processes	Has appointed this service provider to maintain a centralised database of qualifications for all applicants to
27/02/2018	Community Services	Pathcare	Water quality testing for the blue flag	R 9 408.60	Sole Provider	Pathcare is the only laboratory which tests for water quality
21/02/2018	Municipal Manager	KeithNgesi	Digital picture & Social media package	R 7 500.00	Exceptional case and it is impractical or impossible to follow the official procurement processes	KeithNgesi Radio is the only radio station that broadcast in all station media platforms.
25/01/2018	Municipal Manager	Lionel Trichardt & Associates	Legal Services	R 102 905.45	Exceptional case and it is impractical or impossible to follow the official procurement processes	Lionel Trichardt & Associates is busy with. The Municipality is in a process of advertising the services of
<b>TOTAL</b>				<b>R 806 702.14</b>		

DEVIATION AS PER THE DEPARTMENTS DEVIATION AS PER THE DEPARTMENTS	Other	Advert	Fleet	Legal	Total
Budget and Treasury Office					
Technical Services			393 512.51		393 512.51
Municipal Manager's Office	R 7 500.00			R 102 905.45	110 405.45
Community Services	R 266 336.18				266 336.18
Corporate Services	36 448.00				36 448.00
<b>TOTAL</b>	<b>310 284.18</b>		<b>393 512.51</b>	<b>102 905.45</b>	<b>806 702.14</b>

**CLASSIFICATION OF THE DEVIATIONS**

SCM Policy	Description	Monthly		
Clause 39(1)(a)(i)	Emergency	R	514 628,69	
Clause 39(1)(a)(ii)	Sole Supplier	R	20 220,00	
Clause 39(1)(a)(iii)	Impractical and Impossible		R 271 853,45	
<b>Total</b>			<b>R 806 702,14</b>	

COMPILED BY:..... POSITION:..... SECTION:..... DATE:..... SIGNATURE:.....

REVIEWED BY:..... POSITION:..... SECTION:..... DATE:..... SIGNATURE:.....





Register of Fruitless and Wasteful Expenditure

QUARTER 2

No	Date of Pmt	Amount	Supplier	Incident Description	Type of Prohibited Expenditure	Responsible Department	Responsible Person
24	18-Jan-18	R 0.03	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	Co-operate Services	Mr M Mxekezo
25	22-Jan-18	R 27.52	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	Technical Services	Mr Z Msipha
26	07-Feb-18	R 277.32	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	Technical Services	Mr Z Msipha
27	21-Feb-18	R 9.91	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	Technical Services	Mr Z Msipha
28	14-Mar-18	R 0.16	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	Mr VC Makedama
29	14-Mar-18	R 34.66	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	Technical Services	Mr Z Msipha
<b>TOTAL</b>		<b>R 349.60</b>					

**Irregular expenditure 2017/18 (January-March)**

Supplier Name	Tender number	Description of Service	Amount	Payment Date	Reason
Sky Metro Office Automation (Pty)Ltd	n/a	Hiring of Plant and Machinery	R 768 456.88	18 January 2018	SCM processes not followed
Thubalam Trading CC	8/2/544/2016-2017	Resurfacing of Peddie Town Streets	R 729 709.87	31 January 2018	Audit finding 16/17. Contract not meeting Criteria to be Reg 32
ACE Consulting	n/a	Prepare quantities for Jubisa Sports Field	R 94 620.00	20 December 2018	SCM processes not followed
Thubalam Trading CC	8/2/544/2016-2017	Resurfacing of Peddie Town Streets	R 782 055.78	27 February 2018	Audit finding 16/17. Contract not meeting Criteria to be Reg 32
Tyekana Protection and Cleaning	8/2/541/2016-2017	Provision of Security Bouncers	R 540 000.00	06 February 2018	Extension of contract appointed via deviation
Tyekana Protection and Cleaning	8/2/541/2016-2017	Provision of Security Bouncers	R 432 000.00	01 March 2018	Extension of contract appointed via deviation
OHS Business Advisors Chartered Accountants	8/2/542/2016-2017	Co-sourcing of Internal Audit Unit	R 106 067.00	14 March 2018	Contract extended by 20% of the contracted amount instead of 15% for normal goods & services.
Thubalam Trading CC	8/2/544/2016-2017	Resurfacing of Peddie Town Streets	R 950 851.61	28 March 2018	Audit finding 16/17. Contract not meeting Criteria to be Reg 32
Dintwa Trading	n/a	Construction of Crossroads	R 1 256 763.93	28 March 2018	Contract not meeting criteria to be deviation
Sky Metro Office Automation (Pty)Ltd	n/a	Hiring of Plant and Machinery	R 860 700.00	28 March 2018	SCM processes not followed
Sky Metro Office Automation (Pty)Ltd	n/a	Hiring of Plant and Machinery	R 927 515.42	27 February 2018	SCM processes not followed
Imvusa Trading 454 CC T/A Don Civils	n/a	Supply of water truck & a TLB for a period of 1 month	R 62 289.60	18 January 2018	Contract not meeting Criteria to be Reg 32
Mzantsi Facilitators	n/a	Life Guard Services	R 157 760.00	06 February 2018	SCM processes not followed
<b>Total</b>			<b>R 7 668 790.09</b>		

COMPILED BY:..... SECTION:..... POSITION:..... DATE:..... SIGN:.....  
 REVIEWED BY:..... SECTION:..... POSITION:..... DATE:..... SIGN:.....