



NGQUSHWA LOCAL MUNICIPALITY(EC 126)

BUDGET MONITORING REPORT

FOR THE QUARTER ENDING 31 DECEMBER 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.

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.

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

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 second quarter of 2018/19, on the implementation of the budget and financial state of affairs of the Ngqushwa Local Municipality.

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

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

Honorable Mayor :
Signature :
Date : 14/02/2019

• **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 second quarter 2019 of 2018/2019 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: 14/02/2019

3. INTRODUCTION

The Second quarter local government budget implementation report covers revenue and expenditure, SCM and assets for the period – 2nd October to 31st December 2018 for 2018/2019 municipal financial year.

The budget implementation report assesses the in-year financial performance of the municipality against the budgeted revenue and expenditure. The budget implementation report focuses on the credibility of municipal budget, covering capital and operating budgets as well as sustainability of the municipality that includes debtors, creditors and cash flow position through compliance with SCM regulations.

The straight-line method of projection used as a benchmark for expenditure and revenue at the end of the first 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 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.

4.2 EXECUTIVE SUMMARY

The executive summary presented is aimed at providing Council with a high level overview of the trading results for the period ending 31 December 2018 as well as a comprehensive overview of the Municipality's financial management and viability, and the extent to which the Municipality is meeting and exceeding planned performance as contained within the Service Delivery and Budget implementation plan

Financial Performance

	Budget	Actual	Variance%
Operating Revenue	R 42 640 316	R 35 261 006	-17%
Operating Expenditure	<u>R 34 470 175</u>	<u>R 37 413 828</u>	8.5 %
Net Operating Surplus	<u>R 8 170 141</u>	<u>R -2 152 822</u>	

Financial Position

The financial position of Ngqushwa Municipality is deemed sound, this is evidenced by the following financial viability ratio as at 31 December 2018.

$$\text{Liquidity ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \\ 1.6$$

The norm range for this ratio is 1.5 to 2:1 as determined by National Treasury in MFMA. As at 31 December 2018 the Municipality is above the norm range (1.6) in this instance. The ratio is used to assess the municipality's ability to pay back its short term liabilities with its short term assets.

5. CREDIBILITY OF MUNICIPAL BUDGET

5.1 CAPITAL BUDGET VERSUS ACTUAL

Table "T" below reflects the capital expenditure for the quarter ending 31 December 2018 by "vote". The total capital expenditure as at 31 December 2018 is R12.1 m.

It should be noted that capital budget for the year to date amounted to R12.1m resulting in over expenditure of 49%. The over expenditure relates to infrastructure MIG projects due to less transfers in July and December. The over expenditure has been financed from transfers MIG (Second tranche) transferred in December and own revenue, which will later be reimbursed when MIG (third tranche) is transferred.

Table "T"

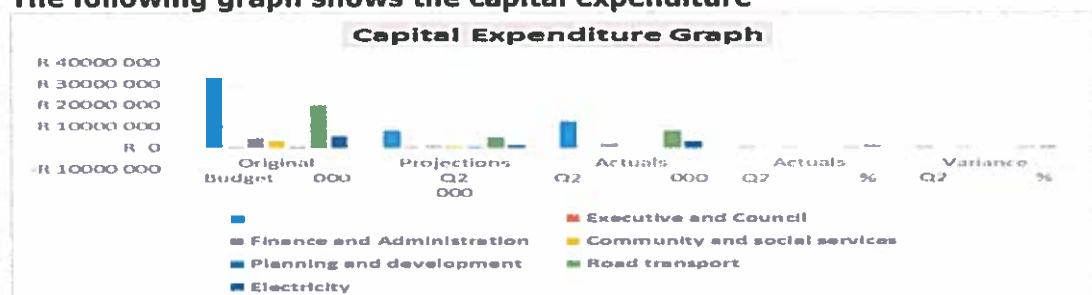
Description	Original Budget	Projections	Actuals	Actuals	Variance
	000	Q2 000	Q2 000	Q2 %	Q2 %
	R 32 671	R 8 168	R 12 185	149.18	49.18
Executive and Council	R 10	R 3			-100.00
Finance and Administration	R 4 308	R 1 077	R 1 435	133.27	33.27
Community and social services	R 3 400	R 850	R 0	-	-100.00
Planning and development	R 15	R 4	R 0	-	-100.00
Road transport	R 19 616	R 4 904	R 7 787	158.80	58.80
Electricity	R 5 332	R 1 333	R 2 962	222.21	122.21

- Capital expenditure budgeted under Finance and Administration includes: - (IT infrastructure, Computer equipment, municipal vehicles and equipment.
 - Under expenditure due to municipal vehicles not yet purchased.
- Community and social services: - Community Halls and maintenance equipment
 - Under expenditure due to budget financial planning.
- Road Transport: - Infrastructure projects
 - Over expenditure MIG projects.
- Electricity: - Electrification project of Villages
 - Under expenditure due to inadequate planning.

5.1.1. CAPITAL EXPENDITURE SOURCES OF FUNDING

The capital expenditure for the second quarter was financed from the MIG and INEP (received from National Government) R10.7m and internal generated revenue R 1.4m.

The following graph shows the capital expenditure



5.2 OPERATING BUDGET

5.2.1 Operating Revenue

The following table shows budgeted revenue projections vs. Actual collection:

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 Q2 ended on December 2018

Table OR2

Description	Original Budget	Projections	Actuals	Q2	Variance
	000	Q2 000	Q2 000	%	%
Revenue By Source					
Property rates	R 28 780	R 7 195	R 12 558	174.54	71.59
Service charges - refuse revenue	R 755	R 201	R 146	72.67	-27.33
Rental of facilities and equipment	R 572	R 87	R 44	50.62	-49.38
Interest earned - external investments	R 2 702	R 675	R 280	41.47	-58.53
Fines	R 3 900	R 975	R 61	6.29	-93.71
Licences and permits	R 2 249	R 562	R 435	77.41	-22.59
Agency services	R 509	R 127	R 84	65.99	-34.01
Other revenue	R 4 468	R 1 117	R 25	2.21	-97.79
Total Revenue	44 307	10 940	13 633	124.95	25.0

- Property Rates: actual vs. projected collection results to 174.54%, this is caused by customers that are billed annually and pay most of their debt in the in the first and second quarter. Refuse removal: actual vs. projected collection 72.67% and Rental of facilities: actual vs. projected collection was 50.62%. The quarterly revenue collection is showing collection of 124.95% due to rates which are mostly paid in Q2 of the financial year compared to quarterly projections.

Other revenue includes: -

- 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 December 2018 of the original operating expenditure budget for the financial year 2018/19.

TableOX2

Description	Original Budget	Projections	Actuals	Q2	Variance
	000	Q2 000	Q2 000	%	%
Expenditure By Type					
Employee related costs	R 66 807	R 16 702	R 17 549	105.07	5.07
Remuneration of councillors	R 9 439	R 2 360	R 2 147	90.99	-9.01
Finance charges	R 2 100	R 525	R 90	17.24	-82.76
Repairs and Maintenance	R 1 911	R 478	R 274	57.44	-42.56
Other expenditure	R 57 623	R 14 406	R 17 353	120.46	20.46
Total Expenditure	137 881	34 470	37 414	108.54	8.03

Expenditure projected, original budget against actuals:-

Employee related costs is 105%, with an over expenditure of R847 000.00. This is due to annual increment back pay paid in October and leave encashment. Remuneration of Councillors is at 91%, repairs and maintenance show an under expenditure of 42%. The municipality still needs to develop and implement an assets maintenance plan to ensure that maintenance plan outcomes are achieved.

Other expenditure shows an over expenditure % of 20.46 compared to the quarterly projections this is due to payment of suppliers.

Other Expenditure: -

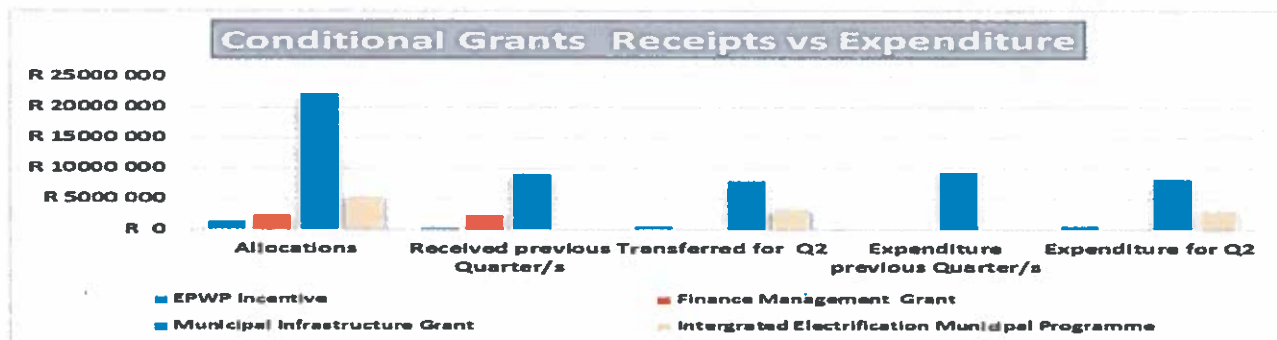
- Contracted services
 - Training services
 - Catering services
 - Private security services
 - Consultation fees

- Audit fees
- Transport services
- Casual Labourers
- Municipal running costs
- Water and Electricity services
- Conference fees

5.3 Allocations and Grants

Table GE: Conditional grants expenditure

Conditional Grants Receipts vs Expenditure							
Grants National	Allocations	Received previous	Transferred for Q2	Expenditure previous	Expenditure for Q2	Unspent	%
EPWP Incentive	R 1 480 000	R 370 000	R 666 000	R 0	R 598 193	R 437 807	40.42
Finance Management Grant	R 2 415 000	R 2 415 000	R 0	R 153 021	R 190 350	R 2 071 629	14.22
Municipal Infrastructure Grant	R 22 122 000	R 8 976 000	R 7 799 000	R 9 271 595	R 8 065 605	R 562 200	78.37
Intergrated Electrification Municipal Programme	R 5 332 000	R 0	R 3 332 000	R 0	R 2 962 043	R 369 957	56.00
Total	R 31 349 000	R 11 761 000	R 11 797 000	R 9 424 616	R 11 816 191	R 2 317 193	67.76



- Expanded Public Works ((EPWP) Incentive: R1, 4 m was allocated for this financial year. Transfers made this quarter to the Municipality were R 666 000. Expenditure reported this quarter is R 598 193
- Financial Management Grant (FMG): R 2.4 m allocated and transferred to Ngqushwa Local Municipality. Expenditure reported this quarter R 190 350.
- Municipal Infrastructure Grant (MIG): R22. 1 m was allocated for this financial year. Transfers made this quarter to the Municipality were R 7.7m Expenditure reported this quarter R 8m.
- Integrated Electrification Municipal Grant (INEG): R5.3m is allocated, received this quarter R 3.3m Expenditure reported to be R2.9m.

- The municipality is working hard to ensure that all conditional grant are at 100% by 30 June 2019

Other Grants

Ngqushwa Municipality entered into a Service Level agreement with Services Sector Education and training authority (EDU SETA) on the 14 December 2018. The grant allocated amounts to R 15 840 000 comprising of :

Internships 30 Learners – R 1 080 000

Learner ships 410 Learners – R 14 760 000

The expenditure incurred to date amounts to R 5 558 451.76 which R 4 202 451.76 was for a Services provider and R 1 356 000 was for learner stipends.

An amount of R 6 231 846.36 was raised and we are awaiting the payment from Edu Seta.

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 December 2018.

D1

Ngqushwa Local Municipality										
									Rep Date:	2018/12/31
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	87 478.31	94 695.42	71 771.87	-15 448.17	126 358.31	3 264 884.31	272 828.41	4 405 666.30	8 308 234.78	
Commercial	248 582.99	111 050.65	93 861.17	82 617.75	76 730.62	110 848.63	360 791.95	2 614 880.08	3 699 363.82	
Households	298 283.22	231 801.14	225 873.47	195 666.70	183 565.22	166 233.87	728 266.27	8 444 000.43	8 499 490.32	
Other (Bonafide farmers & Public Service Infrastructure)	12 081.40	48 652.79	381 488.42	42 542.78	42 086.10	496 833.50	233 174.38	3 953 137.37	5 209 974.72	
Totals:	844 425.92	486 200.00	772 772.93	305 381.08	428 738.25	4 838 800.31	1 593 060.99	17 417 684.17	25 687 063.83	

D2

Ngqushwa Local Municipality										
									Rep Date:	2018/12/31
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	587 113.68	435 271.00	731 908.25	289 442.45	401 945.24	4 011 938.55	1 452 631.00	18 438 582.18	24 206 830.33	
Receivables from Exchange Transactions - Waste Management	89 193.90	50 929.00	40 866.68	35 938.61	28 793.01	28 861.78	140 430.00	859 290.25	1 380 273.36	
Receivables from Exchange Transactions - Property/Rental Debtors	8 118.34	0.00	0.00	0.00	0.00	0.00	0.00	121 521.73	129 840.07	
Totals:	844 425.92	486 200.00	772 772.93	305 381.08	428 738.25	4 838 800.31	1 593 060.99	17 417 684.17	25 687 063.83	

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 Government, Households, businesses and farms.

The municipality has collected rates revenue from various Departments since 2016. The Department of Rural Development and Provincial Public works has paid their outstanding debt, and are still making part payments on their current debt. The interest on the old debt for both these departments were written off in the previous financial year.

The total outstanding amount for debtors is sitting at R25.6M at the end of this quarter.

6.2 FREE BASIC SERVICES

The municipality is offering free basic services into two categories: The municipality formed an Indigent Steering Committee chaired by the Portfolio head of Finance.

The Committee has to meet once a quarter

- The aim of the committee is as follows:
- Effective implementation of Credible Indigent Policy
- Capacitation of all local free basic services stakeholders including Municipal Officials, Councilors, Ward Committees, Traditional Leaders and Community Development Workers.
- Free basic services awareness campaigns, registration/ application for the benefit, updating and management of indigent register by our municipality
- Develop a credible indigent register for 2018/19

Currently FBS is offered to two categories that is: free 50 kW electricity and refuse removal the tariff is R93.15. The offering of FBS is based on the indigent policy and the number of customers registered in the register.

The municipality is also collecting refuse on all cages that have been installed in low cost housing areas, meaning low cost households are automatically subsidized for refuse and 50klw of electricity.

In July and August 2018, ward committees have conducted door to door for indigent household's registration and submitted the application forms to be captured in the system.

Total number of indigent H/H registered for October to December 2018 as per services offered - 6208

Number of households that are benefiting from Prepaid Electricity = 4200
 Number of RDP households benefiting from refuse removal = 1993

The breakdown of the free basic services is as follows:

Service Description	Amount Budget	Amount Spent
Prepaid electricity	2 948 400.00	1 619 852.13
Refuse removal	315 184.00	1 113 887.70
Total	3 263 584.00	2 733 739.83

The FBS unit has a target according to the SDBIP of developing a credible and updating indigent register for 2018/19 financial year.

In the month of October, November and December 2018 ward committees have done indigent registration in 5, 7,8,11 and 12 wards. The Indigent steering committee meeting was held on the 22 November 2018. Key resolutions that were taken:

- It was resolved that the ISC must also include Chief and council of churches
 - It was discussed and resolved that in the next meeting we must invite SASSA department regarding proof of income for indigent households
 - The ISC meeting dates must be on municipal calendar
 - To write a letter to community services requesting assistance for data collection at Power location regarding collection of refuse removal.

- The Municipality will have to develop an FBS communication strategy for FBS awareness, registration and verification for all communities.
- The refuse removal shows over expenditure which is in the form of non-cash items, the over expenditure will be rectified with budget adjustment.

Challenges on free basic services

- Insufficient funding for the subsidy for all indigent households.
- Inaccurate indigent register

6.3 CREDITORS AGE ANALYSIS

The following table reflects the total outstanding creditors owed by the municipality as at 31 December 2018:

Eastern Cape: Ngqushwa Creditors			Report Date: 2018-12-31				
	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 807	R 262	R 0	R 0	R 0	R 77	R 1 146
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 7 132	R 7 132
Total	R 807	R 262	R 0	R 0	R 0	R 7 208	R 8 277

The table above reflects that the municipality is trying its level best to pay its creditors within 30 days. The line "Other" is Amatole District Municipality (ADM) of which Ngqushwa municipality owes R7.1m

6.4 WITHDRAWALS.

In terms of Section 11 of the Municipal Finance Management Act number 56 of 2003 refers: The Accounting Officer must within 30 days after the end of each quarter table to Council a consolidated report of all withdrawals made during the quarter. Withdrawals from primary bank account were as follows during the quarter under review:

OCTOBER	NOVEMBER	DECEMBER	TOTAL
R14 741 085.38	R22 664 270.09	22 873 688.15	R 60 279 043.62

From the above table demonstrated, in December and November month more withdrawals took place or expenditure was incurred.

6.5 STAFF BENEFITS REPORT

Section 66 of the MFMA, which states that the accounting officer of a municipality must, in a format and for periods as may be prescribed, report to the council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits, and in a manner that discloses such expenditure per type of expenditure:

OCTOBER- DECEMBER 2018	Staff	Councillors	Ward Committees	Total
Salaries and wages, including Non Pensionable allowance	13,641,389.42	1,832,390.16	349,000.00	15,822,779.58
Contributions for pensions and medical aid	2,327,848.96	-	-	2,327,848.96
Travel, motor car, accommodation, subsistence and other allowances	1,064,159.92	45,927.44	-	1,110,087.36
Housing benefits and allowances or allowance related to staff	101,171.10	-	-	101,171.10
Overtime payments and Night and Shift allowance	132,834.91	-	-	132,834.91
Any other type of benefit or allowance related to staff-UIF, SDL, Bargaining Levy	241,963.89	18,070.78	3,490.00	263,524.67
Any other type of benefit or allowance related to staff – Acting Allowance	85,871.53	-	-	85,871.53
Any other type of benefit or allowance related to staff – Telephone and Mobile data	134,360.63	255,300.00	-	389,660.63
TOTAL	17,729,600.36	2,151,688.38	352,490.00	20,233,778.74

6.6 CASHFLOW STATEMENT

Cashflow Statement for the Quarter ending 31 December 2018		
Cashflow from Operating Activities	Actuals	000
	Year To Date	
Receipts	R 51 867	
Property rates, penalties & collection charges	R 42 458	
Service charges(refuse)	R 146	
Other revenue	R 1 819	
Government - operating	R 26 709	
Government - capital	R 9 409	
Interst on external Investments	R 281	
Payments	-R 44 932	
Suppliers and employees	-R 44 932	
Net cash from Operating Activities	R 6 935	
Cashflow from Investing Activities		
Receipts		
Proceeds on disposal of PPE	R 0	
Payments	R 0	
Capital assets	-R 9 509	
Net cash from Investing Activities	-R 9 509	
Cashflow from Financing Activities		
Receipts		
Borrowing long term/refinancing	R 0	
Payments		
Repayment of borrowing	R 0	
Net cash from Financing Activities	R 0	
Net Cash Increase/Decrease in cash held	-R 2 574	
Cash equivalents at beginning of the quarter:	R 23 144	
Cash/cash equivalents at month/year end:	R 20 570	

6.5.1 CASH AND CASH EQUIVALENTS

Below spreadsheet are the cash and cash equivalent balances of the municipality as at 31 December 2018

ACCOUNT NAME	ACCOUNT NUMBER	CLOSING BALANCE
RATES ACCOUNT	62414349763	855 946
MAIN BANK	62022000898	16 691 773
INVESTMENTS	74773942899/7477394	3 022 747
TOTAL		20 570 465.85

The Municipality is only expecting its next trench of equitable share in March 2019, which means that all departments must sensitize the issue of minimizing spending for example - cutting down on activities that are not service delivery driven. The municipality paid back the overdraft amounting to R10m which was acquired in the month of October to pay MIG related expenditure.

Cash flow projections

The table below are the cash flow projections from July to June 2018/19

CASH FLOW PROJECTION GENERAL													
Item description	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	TOTAL
Cash Brought Fw/d	1 503 664	26 774 981	28 546 563	23 144 037	19 716 553	3 093 068	20 570 466	9 788 186	1 786 303	21 305 303	16 205 303	7 340 047	1 503 664
Internal Revenue Incl VAT refun	818 451	15 996 582	10 433 474	12 321 516	2 482 515	9 472 398	950 000	2 500 000	6 700 000	6 300 000	2 600 000	4 000 000	74 574 936
Grants	40 429 000					27 591 000		2 444 000	24 219 000				94 683 000
													0
													0
Total	42 751 115	42 771 563	38 980 037	35 465 553	22 199 068	40 156 466	21 520 466	14 732 186	32 705 303	27 605 303	18 805 303	11 340 047	170 761 600
Salaries & Gen Exp	15 539 134	12 716 000	11 545 000	12 386 000	14 205 000	12 782 548	9 909 852	10 123 455	9 100 000	8 900 000	8 465 256	6 650 000	132 322 245
Capital Exp	437 000	1 509 000	4 291 000	3 363 000	4 901 000	1 245 000	1 822 428	2 822 428	2 300 000	2 500 000	3 000 000	4 489 812	32 680 668
Educ Seta						5 558 452							5 558 452
													0
	15 976 134	14 225 000	15 836 000	15 749 000	19 106 000	19 586 000	11 732 280	12 945 883	11 400 000	11 400 000	11 465 256	11 139 812	170 561 365
Surplus/(Deficit)	26 774 981	28 546 563	23 144 037	19 716 553	3 093 068	20 570 466	9 788 186	1 786 303	21 305 303	16 205 303	7 340 047	200 235	200 235

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
MAIN BANK ACCOUNT	622 246	17 718 670	1 740 251	7 414 292	-103 632	16 691 773	9 788 186	1 786 303	21 305 303	16 205 303	7 340 047	200 235
RATES BANK ACCOUNT	900 735	1 151 148				855 946						
INVESTMENTS	25 252 000	9 676 745	21 403 786	12 302 262	3 196 700	3 022 747						
TOTAL BANK	26 774 981	28 546 563	23 144 037	19 716 554	3 093 068	20 570 466	9 788 186	1 786 303	21 305 303	16 205 303	7 340 047	200 235
	0	-0	-0	0	-0	-0	-0	-0	-0	-0	-0	-0

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

- Ngqushwa Local Municipality council has adopted its asset management policy for proper guidance in managing municipal assets including acquisition, safeguarding, maintenance, and disposal. Ensure that the municipality has and maintains a management, accounting and information system that accounts for proper assets and liabilities of the management systems of the municipality;
- Ngqushwa Local Municipality is using Lateral Insurance for insurance of assets and liabilities.

THE FOLLOWING IS THE SUMMARY OF THE ASSET REGISTER FOR THE QUARTER ENDED 31 DECEMBER 2018.

ASSET CATEGORY	OPENING BALANCE AS AT 1 OCTOBER 2018	ADDITIONS	DISPOSALS	TRANSFERS	RETURN TO LESSOR	DEPRECIATION	ADJUSTMENTS	CLOSING BALANCE AS AT 31 DEC 2018
LAND	10,072,600	0	0	0	0	0	0	10,072,600
BUILDINGS	108,031,452	0	0	0	0	0	0	108,031,452
PLANT & MACHINERY	3,551,243	0	0	0	0	0	0	3,551,243
FURNITURE & FITTINGS	239,051	23,150	0	0	0	0	0	262,201
MOTOR VEHICLES	4,221,692	1,165,515	0	0	0	0	0	5,387,207
OFFICE EQUIPMENT	502,181	0	0	0	0	0	0	502,181
IT EQUIPMENT	898,531	246,530	0	0	0	0	0	1,145,061
INFRASTRUCTURE	59,598,647	0	0	0	0	0	0	59,598,647
MAINTENANCE EQUIP	190,438	0	0	0	0	0	0	190,438
SECURITY EQUIP	226,531	0	0	0	0	0	0	226,531
OTHER ASSETS	292,987	0	0	0	0	0	0	292,987
CAP WORK IN PROGRESS	35,397,479	9,663,035	0	0	0	0	0	45,060,514
PARK FACILITIES	10,499,589	0	0	0	0	0	0	10,499,589
MINOR ASSETS	0	0	0	0	0	0	0	0
INVESTMENT PROPERTY	16,183,945	0	0	0	0	0	0	16,183,945
INTANGIBLE ASSETS	918,507	0	0	0	0	0	0	918,507
	250,824,873	11,098,230	0	0	0	0	0	261,923,103

- Council held an auction of assets during December 2018. The auctioneer is in the process of finalising the auction outcome and supporting documentation,

and will be depositing the funds from the auction shortly. The abovementioned table will be updated as soon as the documents are received from the auctioneer.

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

PURPOSE

To report on Supply Chain Management processes for the Secondquarter ended 31 December 2018.

COMPLIANCE

Bid committees have been established . Monthly reports have been submitted as required by regulation of Supply Chain Management. The municipality is applying its SCM policy in line with SCM regulations for procurement of goods and services.

7 DAY (RFQ'S) FOR THE QAUARTER ENDED 31 DECEMBER 2018

DAY TO DAY QUOTATIONS THAT WERE AWARDED

Qoutations has been obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality.the total amount awarded for Q2 based on quotation is as follows:

October 2018	November 2018	December 2018	Total
R1 123 218.40	R405 681.40	R 1137420.29	R2 666 320.09

COMPETITIVE BIDDING THAT WERE AWARDED

The bids has be evaluated and awarded on the basis of the Preferential Procurement Policy Framework Act (Act No.5, 2000), and the regulations pertaining thereto (2017) as well as Ngqushwa Local Municipality's Supply Chain Management policy.

October 2018	November 2018	December 2018	Total
R283 510.05	R5 180 916.29	R 5199 846.24	R10664 272.58

On total procurements of Quotations, the allocations have been done as tabulated below,

Local	District	Province	National	Total Procurements
R2172 642.40(80%)	R386 495.50 (15%)	R107181.79 (5%)	0	R R2 666 320.09 (100%)

ON TOTAL PROCUREMENTS OF COMPETITIVE BID AWARDS, THE ALLOCATIONS HAVE BEEN DONE AS FOLLOWS:

Local	District	Province	National	Total Procurements
R283510.05 (3%)	(0%)	R 7 033 773.29 (66%)	R3 346 989.24 (31%)	R10 664 272.58 (100%)

DEVIATION AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES SECTION 36 OF REGULATIONS FIRST QUARTER ENDED 31 DECEMBER 2018

DEVIATION AS PER THE DEPARTMENTS	October	November	December	Totals for Quarter 2 for Departments
Budget and Treasury Office	R2,344.75	0	0	R2344.75
Municipal Manager's Office	R4,400.00	R7819.00	R10 000.00	R22219.00
Technical Services	R98,200.00	0	0	R98,200.00
Corporate Services	R150,875.02	R190 465.70	R233 156.94	R574 497.66

Community Services	R129,148.20	R24 490.00	R35000.00	R188 638.20
GRAND TOTAL	R 384,967.97	R 220,265.20	R278 156.94	R883390.11

Please refer to *Annexures A* for quarterly deviations.

**PERFORMANCE MONITORING ON SERVICES PROVIDERS
PERFORMANCE MONITORING ON SERVICES PROVIDERS**

Grading of Service(s) Rendered:

1-Poor **2-Satisfactory** **3-Excellent** **No Score**

Budget and Treasury office

SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
NTIYISO CONSULTING	Debt Collection	2
MAXIMUM PROFIT	Vat Services	2
LATERAL UNISON INSURANCE	Insurance Services	2
ARMS AUDIT	Asset Verification	2
CAMELSA	Mscoa compliance	2
MMFAS	Financial Statements	2

VIP	Payroll System	2
UMHLABA VALUES	Compilation and Maintenance of General Supplementary Valuation Roll	3

Technical Services Department

SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
Dintwa Trading	Construction of Qugqwala Internal Street	2
Azizi Plant Hire	Construction of Runlets Internal Street	2
Devomax	Construction of Wesley Internal Street	2
GIGAL Development Engineers	Professional service (Consultant)	2
Sokhanani Development	Professional Service (Consultant)	2
27 Years Robben island	Construction of Halls	3
27 Years Robben island	Construction of Halls	3
Thubalam Trading	Construction Peddie town	2
Kukho Consulting	Professional Services	2
MBSA Consulting	Professional Services	2
Waving High Trading	Construction of Halls	2

Kayalihle Trading	Construction Peddie town phase	3
Black Mountain	Professional Service	2
Beacon Consulting	Professional Service	2
Khulanathi Consulting	Professional Service	2
Inathi Olo	Construction of access roads	2
Ithuba Lam	Construction Peddie town	2

Community Services Department

SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
ANDILE TRADING	SUPPLY AND DELIVERY OF PLASTICS BAGS	3
MNT Geomatics	Formalization of Municipal offices	2
Environmental & Sustainability Solution	Landfill Lifespan Provision	2
COMPLAN TOWN & REGIONAL PLANNERS	SPATIAL DEVELOPMEN	2

Office of the Municipal Manager

SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
DYUSHU MAJEBE	LEGAL ADVICE	2

Sizwe Ntsaluba Gobodo	Reviews of the 2017-18 AFS & Mscoa	2
LIONEL TRICHARDT	LEGAL ADVICE	2

Corporate Service Department

SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
ALOE	PRINTING SERVICES	2
DELOITE	JOD GRADING EVALUATION	2

REPORT ON GIFT REGISTER FOR THE QUARTER ENDED 31 DECEMBER 2018

That, the report on gift register for the quarter ended 31 December 2018 be noted **R 00**.

REPORT ON DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCURMENT PROCESSES

That, the report on deviation register for the quarter ended 31 December 2018 be noted **R 883 390.11** please refer to *Annexure A*
REPORT ON CONTRACT REGISTER FOR THE QUOTER ENDED 30 JUNE 2018 SECTION 116 (1)

That, the report on contract register for the quarter ended 31 december 2018 be noted. *Annexure B*

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

For the quarter ended 31 december 2018 the Council incurred fruitless and wasteful expenditure amounting to **R2159.20** be written off by council. Please refer to *Annexure C*.

REPORTS ON; IRREGULAR; EXPENDITURE 31 DECEMBER 2018 FOR THE SECOND QUARTER

That, the report on irregular expenditure for the quarter ended 31 December 2018 amount to **R3404 966.84** be noted by council.
please refer to *Annexure D*.

9. KEY FINDINGS

- The municipality is still to solve the remaining Amatole district Municipality water debt amounting to R7.1M.
- There is still a high mount of debtors owing the municipality.
- The municipality must constantly implement MFMA circular 82 in order to achieve favorable cash position.

10. KEY RECOMMENDATIONS.

1. That the Council notes contents of this report and supporting documents for the second quarter of 2018/2019 financial year.

2. That the Council notes that the report will be referred to MPAC for investigation of **R3 404 966.84**, irregular expenditure and **R 2 159.20**.Fruitless and wasteful expenditure.

2.1. That Council notes the amount of report on irregular expenditure for the second quarter ended 31 December 2018.

3.2. That the Council notes an amount of **R 883 390.11** on deviations for the second quarter ended 31 December 2018 as approved by Accounting Officer.

3.3. That the Council notes the performance monitoring of services providers for the quarter ended 31 December 2018

ANNEXURES

"A" – Deviation register

"B" – Contracts Register

"C" - Fruitless and wasteful expenditure register

"D"- Irregular Expenditure register

Irregular expenditure 2018/19 Quarter 2

Supplier Name	Tender number	Description of Service	Amount	Payment Date	Reason
Ram Q Enterprise	8/2/649/2018-2019	Supply and Delivery of 40m Winch	R 196,000.00	10 October 2018	Award made to a Ward Committee member
Thubalam Trading	8/2/544/2016-2017	Resurfacing of Peddie Town Streets	R 213,286.69	23 October 2018	Audit finding 16/17. Contract not meeting Criteria to be Reg 32
Thubalam Trading	8/2/544/2016-2017	Resurfacing of Peddie Town Streets	R 738,169.87	30 October 2018	Audit finding 16/17. Contract not meeting Criteria to be Reg 32
Thubalam Trading	8/2/544/2016-2017	Resurfacing of Peddie Town Streets	R 339,323.49	30 October 2018	Audit finding 16/17. Contract not meeting Criteria to be Reg 32
Thubalam Trading	8/2/544/2016-2017	Resurfacing of Peddie Town Streets	R 303,737.90	16 November 2018	Audit finding 16/17. Contract not meeting Criteria to be Reg 32
Thubalam Trading	8/2/544/2016-2017	Resurfacing of Peddie Town Streets	R 1,156,430.34	29 November 2018	Audit finding 16/17. Contract not meeting Criteria to be Reg 32
Thubalam Trading	8/2/544/2016-2017	Resurfacing of Peddie Town Streets	R 458,018.55	12 December 2018	Audit finding 16/17. Contract not meeting Criteria to be Reg 32
Total			R 3,404,966.84		



Register of Fruitless and Wasteful Expenditure

QUARTER 2 2018/19

No	Date	Amount	Supplier	Incident Description	Type of Prohibited Expenditure	Responsible Department	Responsible Person
1.	17-Jul-18	R 318.63	MCRF-3RD PARTY	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	V.C Makedama
2.	14-Aug-18	R 22.93	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	V.C Makedama
3	12-Sep-18	R 958.39	ESKOM HOLDINGS (Free Basic)	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	V.C Makedama
4	12-Sep-18	R 27.73	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	V.C Makedama
5	08-Oct-18	R 425.95	ESKOM HOLDINGS (Free Basic)	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	V.C Makedama
6	17-Oct-18	R 305.16	ESKOM HOLDINGS (Free Basic)	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	V.C Makedama
7	25-Oct-18	R 11.09	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	V.C Makedama
8	27-Nov-18	R 8.83	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	V.C Makedama
9	11-Dec-18	R 67.46	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	V.C Makedama
10	19-Dec-18	R 8.90	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	V.C Makedama
11	19-Dec-18	R 3.02	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	V.C Makedama
12	19-Dec-18	R 1.11	ESKOM HOLDINGS	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	V.C Makedama
TOTAL		R 2,159.20					



SCM DEVIATION REGISTER - 2018-2019 FINANCIAL PERIOD

Q2

TRANSACTION DESCRIPTION (including dates)	CIRCUMSTANCES / REASONS WHICH LED TO DEVIATION FROM NORM	NAME OF SERVICE PROVIDER	AMOUNT	NAME OF DEPARTMENT	DEVIATION CLASIFICATION	RECOMMENDED/ NOT RECOMMENDED	APPROVED/ NOT APPROVED	FINALIZATION DATE
Printing of drivers license card	Sole supply for printing of drivers license cards The book will be use to guide the compilation and maintenance of general and supplementary valuation rolls for the period of 2018-2024 . These book are only obtainable from Lexis nexis.	Prodiba	18,091.00	Community services	Sole provider	Recommended	Approved	10/10/2018
Purchase of the valuers guide & local government library	It is the sole supply to renew the Total Client Services License	Lexis nexis	2,344.75	Budget & Treasury Office	Sole provider	Recommended	Approved	17/07/2018
Renewal of license	Seaspirit Trading is the only service provider around Peddie to supply the municipality with fuel	Total Client Services	54,804.00	Community services	Sole provider	Recommended	Approved	11/10/2018
Refuel of Municipal Vehicles	Sole Provider for application fee of blue flag status	Seaspirit Trading	112,950.27	Corporate services	Sole provider	Recommended	Approved	09/10/2018
service of blue flag	The street light fall in the road,we have to disconnect and remove it from the road. This will leave cabling exposed and we have to,which off all the steet light in this ride dub to safety.	Wessa	36,040.00	Community services	Sole provider	Recommended	Approved	24/10/2018
Repair of N2 street light	Patihcare is the only service provider who does water quality testing for the blue flag programme	Ndlambe Investment	98,200.00	Technical services	Emergency	Recommended	Approved	10/10/2018
Water quality testing for the blue flag programme at Hamburg and Biriba beaches	It is the sole provider for printing of drivers license cards	Pathcare	3,781.20	Community services	Sole provider	Recommended	Approved	31/10/2018
Drivers license cards	During service internal of the machine by Peugeot Border the problem was inspected and critical problem were identified therefore same service provider was asked to render those services (repairs grader) urgently in support of servic delivery	Prodiba	16,432.00	Community services	Sole provider	Recommended	Approved	31/10/2018
Maintenance of municipal plant machinery,repairs technical service motor grader	Ngqushwa fm is the only community radio station in Peddie	Pegular Border	37,924.75	Corporate services	Sole provider impractical or impossible to follow the official procurement processes	Recommended	Approved	25/10/2018
Radio announcement for interview for Mayor of Annual Report roadshows	Ngqushwa fm is the only community radio station in Peddie	Ngqushwa FM	4,400.00	Municipal Manager	impractical or impossible to follow the official procurement processes	Recommended	Approved	12/10/2018
Radio announcement for interview for Mayor of Annual Report roadshows	Ngqushwa fm is the only community radio station in Peddie	Ngqushwa Fm	2,800.00	Municipal Manager	Recommended	Recommended	Approved	02/11/2018

Refuel of Municipal Vehicles	Seaspirit Trading is the only service provider around Peddie to supply the municipality with fuel	Seaspirit Trading	156,288.29	Corporate services	Sole Provider Impractical or impossible to follow the official procurement processes	Recommended	Approved	
500Hrs services		Peugair Border cc	34,177.41	Corporate services		Recommended	Approved	08/11/2018
Translating documents from English to IsiXhosa	The Tshongolo Language services is the only service provider for translating document from English to Isikhosa in the Eastern Cape / nearby NLM	Tshongolo Language services(TLC)	2,509.50	Municipal Manager	Sole Provider	Recommended	Approved	08/11/2018
Drivers license cards	It is the sole provider for drivers licence cards	Prodiba	24,490.00	Community services	Sole Provider	Recommended	Approved	29/11/2018
Refuel municipal vehicles	Seaspirit Trading is the only service provider around Peddie to supply the municipality with fuel	Seaspirit Trading	128,314.44	Corporate services	Sole Provider	Recommended	Approved	06/12/2018
Services & Repairs of vehicles	The municipality required an urgent service of plant and municipal vehicles, services providers are so reluctant to give us quotations when they do it would literally take about a week to receive quote and another week to get part ready/available, our machinery & vehicles are used on a daily bases hence services provider is asked to render services to							06/12/2018
Local Artists	Local Artists don't have companies so this is the only company that is willing to assist local artists with their payments	Laister Mechanical	104,842.50	Corporate services	Impractical or impossible to follow the official procurement processes	Recommended	Approved	
Publicize events	Ngqushwa Fm is the only community radio station to publicize our events	Ngqushwa Fm	35,000.00	Community services	Impractical or impossible to follow the official procurement processes	Recommended	Approved	11/12/2018
		Ezinkwenkweni Trading						
		Ngqushwa Fm	10,000.00	Municipal Manager	Sole Provider	Recommended	Approved	13/12/2018
		TOTAL	883,390.11					

DEVIATION AS PER THE DEPARTMENTS	Other	Advert	Fleet	Legal
Budget and Treasury Office	2,344.75		0	
Technical Services	98,200.00		0	
Municipal Manager's Office	19,709.50			

Community Services	188,638.20			
Corporate Services	128,314.44		446,183.22	
	437,206.89		446,183.22	-

CLASSIFICATION OF THE DEVIATIONS

SCM Policy	Description	Monthly
Clause 39(1)(a)(i)	Emergency	98,200.00
Clause 39(1)(a)(ii)	Sole Supplier	603,970.20
Clause 39(1)(a)(iii)	Impractical and Impossible	181,219.91
Total		R 883,390.11

**Ngqushwa Local Municipality
Contracts and Commitments register - Capital projects
Financial year ended 30 June 2018**



**Ngqushwa Local Municipality
Contract Register and Commitments register - Capital Projects
Financial year ended 30 June 2018**

		CURRENT YEAR 2018/2019						
Supplier code	BID No.	Supplier names	Contracts awarded during 2018/19	Disbursements/ Variation order	Totals Contract Amount	2018/19 payments	Commitment 30 June 2019	COMMENTS/STATUS
HITE0001	8/2/366/2014-2015	HI TECH CONSTRUCTION						
HUMB0002	8/2/288/2013-2014	Humble Africans JV Tshawe						
MBSA0001	8/2/482/2015-2016	MBSA Consulting						

MBSA0001	8/2/502/2016-2017	MBSA Consulting				206,004.55	205,613.62	390.93	ongoing
SIYA0016	8/2/513/2016-2017	Siva and Aya Engineering			486,053.86	326,661.90	159,391.96		there is payment that was mas made to Feb 2018
THUB0001	8/2/544/2016-2017	Thubalam Trading CC			10,696,936.77	8,321,366.64	2,375,570.13		Ongoing
ANDI0002	8/2/556/2016-2017	Andile SG Trading JV Mgunculu Trading			6,637.48		6,637.48		Completed
DINT0001	8/2/585/2017-2018	Dintwa Trading			57,000.30		57,000.30		Completed, Retention
GILG0001	8/2/561/2016-2017	Gilgal Development Consulting Engineers & Projects Managers			7,637.37		7,637.37		Completed
GILG0001	8/2/563/2016-2017	Gilgal Development Consulting Engineers & Projects Managers			8,650.87		8,650.87		Completed
GILG0001	8/2/564/2016-2017	Gilgal Development Consulting Engineers & Projects Managers			7,637.37		7,637.37		Completed
INAT0001	8/2/586/2017-2018	Inathi Olo Investment JV Kajuno Civil Construction			57,000.00		57,000.00		Completed, Retention
IPHU00001	8/2/555/2016-2017	Iphupha Investments JV Fez Building Construction CC			71,516.32	71,516.32	-		Complete.
MBSA0001	Section 32	MBSA Consulting			7,185.06		7,185.06		Ongoing
PMBP0001	8/2/584/2017-2018	PMB Projects 06 CC			120,007.28		120,007.28		Ongoing
SOKH0001	8/2/560/2016-2017	Sokhani Development Engineers			4,981.07		4,981.07		Ongoing
SOKH0001	8/2/561/2016-2017	Sokhani Development Engineers							Complete
AMEN0001	8/2/583/2017-2018	AM Engineering Consulting			581,016.53	818,245.64	-237,229.11		Ongoing, Overpayment for 2017
DINT0002	8/2/604/2017-2018 (Deviation)	Dintwa Trading			61,855.46		61,855.46		Complete, Retention
VAXO0001	8/2/618/2017-2018	Vaxobyte Pty Ltd Iv 27 years Roben Island Construction			70,399.96	45,449.62	24,950.34		Complete, Retention
WAVI0001	8/2/619/2017-2018	Waving High Trading & Projects			601,258.38	514,369.01	86,889.37		Complete, Retention

Prepared By:

Signature:

Date: