



NGQUSHWA LOCAL MUNICIPALITY(EC 126)

BUDGET MONITORING REPORT

FOR THE QUARTER ENDING 31 DECEMBER 2019

IN TERMS OF SECTION 52(d) OF THE MFMA

TABLE OF CONTENTS

1. Report to the Mayor.....	5
2. Municipal Managers Certificate.....	6
3. Introduction.....	6
4. Legislative Frameworks.....	6
5. Credibility of Municipal Budget.....	7
5.1 Capital Budget.....	8
5.2 Operating Budget.....	9
5.3 Grant Expenditure.....	10
6. Sustainability of Municipal Budget.....	11
6.2 Free Basic Service.....	11
6.3 Creditors Age Analysis.....	12
6.4 Withdrawal Report.....	13
6.5 Cash flow Statement.....	13
7. Asset Management.....	14
8. Supply Chain Management.....	15-23
9. Key Findings.....	23
10. Recommendations.....	24
11. Annexures.....	24

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 HONORABLE MAYOR**

In accordance with Section 52(d) of the Municipal Finance Management Act 56 of 2003(MFMA); I submit a report to the council within 30 days after the end of the second quarter of 2019/20, 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 : M. K. ELONGISA
Signature : [Signature]
Date : 12/02/2020

• **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 of 2019/2020, 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 : 12/02/2020

3. INTRODUCTION

The second quarter local government budget monitoring report covers revenue and expenditure for the period – 1st October to 31st December 2019 in the 2019/2020 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 through compliance with SCM regulations.

The straight-line method of projection used as a benchmark for expenditure and revenue at the end of the second 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 December 2019 by "vote". The total capital expenditure as at 31 December 2019 was R. 4.5m .The expenditure to date for this quarter is 41 % below when compared to quarter's budget to date.

The Municipality is aware of the under-spending in the quarter under review and have plans in place to curb this, procurement plans for respective departments are implemented accordingly.

Table "T"

December 2019 was R 4.5m .The expenditure to date for this quarter is 41 % below when compared to quarter's budget to date.

The Municipality is aware of the under-spending in the quarter under review and have plans in place to curb this, procurement plans for respective departments are implemented accordingly.

Table "T"

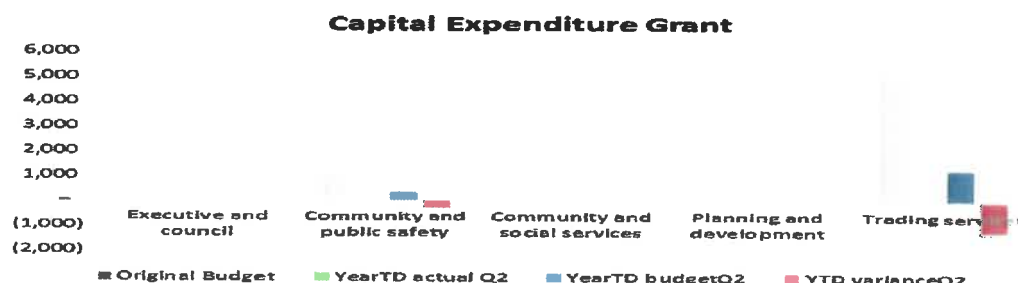
Description	Original Budget	YearTD actual Q2	YearTD budgetQ2	YTD variancesQ2	YTD variancesQ2
Capital Expenditure - Functional Classification					
Governance and administration	2,660	198	665	(467)	-70%
Finance and administration	2,660	198	665	(467)	-70%
Community and social services				-	
Sport and recreation	1,200	8	300	(292)	-97%
Road transport	21,429	4,317	5,357	(1,040)	-19%
Energy sources	5,160		1,290	(1,290)	-100%
Total Capital Expenditure - Functional Classification	30,449	4,524	7,612	(3,089)	-41%
Funded by:					
National Government	26,639	4,317	6,660	(2,343)	-35%
Transfers recognised - capital	26,639	4,317	6,660	(2,343)	-35%
Internally generated funds	3,810	206	953	(746)	-78%
Total Capital Funding	30,449	4,524	7,612	(3,089)	-41%

- Capital expenditure budgeted under Finance and Administration includes: - (IT infrastructure, Computer equipment, municipal vehicles and equipment.
- 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 second quarter was financed from the MIG (received from National Government) R 4.3m, and internal generated revenue R 206 390 thousand.

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 31 December 2019

Table OR2

Description	Ref	Budget Year 2019/20					
		Original Budget	YearTD actual Q2	YearTD budgetQ2	YTD varianceQ2	YTD varianceQ2	Full Year Forecast
Revenue By Source							
Property rates		38,821	21,254	9,705	11,549	119%	38,821
Service charges - refuse revenue		636	303	159	144	90%	636
Rental of facilities and equipment		686	89	172	(83)	-48%	686
Interest earned - external investments		2,916	244	729	(485)	-67%	2,916
Fines, penalties and forfeits		5,681	26	1,420	(1,394)	-98%	5,681
Licences and permits		2,366	562	591	(29)	-5%	2,366
Agency services		536	93	134	(41)	-30%	536
Other revenue		4,860	123	1,215	(1,092)	-90%	4,860
Gains on disposal of PPE					-		
Total Revenue (excluding capital transfers and contributions)		56,501	22,693	14,125	8,568	61%	56,501

- Property Rates: actual vs. projected collection 119%, Refuse removal: actual vs. projected collection 190% and Rental of facilities: actual vs. projected collection was 52%. The quarterly revenue collection is showing 62.24% compared to projected revenue for the quarter under review. The collection of other own revenue for the quarter ending 31 December 2019 was at 10 %.
- Other revenue includes: -
 - Tender documents
 - Interest SARS refunds
 - Advertisement fees
 - Public toilet entrance fees
 - Building plan fees
 - Cemetery fee

5.2.2 Operating Expenditure by type:

Table "OX2" reflects operating expenditure by type for the quarter ending 31 December 2019 versus the original operating expenditure budget for the financial year 2019/20.

Table OX2

	Original Budget	YearTD actual Q2	YearTD budget Q2	YTD variance Q2	YTD variance %
Employee related costs	69,482	19,400	17,370	2,029	12%
Remuneration of councillors	9,051	2,210	2,263	(53)	-2%
Debt impairment	1,756	—	439	(439)	-100%
Depreciation & asset impairment	10,576	4,545	2,644	1,902	72%
Finance charges		6		6	0%
Other materials	2,630	1,059	658	402	61%
Contracted services	18,954	6,631	4,739	1,893	40%
Transfers and subsidies	53	—	13	(13)	-100%
Other expenditure	19,585	4,646	4,896	(251)	-5%
Loss on disposal of PPE		—		—	
Total Expenditure	132,087	38,497	33,022	5,475	17%

Expenditure projected, original budget against actuals:-

Employee related costs 112%, with an over expenditure of R2m this is due bonuses paid and the payment of employees for job grading agreement.

Remuneration of Councillors is at 98 %. Depreciation has been calculated and shows an over expenditure of R1.9m or 72% this is due to under budgeting. The Debt impairment will be calculated at the end of the financial year. The finance charges amount relates to interest paid due to late payments of third parties. The line item "Other Materials" refers to repairs and asset maintenance and is at 49%. Repair and Maintenance expenditure is distressing as it is very vital to maintain the assets of the Municipality. The repairs and maintenance under-expenditure has been noted by management and plans are in place to ensure full utilisation of budgeted amount. The municipality still needs to develop and implement an assets maintenance plan, to ensure that maintenance plan outcomes are achieved. It is worthy to mention that the municipality is aware of a budget for maintenance of assets guidelines set by National Treasury which is set at 8% of the operational budget and this will be fixed during adjustment budget.

During December the Municipality made payments to creditors without going through the system first, this has cause a lot of delay in Preparing the half yearly and the quarterly budget and monitoring report as the paper work was not ready and end user responsible were not present to prepare the documentation. The expenditure was towards a Christmas party project for Vulnerable groups and is estimated costs are R 267 719. The above expenditure was initially paid straight from the bank and later pass in through the financial system. Management has noted this and will implement strict measures avoid it from happening.

Other expenditure shows an over expenditure of R 251 thousand 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

5.3 Conditional grants expenditure

Table GE

Conditional Grants Receipts vs Expenditure						
Grants National	Allocations	Transferred for Q2	Transferred to date	Expenditure for Q2	Unspent	%Spent YTD
EPWP Incentive	R 1,901,000	R 856,000	R 1,332,000	R 692,350	R 639,650	51.98
Finance Management Grant	R 2,880,000	R 2,880,000	R 2,880,000	R 278,407	R 2,601,593	9.67
Municipal Infrastructure Grant	R 22,504,000	R 6,751,000	R 15,753,000	R 5,256,249	R 10,496,751	33.37
Integrated Electrification Municipal Programme	R 5,160,000	R 1,359,000	R 3,359,000	R 0	R 3,359,000	-
Total	R 32,445,000	R 11,846,000	R 23,324,000	R 6,227,007	R 17,096,993	52.57

- Expanded Public Works ((EPWP) Incentive: R1, 9 m was allocated for this financial year. Transfers received this quarter by the Municipality amounted to R856 thousand. Expenditure reported this quarter R692 thousand.
- Financial Management Grant (FMG): R 2.8m allocated and transferred to Ngqushwa Local Municipality. Expenditure reported this quarter R278 thousand.
- Municipal Infrastructure Grant (MIG): R 22.5m was allocated for this financial year. Transfer received this quarter was R6.7m. Expenditure reported this quarter R 5.2m.
- Integrated Electrification Municipal Grant (INEG): R5.1m was allocated, received this quarter R 1.3m. Expenditure reported this quarter R0m.
- The municipality is currently meeting all its targets and do not foresee any unspent conditional grants.

6. SUSTAINABILITY OF THE BUDGET

6.1 DEBTORS AGE ANALYSIS

Table D1 reflects debtors by Customer group reflects debtors per service as at 31 December 2019.

D1

EC126 Ngqushwa - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December

Description	NT Code	Budget Year 2019/20										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts L.L.C Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days-1 Yr	Over 1Yr	Total	Total over 90 days		
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	-	-	-	-	-	-	-	-	-	-	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	1300	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Non-exchange Transactions - Property Rates	9400	248	232	755	125	152	8,632	9,754	-	19,959	18,724	-	-
Receivables from Exchange Transactions - Waste Water Management	1500	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Waste Management	1600	136	120	83	68	60	53	1,059	-	1,590	1,240	-	-
Receivables from Exchange Transactions - Property Rental Debtors	1700	23	22	22	22	1	-	105	-	195	128	-	-
Interest on Arrear Debtor Accounts	1810	125	437	443	214	212	202	8,725	-	10,380	9,354	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-
Other	1900	-	-	-	-	-	-	-	-	-	-	-	-
Total By Income Source	2000	532	812	1,313	429	425	8,948	19,644	-	32,104	29,448	-	-
2019-19 - totals only										-	-		
Debtors Age Analysis By Customer Group													
Organs of State	2200	(93)	288	862	24	74	6,553	4,008	-	11,815	10,759	-	-
Commercial	2300	220	179	125	108	90	1,452	2,835	-	5,110	4,585	-	-
Households	2400	295	237	217	196	181	255	7,389	-	8,779	8,030	-	-
Other	2500	110	109	109	102	80	588	5,303	-	6,400	6,072	-	-
Total By Customer Group	2600	532	812	1,313	429	425	8,948	19,644	-	32,104	29,448	-	-

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 Government, then Households, Businesses and Farms

The Municipality has billed all its customers from the beginning of the financial year. Government departments have started to pay their current billed debt in the quarter under review

Businesses and households are steadily paying their accounts, the municipality needs to ensure that it delivers basic services to avoid rebates.

The total outstanding amount of debtor's is R32.1 M at the end of this quarter.

6.2 FREE BASIC SERVICES

The municipality is offering free basic services for two categories: nl Free basic electricity and Refuse removal.

Registered indigent households receive financial assistance amounting to R95 per household on monthly basis, the total number of households benefiting from refuse removal is 1993. Free basic electricity number of household currently registered is 6304 and the total number of household benefiting is 6112.

The Indigent steering committee meeting will be held on 4th February 2020 2019. As the previous Steering committee meeting these are the 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 FBS communication strategy for FBS awareness, registration and verification for all communities.

For the 2019/20 financial year free basic services has been budgeted as follows:

Service Description	Amount Budget	Amount Spent
Prepaid electricity	3 101 717.00	1 824 018.54
Refuse removal	331 574	1 136 010.00
Total	3 433 291.00	1 824 018.54

The refuse removal shows over expenditure, the over expenditure will be rectified with budget adjustment.

Challenges on free basic services

- Insufficient funding for the subsidy.

6.3 CREDITORS AGE ANALYSIS

The following table reflects the total outstanding creditors owed by the municipality as at 31 December 2019:

Eastern Cape: Ngqushwa Creditors			Report Date: 2019-12-31				
	0 - 30 Days	31 - 60 Days	61 - 90 Days	90 - 120 Days	120 - 150 Days	150 - 180 Days	Total
	Amount 000	Amount 000	Amount 000	Amount 000	Amount 000	Amount 000	Amount 000
Trade Creditors	R 284	R 0	R 0	R 1	R 0	R 2	R 287
Auditor General	R 0	R 0	R 0	R 0	R 0	R 0	R 0
Other (Amathole)	R 307	R 141	R 268	R 0	R 0	R 6,878	R 8,265
Total	R 591	R 140	R 268	R 1	R 0	R 6,880	R 8,552

The table above reflects that the municipality is striving to pay its trade creditors within 30 days. The line "Other" is Amatole District Municipality (ADM) of which Ngqushwa municipality owes R8.2m. This status quo is as at 30 June 2019.

Inadequate planning is the major contributing factor for not paying our creditors within 30 days as per the MFMA.

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 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
R 14 634 560	R 11 032 196	R 18 844 330.39	R 44 511 086

The above table indicates that the amount in the month of December was the highest, followed by October and then November. December's months'

expenditure increased due to the payment of the settlement agreement relating to Job grading not implemented.

6.5 CASH FLOW

Cashflow Statement for the Quarter ending 31 December 2019	
Cashflow from Operating Activities	Actuals 000
Receipts	R 64,136
Property rates, penalties & collection charges	R 25,103
Service charges(refuse)	R 303
Other revenue	R 2,271
Government - operating	R 29,803
Government - capital	R 6,413
Interest on external Investments	R 244
Payments	-R 39,605
Suppliers and employees	-R 39,605
Net cash from Operating Activities	R 24,532
Cashflow from Investing Activities	
Receipts	R 0
Proceeds on disposal of PPE	R 0
Payments	-R 4,609
Capital assets	-R 4,609
Net cash from Investing Activities	-R 4,609
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 19,923
Cash equivalents at beginning of the quarter:	R 23,386
Cash/cash equivalents at month/year end:	R 43,309

6.5.1 Cash and Cash equivalent

The below spreadsheet are the cash and cash equivalent balances of the municipality as at 31 December 2019.

ACCOUNT NAME	ACCOUNT NUMBER	CLOSING BALANCE
RATES ACCOUNT	62414349763	1,417,471
Main Bank	62022000898	18,447,882
INVESTMENTS	74818040061	23,444,037
		43,309,389.31

The Municipality is expecting its second tranche of the equitable share in March, which means that all departments must sensitize the issue of minimizing spending, for example cutting down on activities that are not service delivery driven.

7. REPORT ON THE IMPLEMENTATION OF ASSET MANAGEMENT FOR QUARTER ENDING 31 December 2019.

- 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 There are 1 asset damage report.
- There's an improvement in terms of asset management reporting, more work still needed on movement assets without authorization.
- The midyear asset count for 2019/20 took place during the month of December using AMS 360 scanners, The investigation for assets not found during verification is still in progress

The following is the Summary of the asset register as the period quarter ended 31 December 2019.

ASSET REGISTER SUMMARY AS AT 30 DECEMBER 2019								
ASSET CATEGORY	OPENING BALANCE AS AT 30 SEPTEMBER 2019	ADDITIONS	DISPOSALS	TRANSFER	RETURN TO LESSOR	DEPRECIATION AND IMPAIRMENT	ADJUSTMENT TO OPENING BALANCE	CLOSING BALANCE AS AT 31 DECEMBER 2019
Land	R38,188,205.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R 38,188,205.00
Building	R125,471,951.38	R0.00	R0.00	R0.00	R0.00	R1,023,112.94	R0.00	R 124,448,838.44
Plant and Machinery	R3,066,305.27	R0.00	R0.00	R0.00	R0.00	R184,264.12	R0.00	R 2,882,041.15
Furniture and Fixture	R223,377.77	R0.00	R0.00	R0.00	R0.00	R14,020.28	R0.00	R 209,357.49
Motor Vehicle	R4,499,358.61	R0.00	R0.00	R0.00	R0.00	R167,081.30	R0.00	R 4,332,277.31
Office equipment	R398,214.30	R14,503.60	R0.00	R0.00	R0.00	R63,045.93	R0.00	R 349,671.97
IT Equipment	R666,814.14	R140,028.60	R0.00	R0.00	R0.00	R151,080.00	R0.00	R 655,762.74
Infrastructure	R47,418,205.84	R0.00	R0.00	R0.00	R0.00	R2,810,692.20	R0.00	R 44,607,514.64
Other Assets	R449,970.33	R0.00	R0.00	R0.00	R0.00	R42,988.35	R0.00	R 406,981.98
Capital Work in Progress	R78,029,986.42	R3,575,929.77	R0.00	R0.00	R0.00	R0.00	R0.00	R 81,605,916.19
Park facilities	R9,817,360.27	R0.00	R0.00	R0.00	R0.00	R26,507.36	R0.00	R 9,790,852.91
Minor Assets	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R 0.00
Investment Property	R28,087,430.71	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R 28,087,430.71
Intangible Asset	R608,666.88	R43,497.00	R0.00	R0.00	R0.00	R62,653.18	R0.00	R 589,510.70
	R336,925,847.92	R3,773,958.97	R0.00	R0.00	R0.00	R4,545,445.66	R0.00	336,154,361.23

8. SUPPLY CHAIN MANAGEMENT REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019.

PURPOSE

To report on Supply Chain Management processes for the second quarter ended 31 December 2019.

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.

8.1 COMPETITIVE BIDS FOR THE QUARTER ENDED 31 DECEMBER 2019

List of awarded tenders 2019-20 (October- December)

Bid Description	Bid No.	Award Date	Award Value	Contract Duration
Surfacing of Peddie Town Streets Phase 3	8/2/741/2019-2020	18/10/2019	R23 629 269.44	On hold
Supply and Delivery of two TOA BC – 900 Chargers	8/2/747/2019-2020	16/10/2019	R 40 822.70	Delivered
Cibecs License Renewal (Computer Back-up SoftwareP)	8/2/753/2018-2019	22/10/2019	R 62 845.16	Done
Supply and Delivery of Library Stationery	8/2/760/2018-2019	19/11/2019	R 46 900.00	Delivered
Development of Landfill Rehabilitation and Plan Operational Plan for Peddie Landfill Site	8/2/759/2018-2019	21/11/2019	R 150 000.00	Done
Consultancy Services ICT Master Plan	8/2/750/2019-2020	01/11/2019	R 123 200.00	Done
Hiring Lifeguards Services During the Festive	8/2/758/2019-2020	21/11/2019	R 109 650	On Going

Season 2019/2020				
Training Comprehensive Environmental Practice and Waste Management – SAQA ID 49605 & 49552	8/2/761/2019- 2020	21/11/2019	R 137 500.00	Done
Procurement Of Active Directly Software	8/2/730/2019- 2020	01/11/2019	R 43 479.00	Done
Driving License Training for 10 General Workers	8/2/758/2019- 2020	13/11/2019	R 145 000.00	In Progress
Carnation Delux Events, sound and stage	8/2/762/2019- 2020	02/12/2019	R 146 950.00	<u>Done</u>
Christmas Lights Design, Maintenance and Installation of new decorative and Fire Crackers	8/2/670/2019- 2020	27/11/2019	R 199 000.00	Done
Replacement and Repairs of N2 Street lights	8/2/764/2019- 2020	02/12/2019	R98 950.00	Done
Services Planning , Surveys and Building Plans for New Peddie Extention Community Hall and Taxi Rank	8/2/766/2019- 2020	29/11/2019	R 155 250.00	Done
12 Local Artist, 2MCs, Stretch Tent with Décor for VIP , 3 poles Tent with Tables	8/2/765/2019- 2020	29/11/2019	R 83 456.00	Done

On total procurements of Competitive bid awards, the allocations have been done as tabulated below.

Quarters 2	Local	District	Province	National	Total Procurements
Quarter 2	R418 451.00	R968 446.86	R236 450.00	-0	R1623 347.86

8.4 DEVIATION AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES SECTION 36 OF REGULATIONS FIRST QUARTER ENDED 31 DECEMBER 2019.

Comparison of all quarter's deviation registers

Department	Other	Advert	Fleet	Legal	Total
Budget and Treasury Office					-
Technical Services					-
Municipal Manager's Office					-
Community Services	30,968.00				30,968.00
Corporate Services			565,819.88		565,819.88
TOTAL					R 596,787.88

8.5 PERFORMANCE MONITORING ON SERVICES PROVIDERS FOR QUARTER 2 OF 2019/2020

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

LATERAL UNISON INSURANCE	Insurance Services	2
ARMS AUDIT	Asset Verification	2
CAMELSA	Mscosa 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
Andile SG Trading jv Cebilekhay	Construction of Lewis Communication Hall	2
Beacon Consulting Engineers	Professional services for design, supervision of Hamburg Internal Streets	2
Thembizolani Construction	Construction of Rura Internal Roads	2
Azizi Plant Hire and Construction	Construction of Legeni internal Roads	2
MVI Constructon	Construction of Mpekwani internal Roads	2
Gilgal Consulting	Professional Service of Mpekwani Internal Roads	2
Luntu Developers	Construction of Hamburg Internal Roads	2

Kukho Consulting	Professiona Service of Rura Internal Roads
Kukho Consulting	Professiona Service of Legeni Internal Roads
AM Engineering Consulting	Electrification of 320 Ngqushwa Villages extensions
Kuhlemcebo Engineers	Turnkey:Professional Services and Implementation of Electrification Projects for Period of 1 year
Asca Consulting Engineers T/A Vokon Afrika Consulting	Professional Services for Design Supervision and Construction Monitoring 2018/2019 Electrification of 320 Connection Ngqushwa Villages

2
2
2
2
2

Office of the Municipal Manager

SERVICE PROVIDER	DESCRIPTION OF SERVICE
Dyushu Majebe	Legal Services

Score
2

Community Services

SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
UMHLABA CONSULTING	PLANNING AND SURVEY FOR ENGEN GARAGE	3
LIFESAVING NELSON MANDELA BAY	HIRING LIFE GAURDS SERVICES DURING THE FESTIVE SEASON 2019/2020	3
CARNATION DELUX EVENTS	STAGE, SOUND SYSTEM, BACK UP GENERATOR & CROWD PULLER	3
MNT GEOMATICS	Services Planning , Surveys and Building Plans for New Peddie Extention Community Hall and Taxi Rank	3
MANTELLA TRADING	Christmas Lights Design, Maintenance and Installation of new decorative and Fire Crackers	3
SIYA AND SIPHO PTY	Repairs and Maintenance of Tyeni & Goboza Community Halls	

RAFATWA GROUP	12 Local Artist, 2MCs, Stretch Tent with Décor for VIP , 3 poles Tent with Tables and Cloths for Crefters and Two Mobile Toilets	3
LIMITLESS STRATEGIC SOLUTIONS	DEVELOPMENT OF LANDFILL REHABILITATION AND PLAN OPERATIONAL PLAN FOR PEDDIE LANDFILL SITE	3

Corporate Service Department

SERVICE PROVIDER	DESCRIPTION OF SERVICE	Score
SKY METRO	PRINTING SERVICES	2
VODACOM	VPN	2

REPORT ON GIFT REGISTER FOR THE QUARTER ENDED 31 DECEMBER 2019

The Municipality had reported no records on gift register for the quarter ended 31 December 2019.

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

The Municipality have incurred expenditure by deviating from the SCM processes amounting to **R R 596,787.88** for the quarter ended 31 December 2019..please refer to *Annexure A*

REPORT ON CONTRACT REGISTER FOR THE QUARTER ENDED 31 DECEMBER 2019 SECTION 116 (1)

The Municipality has reported on awarded contracts for the quarter ended 31 December 2019 , please refer to *Annexure B*

REPORT ON UNAUTHORIZED EXPENDITURE FOR THE QUARTER ENDED 31 DECEMBER 2019

The Municipality has reported **R 0** on unauthorized expenditure for the quarter ended 31 December 2019

REPORT ON FRUITLESS AND WASTEFUL EXPENDITURE FOR THE QUARTER ENDED 31 DECEMBER 2019

For the quarter ended 31 December 2019 the Municipality incurred fruitless and wasteful expenditure amounting to **R2 592.97** please refer to *Annexure C*.

REPORTS ON; IRREGULAR; EXPENDITURE 31 DECEMBER 2019 FOR THE SECOND QUARTER

For the quarter ended 31 December 2019 the Municipality incurred irregular expenditure amounting **R 0** .

9. KEY FINDINGS

- The municipality is still to solve the remaining Amatole district Municipality water debt.
- There is still a high mount of debtors owing the municipality
- The municipality still needs to carefully implement its cash management policies.
- Insufficient Budget provision for free basic services Refuse.
- The Municipality continues to Fruitless and wasteful expenditure in the form of interest paid
- The Municipality paying trade creditors outside the financial system.

10. KEY RECOMMENDATIONS

1. That Finance Standing Committee notes the contents of this report and supporting documents for section 52d of the second quarter of 2019/20 financial year.
2. That Finance Standing Committee notes that Q2 section 52d is unaudited and has not yet been submitted to Internal Audit for audit purposes.
3. That Finance Standing Committee recommends to EXCO to write off Fruitless and wasteful expenditure for the quarter ending 31 December 2019.
 - 3.1. That Finance Standing Committee recommends to EXCO to take note for an amount of **R 596,787.88** on deviations for the second quarter ended 31 December 2019.
 - 3.3. That Finance Standing Committee recommends to EXCO to take note of the report on evaluation services providers for the quarter ended 31 December 2019.

11 ANNEXURES

"A" – Deviation register

B" – Contracts register

"C" – Fruitless and wasteful expenditure register



NGQUSHWA LOCAL MUNICIPALITY
 Erf 313 Main Road
 P.O. Box 539
 Peddie
 Tel. 040 - 6733095 Fax: 040-6733771

SCM DEVIATION REGISTER - 2019-2020 FINANCIAL PERIOD

TRANSACTION DESCRIPTION	CIRCUMSTANCES / REASONS WHICH LED TO DEVIATION FROM NORM	NAME OF SERVICE PROVIDER	AMOUNT	NAME OF DEPARTMENT	RESPONSIBLE OFFICER	DEVIATION CLASSIFICATION	RECOMMENDED/ NOT RECOMMENDED	APPROVED/ NOT APPROVED	FINALIZATION DATE
Repairs for Ford Ranger	The repairs have to be carried out by the manufacturer (Eastern Cape Motors) the only service provider authorised to service and repair Ford Ranger the vehicle is still under warranty	Eastern Cape Motors	34,217.64	Corporate Services	Mr. M. Mxekezo	Impractical or Impossible	RECOMMENDED	APPROVED	2019/05/11
Repairs of municipal vehicles	The municipality required an urgent repairs of municipal vehicles, service providers are so reluctant to give us quotes. The vehicles are being used on a daily basis, hence a service provider is being used to render services urgently in support of service delivery. These vehicles are out of service plan and out of warranty.	Laister Mechanicals	87,750.00	Corporate Services	Mr M. Mxekezo	Impractical or Impossible	RECOMMENDED	APPROVED	13/12/2019
Drivers Licence Cards	Printing of Drivers Licence Cards	Prodiba	30,968.00	Community Services	Ms. N. Makwabe	Sole Provider	RECOMMENDED	APPROVED	2019/03/12
Repair/Service of Mitsubishi Triton.	The repairs have to be carried out by manufacturer (Ronnies) the only service provider authorised to carry out the services and repairs on Mitsubishi Vehicle.	Ronnies Motors	42,056.57	Corporate Services	Mr. M. Mxekezo	Impractical or Impossible	RECOMMENDED	APPROVED	13/12/2019
Repair and Service of Grader FWP 559 EC	On Oil Tests that were taken from Roller, Peugeot discovered steel granules on engine that could cause major damage in the engine. The same service provider who inspected and identified the problem was asked to render services urgently	Peugair Border	130,117.56	Corporate Services	Mr. M. Mxekezo	Impractical or Impossible	RECOMMENDED	APPROVED	13/12/2019
Repairs.	Peugair discovered steel granules on engine that could cause major damage in the engine. The same service provider who inspected and identified the problem was asked to render services urgently	Peugair Border	171,105.73	Corporate Services	Mr. M. Mxekezo	Impractical or Impossible	RECOMMENDED	APPROVED	13/12/2019
Supply fuel for municipal vehicles	Seaspirit Trading is the only service provider around Peddie Town to supply Ngqushwa Municipality with fuel.	Seaspirit Trading	100,572.38	Corporate Services	Mr. M. Mxekezo	Sole Provider	RECOMMENDED	APPROVED	
	TOTAL		596,787.88						

Department	Other	Advert	Fleet	Legal	Total
Budget and Treasury Office					
Technical Services					
Municipal Manager's Office					
Community Services	30,968.00				30,968.00
Corporate Services			565,819.88		565,819.88
TOTAL					R 596,787.88

CLASSIFICATIONS OF DEVIATIONS

SCM Policy	Description	Monthly
Clause 39(1)(a)(i)	Emergency	
Clause 39(1)(a)(ii)	Sole Supplier	131,540.38

	Clause 39(1)(a)(iii)	Impractical and Impossible	465,247.50
	Total		R 596,787.88

COMPILED BY: _____

REVIEWED BY: _____

DATE: _____

DATE: _____

SIGNATURE: _____

SIGNATURE: _____

SECTION: _____

SECTION: _____



Ngqushwa Local Municipality

Contract Register and Commitments register - Capital Projects

Financial year ended 30 June 2020

CURRENT YEAR 2019/2020							
Supplier code	BID No.	Supplier names	Contracts awarded during 2019/20	Disbursements/Varia tion order	Totals Contract Amount	2019/20 payments	Commitment 30 June 2020
GILG0001	8/2/611/2017-2018	Gilgal Development Consulting Engineers & Projects Managers	66,471.95		66,471.95	40,471.95	26,000.00
BLAC0001	8/2/607/2017-2018	Black mountain Zinzame JV	8,842.42		8,842.42	8,637.11	205.31
BEAC0001	8/2/610/2017-2018	Beacon Consulting Engineers	112,949.99		112,949.99	81,263.82	31,686.17
KHUL0001	8/2/608/2017-2018	Khulanathi Consulting	6,168.33		6,168.33	6,167.61	0.72
KUKH0001	8/2/609/2017-2018	Kukho Consulting Engineers	5,248.99		5,248.99	5245.59	3.40
KAYI0001	SCM-01/04/2018	Kayallhie Trading	248,635.98		248,635.98		248,635.98
ASCA0001	8/2/629/2017-2018	Asca Consulting Engineers T/A Vokon Afrika Consulting	142,382.05		142,382.05		142,382.05
AZIZ0001	8/2/634/2017-2018	Azizi Plant HIRE & Construction			0		0
DINT0002	8/2/635/2017-2018	Dintwa Trading CC	131,836.70		131,836.70	96,420.51	35,416.19
DEVO0001	8/2/636/2017-2018	Devomix Development Construction Engineering	105,094.69		105,094.69	99,387.45	5,707.24
AMEN0001	8/2/650/2017-2018	AM Engineering Consulting	587,121.60		587,121.60		587,121.60

Comments/STATUS

Ongoing

SAVINGS

Ongoing

Complete.

SAVINGS

Complete.Retention

Complete.

Ongoing

AFRI0001	SCM-01/03/2018	Afrika Khulanathi Construction				0		0	
THER0001	SCM-02/03/18 & SCM-03/03/18	The Resident C/O Bayete new Dimension IPty Ltd				0		0	
ULUN0001	8/2/704/2018-2019	Uluuntu Developers	1,466,769.19				1,466,769.19	811,025.91	655,743.28 Ongoing
KUKH0001	8/2/708/2018-2019	Kukho Consulting Engineers	195,391.04				195,391.04	176,403.54	19,987.50 Ongoing
KUKH0001	8/2/709/2018-2019	Kukho Consulting Engineers	197,971.04				197,971.04	191,421.04	6,550.00 Ongoing
ZKSN0001	8/2/652/2018-2019	ZKS & Nam General Trading	327,095.84				327,095.84	226,915.69	100,180.15 Complete. Retention
ANDI0002	8/2/710/2018-2019	Andile SG Trading & Projects	179,931.93				179,931.93	159,013.19	20,918.74 Complete. Retention
AMAT0001	8/2/711/2018-2019	Amatenza Construction	162,756.15				162,756.15	159,761.44	2,994.71 Complete. Retention
VAXO0001	8/2/714/2018-2019	Vaxobyte Pty Ltd	149,922.92	144,026.00			293,948.92	144,026.00	149,922.92 Complete. Retention
MPON0001	8/2/713/2018-2019	MPONONG MOSS TRADING & CONSTRUCTION	138,065.73				138,065.73	126,017.14	12,048.59 Complete. Retention
ZKSN0001	8/2/712/2018-2019	ZKS & Nam General Trading	159,904.37				159,904.37	73,248.53	86,655.84 Complete. Retention
HINA0001	8/2/721/2018-2019	Hina Projects JV Madoloza Civils	170,975.00				170,975.00	138,976.28	31,998.72 Complete
KUHL0001	8/2/722/2018-2019	Kuhlemcebo Engineers	4,950,865.00				4,950,865.00	1,493,995.80	3,456,869.20 Ongoing
MVIC0001	8/2/705/2018-2019	MVI Construction and Maintenance	1,516,654.50				1,516,654.50	1,337,896.25	178,758.25 Ongoing
ANDI0001	8/2/727/2018-2019	Andile SG Trading JV	1,381,014.75				1,381,014.75	1,184,375.62	196,639.13 Ongoing
THEM0001	8/2/726/2018-2019	Thembizolani Trading	1,942,197.51				1,942,197.51	979,515.66	962,681.85 Ongoing
AZIZ0001	8/2/725/2018-2019	Azizi Plant HIRE & Construction	1,983,822.91				1,983,822.91	1,866,044.63	117,778.28 Ongoing
MASI0001	8/2/728/2018-2019	Masilakhe Consulting	1,274,312.00				1,274,312.00		1,274,312.00 Ongoing
THEM0001	8/2/741/2019-2020	Thembizolani Trading	23,629,269.44				23,629,269.44		23,629,269.44 Ongoing
			16,958,520.09	144,026.00			17,102,546.09	9,406,230.76	7,696,315.33

Prepared By:

Reviewed By:

Signature:

Signature:

Date:

Date:



Register of Fruitless and Wasteful Expenditure
QUARTER 2 2019/2020

<u>No</u>	<u>Date</u>	<u>Amount</u>	<u>Supplier</u>	<u>Incident Description</u>	<u>Type of Prohibited Expenditure</u>	<u>Responsible Department</u>	<u>Responsible Person</u>	<u>Reasons for F&W Exp.</u>
1.	06-Sep-19	R 2,211.15	MWRF-3RD PARTY	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	Mr V.C Makedama	Insufficient funds to pay 3rd parties at year end
2.	06-Sep-19	R 295.76	MCPE-3RD PARTY	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	Mr V.C Makedama	Insufficient funds to pay 3rd parties at year end
3	29-Nov-19	R 2,196.00	Refund-Miss Majikela	Air ticket	Fruitless and Wasteful Expenditure	BTO	Mr T. Matthysen (Acting)	Miss Majikela missed flight to Durban
	19-Dec-19	R 396.97	Eskom Holdings	Interest on overdue account	Fruitless and Wasteful Expenditure	BTO	Mr T. Matthysen (Acting)	Late payment
TOTAL		R 5,099.88						

Prepared by: **N Mapuma**

Signature:

Date

Reviewed by: **A Dula**

Signature:

Date