



NGQUSHWA LOCAL MUNICIPALITY (EC 126)

BUDGET MONITORING REPORT

FOR THE QUARTER ENDING 31 DECEMBER 2022

IN TERMS OF SECTION 52(d) OF THE MFMA

TABLE OF CONTENTS

1. Report to the Mayor.....	6
2. Municipal Managers Certificate.....	7
3. Introduction.....	8
4. Legislative Frameworks.....	8
5. Credibility of Municipal Budget.....	9
5.1 Capital Budget.....	11
5.2 Operating Budget.....	14
5.3 Grant Expenditure.....	19
6. Sustainability of Municipal Budget.....	20
6.2 Free Basic Service.....	22
6.3 Creditors Age Analysis.....	22
6.4 Withdrawal Report.....	23
6.5 Cash flow Statement.....	25
7. Asset Management.....	26
8. MSCOA Update.....	29
9. Submission of AFS.....	30
10. Recommendations.....	30
11. Annexures.....	30

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.

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 National Electrification (municipal) Programme -conditional grant capital in nature

EPWP –Expanded Public Works Programme

FMG – Financial Management Grant

1. REPORT OF THE HONORABLE MAYOR

In accordance with Section 52(d) of the Municipal Finance Management Act 56 of 2003(MFMA); I submit a report to the council within 30 days after the end of the second quarter of 2022/23, 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 are therefore for the designated audience and any other use of this information for other purposes; the municipality disclaims itself.

Honorable Mayor : S. Maneli.....

Signature :

Date :

2. MUNICIPAL MANAGER 'S CERTIFICATION

I, **Ndoda Mgengo**, the Municipal Manager of **Ngqushwa Local Municipality EC 126** hereby certify that -

(mark as appropriate)

- the monthly budget statements
- 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 2022/2023, has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print Name: Mr N. Mgengo

Municipal Manager of Ngqushwa Municipality (EC126)

Signature -----

Date -----

3. INTRODUCTION

The second quarter Local Government Budget Monitoring report covers revenue and expenditure from 1 October 2022 to 31 December 2022 in the 2022/2023 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 first quarter set to be 25%.

Summary of Annual Budget VS Year to Date Actuals from October 2022 to December 2022

ITEM	Annual Budget 2022/23	Actuals for Q2 - 2022/23	Actuals at 31 Dec 2022
Income	201,036,017.92	44,157,586.26	113,386,533.95
Operational Expend	188,012,379.87	35,414,166.61	74,784,651.00
Capital	42,253,100.00	5,943,010.00	12,531,166.00
Surplus/ shortfall	-29,229,461.95	2,800,409.65	26,070,716.95

Included in the operating expenditure is an amount of depreciation, debt impairment and employee related costs.

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

Executive summary on the implementation of the budget and the financial state of affairs of the municipality for month ended 31 December 2022

Overall Operating Results		
Budgeted Operating Income	R201,036,017	
Actual Operating Income Received	R56,114,286	15.32%
Operating Expenditure	R30,794,480	55%
Operating Surplus	R25,319,806	
Overall Capital Results		
Budgeted Income	R42,248,100	
Actual Income Received	R10,543,100	15.59%
Expenditure	R6,588,156	62.49%
Surplus (Capex)	R3,954,944	
Capital Expenditure (Capex)		
Capital Expenditure as from July to September 2022 (Projected 25%)	30.76	123.04%
MIG	15.73	62.91%
Internal generated funds	15.03	60.13%
Financial Ratios		
Cash Balance	R82,429,238	
Cash Coverage	2.0months	
Spending of Operating Budget (Opex)	18.70%	
Spending of Capital Budget (Capex)	15,6%	
Spending on Repairs and Maintenance	18.60%	
Current Ratio	4 :1	
Current Debtors Collection rate	96.00%	
Spending on Staff wages and salaries (Budget vs Actuals)	24.00%	
Spending on Councillors allowances (Operational Budget Vs Actuals)	21.00%	
Cash Management		
Bank Balance - Current	R12,051,087.93	
Total Investments	R70,378,150	

Total Cash and Cash Equivalents	R32,488,128
Total Investment - Own	R15,807,377.48
Less:Unspent Conditional Grants	R16,680,750.10
Operating Expenditure (Opex)	
Operating Expenditure as October to December 2022 (Projected 25% of the total opex)	21.12%
Total Debtors Book	R28,101,120
Total Debtors – Government	R8,252,661
Total Debtors – Business	R4,466,393
Total Debtors - Households	R8,573,850
Total Debtors – Other (Farms and Public works services)	R6,808,216
Payroll	R43,324,599
Salary bill - Councillors for December 2022	R788,159
Salary bill - Councillors for the year to date	R4,518,108
Salary bill - Officials for December 2022	R7,492,375
Salary bill - Officials for the year to date	R38,806,491
Salary bill % per actual total Opex + Capex	43.30%

5.1 CAPITAL BUDGET VS ACTUAL

Capital expenditure for the quarter ending 31 December 2022 by vote/department.

Function	Annual Orig. Budget	Quarterly Budget	Q2 Actuals	Q2 performance
Executive and Council				
Finance and Administration	8,115,000.00	2,028,750.00	81,336.00	4.01%
Community and Social Services	21,668,680.00	5,417,170.00	3,109,497.00	57.40%
Roads - Project Management Unit	12,469,420.00	3,117,355.00	2,752,177.00	88.29%
Energy sources	-		-	
Total Capital	42,253,100.00	10,563,275.00	5,943,010.00	56.3%

The total capital expenditure for the quarter under review amounts to R 5.9m as reflected in the above table and the projected quarterly expenditure is R10.6m which reflects 56.3% expenditure as indicated in the table above.

Capital budget comprises of the following:

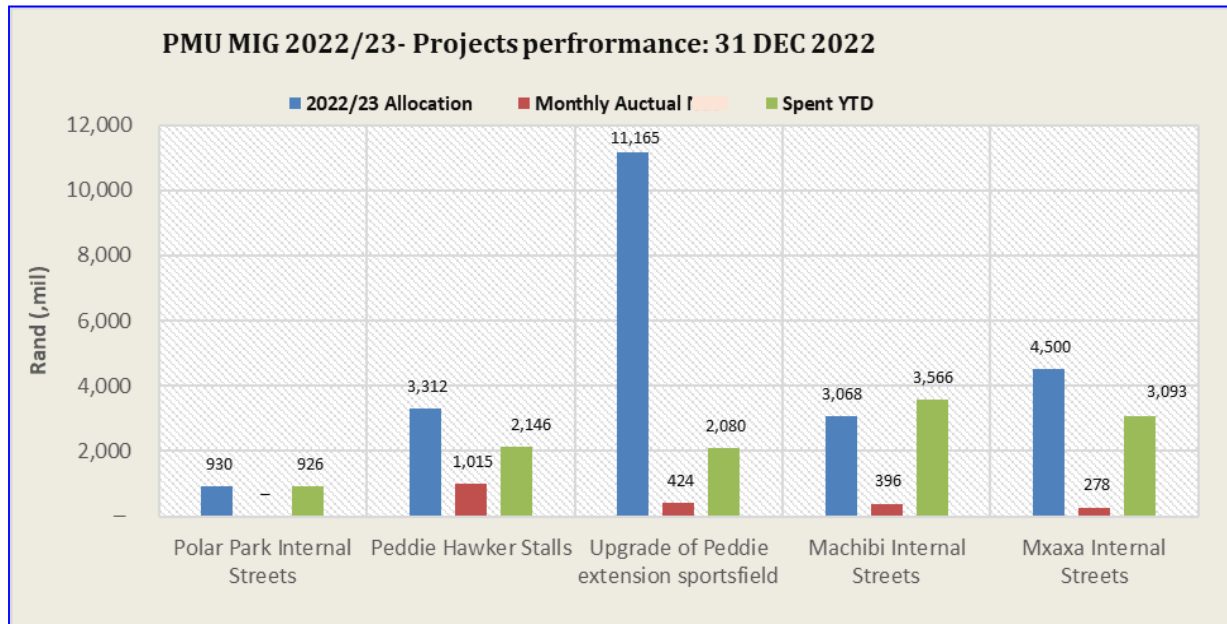
- Finance and Administration: - IT infrastructure, Computer equipment, municipal vehicles, plant and machinery equipment.
- Community and social services: - sports field, landfill site, community halls and maintenance equipment.
- Road Transport: - Internal Streets

MIG Capital expenditure

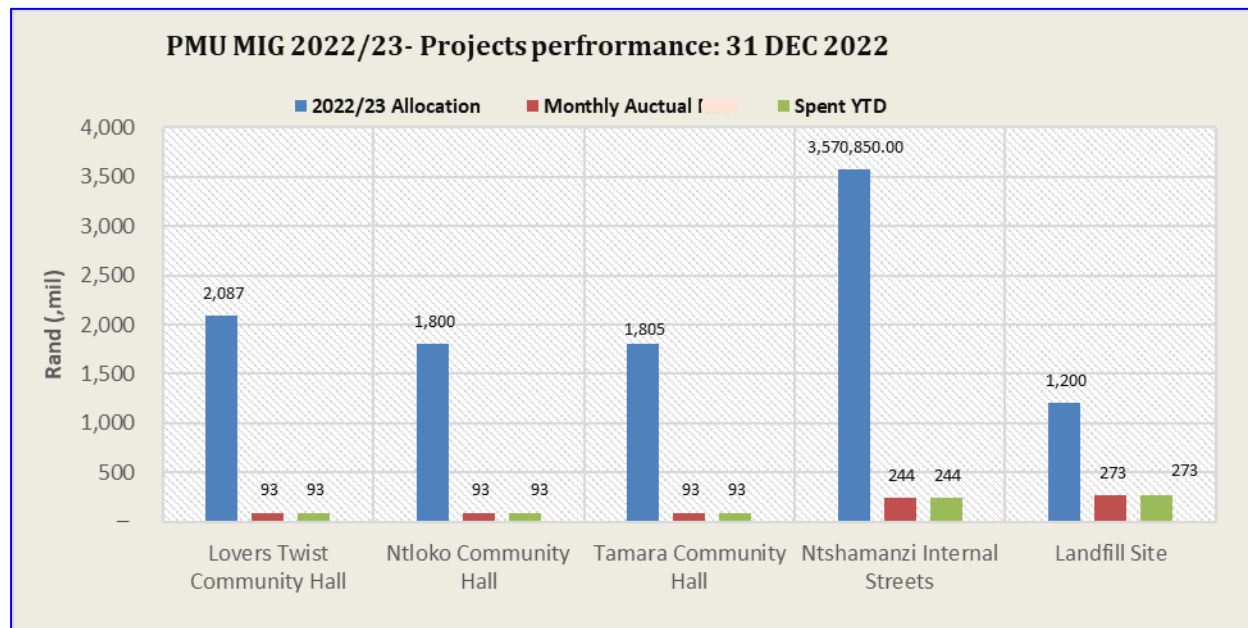
The table below indicate capital expenditure funded through MIG as at end of December 2022

Project Name	2022/23 Allocation	Spent Monthly: Dec	Performance as at Dec
Polar Park Internal Streets	930,375.82	-	925,798.31
Peddie Hawker Stalls	3,312,000.00	1,015,030.72	2,380,129.00
Upgrade of Peddie extension sportsfield	11,164,900.00	423,921.36	2,079,851.42
Mxaxa Internal Streets	4,500,000.00	396,318.39	3,566,467.63
Machibi Internal Streets	3,068,194.18	278,443.73	3,092,622.71
Lovers Twist Community Hall	2,086,780.00	92,524.03	92,524.03
Ntloko Community Hall	1,800,000.00	92,524.04	92,524.04
Tamara Community Hall	1,805,000.00	92,524.04	92,524.04
Landfill Site	1,200,000.00	179,987.23	179,987.23
Ntshamanzi Internal Streets	3,570,850.00	243,760.89	243,760.89
		R 2,815,034.43	R 12,897,074.66

The graphs below reflect PMU-MIG capital projects performance for 31 December 2022:

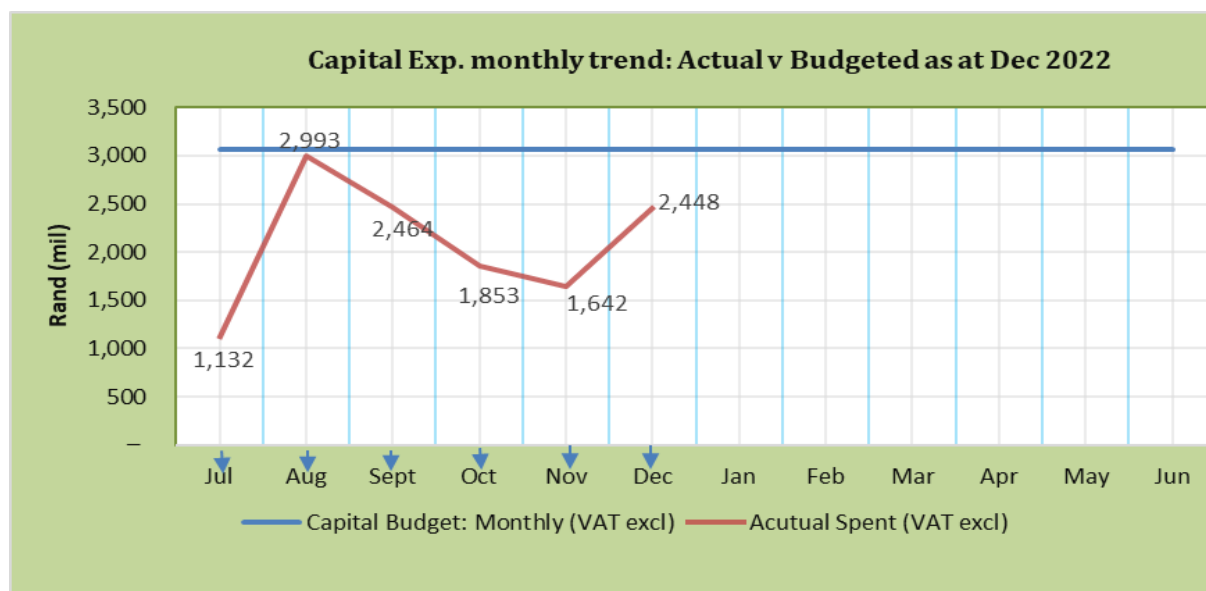


- The expenditure reflected from the above graph is inclusive of VAT.



- The performance of MIG projects depicted above include invoices that are paid and also retention monies that the municipality will only release or pay once the project is completed (and or is at 75% practical complete).
- All the MIG projects that were not approved in quarter one by COGTA are now approved and the municipality is currently spending on those projects and are Lovers Twist Community Hall, Ntloko Community Hall, Tamara Community Hall and Ntshamanzi Internal Streets.

The graph below reflects capital expenditure (VAT excl.) monthly trend from July to December 2022



Internally funded capital projects expenditure

- The expenditure for internally funded capital projects amounts to R28 311.00 which is for computers.

- The municipality has not purchased any plant and machinery or vehicles in quarter 2 yet.

5.2 OPERATING BUDGET

Table OR1 below, reflects the projected billing per service as well as the actual billing per service for the quarter ended 31 December 2022.

Table OR1

Description	Budget Year 2022/23				
	Annual Orig. Budget	Actual as at 31 Dec 2022	Q2 Budget	Q2 Actuals	Variance Q2
R thousands					
Revenue By Source - Billed Services					
Property rates	41,322	21,243	10,331	481	9,850
Service charges - refuse revenue	1,521	879	380	393	(13)
Rental of facilities and equipment	745	259	186	136	50
Total	43,588	22,382	10,897	1,010	9,887

The table above reflects that:

- Billing for property rates in the second quarter amounted to R480 806.00. The variance of R9.5m (under-billed) is caused by the billing of government departments and farms that are billed once a year in July, therefore the projection of a quarter is affected. There was a reversal of billing amounting to R1.5m in November 2022 from properties that are being transferred to individuals from government ownership.
- Service charges (refuse collection) – billing is R392 917.00.
- The billing for rental of facilities is R 136 109.00 and is based on the five properties that have signed lease agreements. The billing will vary during the year based on escalations.
- A lease agreement for Caravan Park has been signed by both parties and started to be billed as from October 2022

Budgeted Revenue Projections vs. Actual collection

Table below, is a breakdown of the revenue per service, as well as “other” actual revenue collected, compared to the actual projections for Q2 ended on 31 December 2022.

Actual Cash Receipts - Own generated revenue	Month 4 Oct	Month 5 Nov	Month 6 Dec	TOTAL Q2 RECIEPTS	QUARTELY BUDGET RECIEPTS	VARIENCE
Property rates	404,422	1,984,363	962,908	3,351,693	10,330,514	6,978,822
Service charges - refuse revenue	93,398	101,896	77,959	273,253	380,334	107,081
Rental of facilities and equipment	26,531	41,782	101,584	169,896	186,240	16,344
Interest earned - external investments	278,545	149,793	921,133	1,349,471	1,181,099	-168,372
Fines	700	4,400	11,950	17,050	163,140	146,090
Licences and permits	101,311	158,682	0	259,993	642,175	382,182
Agency services	22,728	51,210	27,040	100,977	145,377	44,400
Other revenue	11,324	10,781	10,233	32,338	1,199,684	1,167,346
Cash Receipts by Source	R938,958	R2,502,906	R2,112,806	R5,554,671	R14,228,563	R8,673,893

Property Rates – the municipality received R3.3m in the second quarter.

Refuse removal - refuse collection at the end of the quarter amounts to R273 253.00. Refuse removal is the only trading service that the municipality is providing. The municipality first collects refuse from households, then billing is informed by the refuse collection done in that particular month.

Traffic fines – the collected amount for traffic fines amounts to R17 050.00 in the quarter under review, this reflects only 10% of collection.

Rental of facilities - are made up of straight-line rental and hall hire. An amount of R169 896.00 was received from property rental in the quarter under review.

Other revenue - the municipality generated R32 338.00 which reflects 0.2% of the targeted collection in the quarter under review from the following services:

- a) Tender documents
- b) Advertisement fees
- c) Public toilet entrance fees
- d) Building plan fees
- e) Cemetery fees
- f) Issue of valuation certificate income

5.2.2 Operating Expenditure by type

Expenditure by type	Original Budget	YearTD actual	Budget - Q2	Quarterly Actuals - Q2	% Expenditure - Q2
Employee costs	77,825	38,806	19,456	20,057	103.09%
Rem. of councillors	10,448	4,518	2,612	2,282	87.35%
Depr & impairment	45,342	8,576	10,087	4,288	42.51%
Contracted services	21,967	8,679	4,762	5,798	121.76%
Finance charges		6		2	0.00%
Repairs and maint.	2,918	1,398	730	594	81.48%
Other expenditure	29,507	12,802	7,363	6,681	90.74%
Total Expenditure - Operational	188,007	74,785	45,010	39,702	88.21%

- The table above reflects operating expenditure by type for the quarter ending 31 December 2022 versus the projected operating expenditure budget per quarter.

Employee related costs – the spending is sitting at 103% for the second quarter. Ongoing job evaluation results are being implemented as and when results are available.

Remuneration of Councillors – the spending is sitting at 87 % at for the quarter under review.

Depreciation and impairment – depreciation have been calculated and projected to be R4,2m and it shows expenditure of 43% when compared with

quarterly projection of R10m. There depreciation may be revised from quarter three as the municipality is still in the process of implementing the asset module.

Finance charges - relates to interest paid to Eskom.

Repairs and maintenance – the spending is at 81% in the quarter under review. The municipality still needs to develop and implement an assets maintenance plan. The repairs and maintenance cost from quarter two is from fleet service section and roads section.

Contracted services – the spending is sitting at 121% compared to projected budget including outsourced services under the quarter under review.

Other expenditure – the spending amounts to R6.6m, the municipality is spending more on accommodations, meals and flights which that results in overspending as per the projected expenditure for the quarter under review.

Main cost drivers - the following cost drivers have been identified in this quarter:

- Employee related costs
- Fuel Consumption
- Accommodation and meals

EXPENDITURE PER DEPARTMENT

Below is the table for expenditure per Department for the quarter ending 31 December 2022.

Department	Oct to Dec 2022 PROJECTED Budget	Oct to Dec 2022 ACTUAL Expenditure	UNAUTHORIZED Expenditure
Office of the Municipal Manager	10,439,552.00	7,765,557.00	2,673,995.00
Budget and Treasury Office	18,569,370.25	13,905,122.00	4,664,248.25
Corporate Services	6,496,364.00	6,642,201.00	- 145,837.00
Community Services	7,873,177.50	6,928,708.00	944,469.50
Technical Services	3,938,375.25	4,029,760.00	- 91,384.75
	47,316,839.00	39,271,348.00	8,045,491.00

- The above table reflects over spending at Technical Services, this is caused by leave days paid out to employees who resigned/terminated the work contract.
- At Corporate Services the contributing factor for over spending is repairs and maintenance.

COST CONTAINMENT

The municipality continues to implement cost containment measures and in the quarter under review the cost containment report as per National Treasury circular 97 is as follows:

Cost Containment Quarter 2 Report			
ITEM	Actual Spent	Budget Estimate	Savings
Transport	163,400.00	87,531.00	- 75,869.00
Advertising	411,970.00	150,000.00	- 261,970.00
Accommodation	448,904.45	465,725.41	16,820.96
Catering	209,318.74	216,834.16	7,515.42
Consultants	718,401.97	1,077,001.00	358,599.03
Other expenditure items	6,681,223.00	11,538,052.92	4,856,829.92
TOTAL	8,633,218.16	13,535,144.49	4,901,926.33

- The highlighted red figures from the above table indicates that the municipality has spent more than what was projected to be spent, example

– on transport the actual spent amount is R163 400.00 and estimated budget to be spent is R87 531.00 which reflects –R75 869.00 (negative).

5.3 CONDITIONAL GRANTS EXPENDITURE AS AT 31 DECEMBER 2022

The table below reflects conditional grants allocations for 2022/2023, funds received and expenditure as at 31 December 2022.

2022/2023 FY CONDITIONAL GRANT ALLOCATION AND PERFORMANCE AS AT 31 DECEMBER 2022						
GRANT NAME	CURRENT YEAR ALLOCATION	CURRENT YEAR RECIEPTS	AMOUNT SPENT/ REALISED	UNSPENT CONDITIONAL GRANT	PERCENTAGE SPENT AGAINST RECIEPTS	PERCENTAGE SPENT AGAINST CURRENT YR ALLOCATION
Municipal Infrastructure Grant (MIG)	35,198,000.00	27,611,000.00	13,687,270.48	13,923,729.52	49.57%	38.89%
Expended Public Works Program (EPWP)	2,060,000.00	1,442,000.00	1,218,092.76	223,907.24	84.47%	59.13%
Financial Management Grant (FMG)	3,100,000.00	3,100,000.00	566,886.65	2,533,113.35	18.29%	18.29%
TOTAL	40,358,000.00	32,153,000.00	15,472,249.90	16,680,750.10	48%	38%

- The above table indicates the expenditure on conditional grants inclusive of VAT:

MIG - Municipal Infrastructure Grant - R35.198m is the allocation for this financial year and the expenditure reported this quarter is at R7.1m including

VAT and PMU costs. The municipality has only received R27, 6m not the full allocation yet.

EPWP - Expanded Public Works Incentive - R3.2m was allocated for this financial year. Transfer received this quarter amounted to R927 000.00 and expenditure reported this quarter is R909 662.76. The municipality has received only R1, 442,000.00 for EPWP not the full allocation yet.

FMG - Financial Management Grant - an amount of R3.1m was allocated and transferred. Expenditure reported in this quarter amounts to R246 535.92. The municipality is in the process of employing two interns and three of the interns are currently employed, this will increase expenditure in the coming months. The municipality has implemented some of FMG activities in December 2022, and most will be done in 3rd and 4th quarter as per the implementation plan; that will increase the expenditure as well.

5.4 TRANSFERS, SUBSIDIES AND GRANTS AS AT 31 DECEMBER 2022

Grants Transfers	2022-23 Q2 Reciepts
EPWP	927,000.00
Equitable Share	32,211,000.00
LG Seta	58,801.91
MIG	16,513,000.00
	49,709,801.91

- In total, the municipality has received R49.7m from transfer’s revenue including conditional grants transfers.
- Library Subsidy: the allocation in the financial year under review is R500 000.00; no transfers received in the current financial year yet. Expenditure reported in the quarter under review is R82 223.00 for library programs, this leaves the account operating in negative balance.
-

6. SUSTAINABILITY OF THE BUDGET

6.1 DEBTORS AGE ANALYSIS

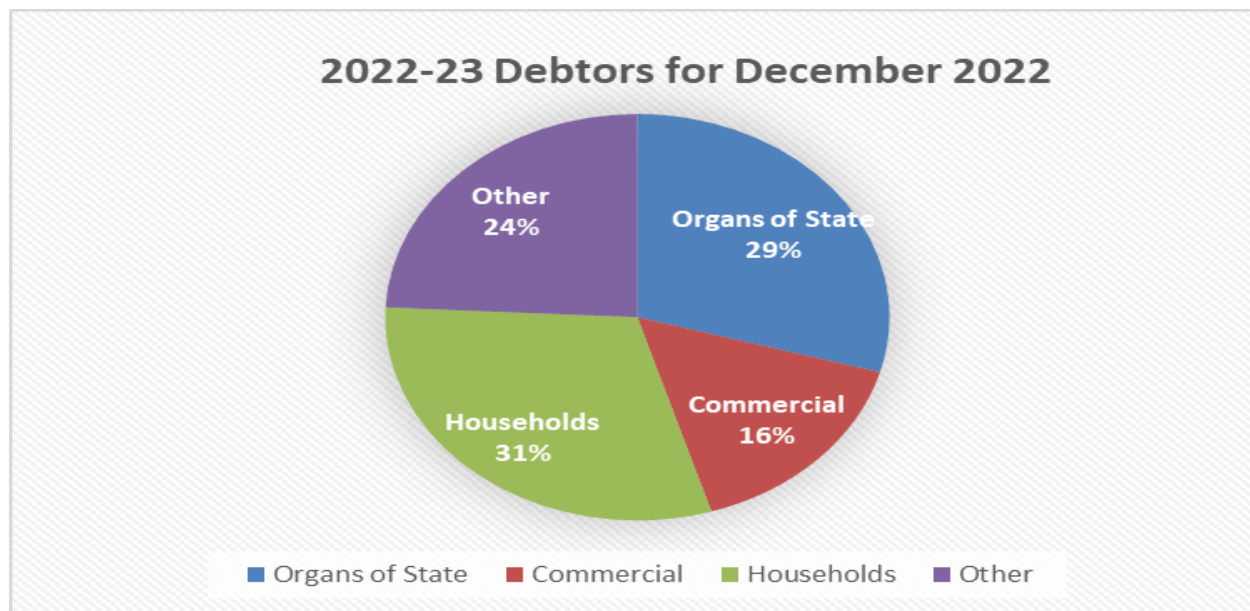
Table **D1** reflects debtors by customer group reflects debtors per service as at 31 December 2022.

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

Description	Budget Year 2022/23									
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-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	-	-	-	-	-	-	-	-	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	-	-	-	-	-	-	-	-	-	-
Receivables from Non-exchange Transactions - Property Rates	459	816	142	137	159	3,361	567	9,621	15,261	13,845
Receivables from Exchange Transactions - Waste Water Management	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Waste Management	147	92	83	77	69	164	270	972	1,874	1,552
Receivables from Exchange Transactions - Property Rental Debtors	10	2	1	1	1	1	48	125	188	176
Interest on Arrear Debtor Accounts	259	263	273	217	214	211	1,570	7,766	10,773	9,978
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-	-
Other	(0)	(0)	-	-	-	(1)	5	-	4	4
Total By Income Source	874	1,173	499	432	442	3,736	2,461	18,484	28,101	25,555
2021/22 - totals only									-	-
Debtors Age Analysis By Customer Group										
Organs of State	111	113	126	78	110	2,912	416	4,387	8,253	7,903
Commercial	372	759	102	99	90	89	466	2,489	4,466	3,234
Households	288	213	185	178	165	140	999	6,406	8,574	7,888
Other	103	89	87	77	76	595	579	5,202	6,808	6,530
Total By Customer Group	874	1,173	499	432	442	3,736	2,461	18,484	28,101	25,555

- The municipality is charging property rates and providing refuse removal as the trading service. The municipality has billed all its customers from the beginning of the financial year. All accounts above 90 days are charged 1% interest.
- The largest amount billed that is outstanding is property rates followed by interest on services. Government departments and farms (other debtors) are billed annually and they were billed in July 2022 hence the balance for debtors is so high.

- The total outstanding amount for debtor’s is **R28.1m** at the end of this quarter, and the percentages per group is as follows:



The chart above shows proportions of the R28.1m as percentages on debtors as at end 31 December 2022. Included on "Other" is a staff debtor as at 31 December 2022 which amounts to R170 377.00.

6.2 DEBT COLLECTION

All debtors above 90 days are handed over to the debt collector except Government Departments. The total number of accounts that are handled by the Debt Collector in the quarter under review is 806. In the quarter under review, an average of R19.1m was handed over.

The Debt Collector has noted the following for the municipal attention:

Description	No of accounts	Value of accounts
Queries /Dispute	9	1 373 222
Deceased	57	1 626 869
Withdraw	87	-R56 172

Queries/Disputes - there have been no queries to date.

Deceased Account Holders - account holders deceased are 57. The Debt Collector is tracing beneficiaries as they might be utilizing the property.

Withdraws - the municipality will withdraw 87 accounts as balance are below R50.00 as recommended by the Debt Collector.

6.3 FREE BASIC SERVICES (FBS)

The municipality is offering free basic services in the form of:

- Refuse removal, and
- Free basic electricity.

Refuse removal - the municipality is offering **refuse removal** on registered indigent Household at tariff of R119.00 per Household on monthly basis and the total number of Households benefiting from refuse removal is 1993.

Free Basic Electricity - Free basic electricity number of households currently registered is 2142 and the total number of households benefiting is 1744. An amount of R999 293.89 for Free Basic Services (Electricity) has been incurred for quarter ending 31 December 2022 and the projected budget per quarter is R1, 250,000.00

The revised indigent register has been implemented as the initial register was recalled by the Council to be revised.

6.3 CREDITORS AGE ANALYSIS

The following table reflects the total outstanding creditors owed by the municipality as at 31 December 2022:

Description	Budget Year 2022/23									Prior year totals for chart (same period)
	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	
R thousands										
Creditors Age Analysis By Customer Type										
Bulk Electricity	-	-	-	-	-	-	-	-	-	-
Bulk Water	-	-	-	-	-	-	-	-	-	-
PAYE deductions	-	-	-	-	-	-	-	-	-	-
VAT (output less input)	-	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	-	-	-	-	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-	-	-	-	-
Trade Creditors	221	79	-	-	-	-	185	-	485	1,608
Auditor General	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total By Customer Type	221	79	-	-	-	-	185	-	485	1,608

- The balance of creditors’ age analysis at the end of the 2nd quarter of 2022/23 financial year amounts to R485 071.42. Creditors sitting at over 90 days are invoices that were submitted at payments section after year end for the purposes of ensuring that the creditors are complete at year end. An amount of R213 314.00 relates to Amathole District Municipality invoices that were raised as accruals for 2021/22-year end.

6.3.1 SCHEDULE FOR PAYEMENT OF CREDITORS

Budget and Treasury developed a payment schedule for creditors and other suppliers in order to ensure that:

- On the 15th and 31st of every month all submissions by various departments must be with Expenditure Office five (5) days before the payment date.
- Reminders are also done by the section on monthly basis.

6.4 WITHDRAWALS

In terms of Section 11 of the MFMA, 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:

Month	Withdrawals
October	10,928,910.74
November	15,373,375.98
December	17,129,382.87
	R43,431,669.59

6.5 CASH FLOW STATEMENT

The Cash Flow Statement presented below indicates that the municipality still operates in a positive cash balance during the quarter under review.

Cashflow Statement for Quarter ending 31 Decmber 2022			
	Oct-22	Nov-22	Dec-22
Cashflow from Operating Activitiess			
Reciepts	R 938,958.41	R 11,214,906.43	R 43,110,608
Property rates	R 404,421.71	R 1,984,362.99	R 962,908
Service charges (refuse)	R 93,398.17	R 101,896.35	R 77,959
Other revenue	R 162,593.52	R 266,854.23	R 150,806
Government - oprerating	R -	R 435,600.00	R 33,586,852
Government - capital	R -	R 8,276,400.00	R 7,410,950
Interest on external investment	R 278,545.01	R 149,792.86	R 921,133
Payments			
Suppliers and employees	-R 8,046,408.87	-R 13,537,960.52	-R 13,370,237
Net cash from operating activities	-R 7,107,450.46	-R 2,323,054.09	R 29,740,371
Cashflow from financing Activities			
Receipts			
Disposal of PPE	R -	R -	R -
Payments	-R 1,093,309.83	-R 1,753,404.65	-R 3,254,162
Capital assets	-R 1,093,309.83	-R 1,753,404.65	-R 3,254,162
Net cash from investing activities	-R 1,093,309.83	-R 1,753,404.65	-R 3,254,162
Cashflow from financing Activities			
Receipts			
Borrowing long term/refinancing	R -	R -	R -
Payments			
Repayment of borrowing	R -	R -	R -
Net cach from financing activities	R -	R -	R -
Net Increase/ (Decrease) In Cash Held	-R 8,200,760.29	-R 4,076,458.74	R 26,486,209
Cash/cash equivalents at beginning of the Month:	R 82,429,237.52	R 74,228,477.23	R 70,152,018
Cash/cash equivalents at month end of the Month:	R 74,228,477.23	R 70,152,018.49	R 96,638,227

6.5.1 Cash and Cash equivalent

The table below reflects the Cash and Cash Equivalent balances for the municipality as at 31 December 2022

Item	R Thousands
Cash	R80,830,849.65
Call investment deposits Investments	R15,807,377.48
Cash and Cash Equivalents at the end of the month	R96,638,227.13

- The **Cash and Cash Equivalent** for the municipality as at 31 December 2022 amounts to R96.6m which is made up of cash at primary bank account of R80.8m and call on investment deposits of R15.8m. Included in the Cash and Cash Equivalents at the end of the month is the balance of unspent conditional grants which amounts to R16.6m.

6.5.2 Cash Flow Projections

The table below reflects cash flow projections for January 2023 to March 2023:

CASH FLOW PROJECTION FOR THE 3 MONTHS ENDING 31 MARCH 2023				
Item description	Jan-23	Feb-23	Mar-23	TOTAL
Bank balance	79,596,155.90	68,845,547.90	55,695,391.90	87,630,053.90
Internal Revenue	854,101.00	1,425,573.00	3,554,224.00	5,833,898.00
Equitable Share	-	-	27,330,000.00	27,330,000.00
Vat Refund	1,153,224.00	1,842,344.00	782,217.00	3,777,785.00
Interest on investment	195,421.00	254,885.00	268,221.00	718,527.00
Total Revenue	81,798,901.90	72,368,349.90	87,630,053.90	125,290,263.90
Salaries	7,816,320.00	7,836,320.00	7,836,320.00	23,488,960.00
General Expenditure and MIG	5,012,478.00	8,652,410.00	8,862,410.00	22,527,298.00
Repairs	124,556.00	184,228.00	364,127.00	672,911.00
Total	12,953,354.00	16,672,958.00	17,062,857.00	46,689,169.00
Surplus/(Deficit)	68,845,547.90	55,695,391.90	70,567,196.90	78,601,094.90

7. ASSET MANAGEMENT

Ngqushwa Local Municipality Council has adopted its Asset Management policy for proper guidance in managing municipal assets including acquisition, safeguarding, maintenance, and disposal.

The municipality is in the process of implementing an asset module on its financial system in order improve asset management.

The following assets were bought from October to December 2022

- Computer

The following table is a Work in Progress Asset Register indicating all the additions on the projections:

WIP Register 01-Oct-22 - 31-Dec-22						
Project Number	GL Account	Project Description	Main Contractor	Consulting Engineer	Service	Addition
PROJ006	C0327-1/IA01952/F0791/X131/R2145/001/TEC:PMU	NGQUSHWA LANDFILL SITE	-	-	SANITATION	156 510.63
PROJ010	C0040-35/IA01952/F0791/X120/R2145/001/TEC:PMU	POLAR PARK INTERNAL STREET	LULUMZI DEVELOPMENTS PTY(LTD)	SONTINGA CONSULTING SERVICES	ROAD	0.00
PROJ011	C0239-1/IA01952/F0791/X006/R2145/001/TEC:PMU	HAWKER STALLS	DEFAULT	DEFAULT	BUILDING	794 371.87
PROJ005	C0040-29/IA01952/F0791/X116/R2145/001/TEC:PMU	PEDDIE TOWN INTERNAL ROADS	-	MASILAKHE CONSULTING	ROAD	0.00
MXAMXA01	C0040-33/IA01952/F0791/X120/R2141/001/TEC:PMU	MXAXA INTERNAL STREETS	MATHEXO TRADING ENTREPRISE	AFROTEAM CONSULTANT	ROAD	1 561 929.46
Ntloko001	C0230-30/IA01952/F0791/X006/R2146/001/TEC:PMU	Ntloko Community Hall	-	KUKHO CONSULTING ENGINEERS	BUILDING	80 471.34
PROJ008	O2774-1/IE00081/F0045/X032/R0842/001/TEC:ELCT	INEP	-	-	ELECTRICITY	8 770 926.87
Lovers1	C0230-28/IA01952/F0791/X006/R2142/001/TEC:PMU	Lover's Twist Community Hall	-	KUKHO CONSULTING ENGINEERS	BUILDING	80 471.33
Ntsha001	C0040-35/IA01952/F0791/X116/R2136/001/TEC:PMU	Ntshamanzi Internal Streets	-	KUKHO CONSULTING ENGINEERS	ROAD	211 965.99
PEDDIE SPORTS 01	C0336-1/IA01952/F0791/X125/R2145/001/TEC:PMU	PEDDIE EXTENTION SPORTS FIELD	DEVOMIX CONSTRUCTION	MBB CONSULTING	COMMUNITY	854 552.64
Tamara1	C0230-29/IA01952/F0791/X006/R2135/001/TEC:PMU	Tamara Community Hall	-	KUKHO CONSULTING ENGINEERS	BUILDING	80 471.33
PROJ009	C0040-33/IA01952/F0791/X120/R2141/001/TEC:PMU	MACHIBI INTERNAL ROAD	MANYOBO CONSTRUCTION	KUKHO CONSULTING ENGINEERS	ROAD	792 487.36
						13 384 158.82

The table below indicate additions on the asset register. Assets have a carrying amount of R590m as at 31 December 2022.

ASSET CATERGORY	OPENNING BALANCE AS AT 30 JUNE 2022	ADDITIONS	DEPRECIATION AND IMPAIRMENT	CLOSING BALANCE AS AT 31 DECEMBER 2022
Land	8,436,139.70	R0.00	R0.00	R 8,436,139.70
Building	R153,235,682.73	R0.00	R1,283,403.28	R 151,952,279.45
Plant and Machinery	R11,070,691.11	R0.00	R244,363.07	R 10,826,328.04
Furniture and Fixture	R1,971,687.17	R0.00	R47,474.42	R 1,924,212.75
Motor Vehicle	R9,475,719.99	R0.00	R179,499.77	R 9,296,220.21
Office equipment	R1,771,072.12	R0.00	R63,223.72	R 1,707,848.41
IT Equipment	R4,432,653.88	15,824.78	R123,281.12	R 4,325,197.53
Infrastructure	R317,417,063.57	R0.00	R2,181,823.07	R 315,235,240.50
Other Assets	R1,290,181.01	R0.00	R38,134.47	R 1,252,046.55
Capital Work in Prog	R37,078,984.33	R0.00	R0.00	R 37,078,984.33
Park facilities	R14,105,079.26	R0.00	R126,469.36	R 13,978,609.90
Minor Assets	R1,193,052.74	R0.00	R250.00	R 1,192,802.74
Investment Property	R33,726,346.02	R0.00	R0.00	R 33,726,346.02
	R595,204,353.64	R15,824.78	R4,287,922.28	R590,932,256.13

7. INSURANCE

The municipality has appointed a service provider for two years for insurance services.

8. MSCOA UPDATE

Ngqushwa Local Municipality started implementing mSCOA on the 1 July 2017. The Municipality prepared and is implementing Annual Budget that is mSCOA compliant financial system on latest version, which is version 6,6. The Annual Financial Statements for 2021/2022 have been prepared in accordance with mSCOA.

Developments within the financial system:

The grant module is now functional, it is able to realize conditional grants expenditure (transferring to revenue).

The following are the issues with mSCOA system:

1. Reporting Module still a challenge
2. Non-seamless integration of payroll
3. The asset module has not yet been fully functional, it is still a work in progress.

9. AUDIT OUTCOME

The municipality prepared and submitted AFS and Annual Performance Report (APR) to the AGSA by the 31 August 2022. The AFS and APR were audited and were adequate.

10. RECOMMENDATIONS

- That Management notes the contents of this report and supporting documents of the second quarter of 2022/23 financial year.
- That Management notes that Q2 section 52d is unaudited and has not yet been submitted to Internal Audit for audit purposes.