

10 March 2017

**To: Budget Steering Committee Councillors
MAKANA MUNICIPALITY
GRAHAMSTOWN**

Notice is hereby given that the Budget Steering Committee meeting of the MAKANA MUNICIPALITY will be held in the Council Chamber on **MONDAY 13 MARCH 2017** at **09H00** to consider the item on the agenda as set out below.

MS. R. MEIRING
ACTING MUNICIPAL MANAGER

AGENDA

- | | |
|----------|--|
| BSC.1 | <u>OPENING STATEMENT – CHAIRPERSON</u> |
| BSC.2 | <u>APPLICATIONS FOR LEAVE OF ABSENCE (WRITTEN APOLOGIES)</u> |
| BSC.3 | <u>DISCLOSURES OF INTEREST (BY ANY MEMBER ON ANY ITEM THAT FORMS PART OF THE AGENDA)</u> |
| BSC.4 | <u>MINUTES OF THE PREVIOUS MEETINGS</u> |
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13 FEBRUARY 2017</u>
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REPORT TO: BUDGET STEERING COMMITTEE

File ref (9/1/2/3)

Collaborator/Item no (BSC)5.1

Date: 13 MARCH 2017

SUBJECT: BUDGET IMPLEMENTATION REPORT FOR THE MONTH OF February 2017

REPORT DATED 13 MARCH 2017 FROM THE CHIEF FINANCIAL OFFICER TO BUDGET STEERING COMMITTEE

PURPOSE

The purpose of this item is to submit a financial report for the month ending February 2017 to the Budget Steering.

LEGAL REQUIREMENTS

In terms of Section 71 of the Municipal Finance Management No.56 of 2003

STATUTORY AUTHORITY

Chapter 24 of the MFMA No. 56 of 2003

BACKGROUND AND REASONING

The monthly Sec 71 reports aims to provide a regular update on indicators critical to the organisation's viability and serve as an early warning indicator where remedial action is required.

The Municipal Manager of the Municipality, is required by Section 71(1) of the Municipal Finance Management Act to submit a report in a prescribed format to the Mayor within 10 working days after the end of each month on the state of the Municipality's budget.

This report is a summary of the main budget issues arising from the monitoring process. It compares the progress of the budget to the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP). Section 54 of the MFMA requires the Mayor to consider the Section 71 report and take appropriate action to ensure that the approved budget is implemented in accordance with the SDBIP.

1. FINANCIAL IMPLICATIONS

The following table summarises the overall position on the capital and operating budgets. Take note that the Operating Expenditure only reflects the direct expenditure and exclude all indirect expenditure e.g. Administrative Recharges

Description	Original Budget R'000	Adjustment Budget R'000	Actual R'000	Annual Budget %
Operating Revenue (billed)	486 191	422 210	297 929	71%
Operating Expenditure (accrued/actual mix)	486 191	422 210	314 808	76%
Capital Expenditure	58 608	43 168	15 720	36%

1.2 Revenue by Source

Year-to-date Operating Revenue amounts to **71% or R297 929 million** of the adjusted operating budget of **R422 210 million**.

The year-to-date Operating Revenue reflects an achievement of **70% or R297 929 million** of the adjusted budget of **R422 210 million**, and Operating Expenditure is **63% or R264 455 million** of the adjusted budget of **R422 210 million**.

Actual revenue billed has drop as compared to the previous month by **R37 955 million** and the main reasons are as follow:

- o Incorrect billing that relates to previous months were only corrected in February month.
- o Data Cleansing – Corrections of debtors accounts due to incorrect readings

Total operating expenditure is more by R16 879 as compared to total operating revenue.

1.2.1 Operating Revenue

Major contributors of Operating Revenue to date amounting to **R297 929 million** are:

- Service Charges-Electricity at **R97 700 million** or **33%**
- Operational Transfers recognised at **R67 678 million** or **23%**.
- Property Rates at **R49 826 million** or **17%**.
- Service Charges-Water **R36 281 million** or **12%**

1.3 Operating expenditure by type

Year-to-date expenditure amounts to ^{76%}~~63%~~ or **R314 808 million** of the operating budget of **R422 210 million**.

1.3.1 Operating Expenditure

Major contributors of Operating Expenditure to date amounting to **R314 808 million** are:

- Employee-related costs at R103 492 million or 33%
- Remuneration of councillors at R6 424 million or 2%.
- Bulk Purchases at R79 636 million or 25%
- Repairs & maintenance at R13 361 million or 4%

1.4 Capital expenditure

Year-to-date expenditure on capital project amounts to **36% or R15 720 million** of the capital budget of **R43 168 million**.

Capital Expenditure of **R43 168 million** disclosed in below table reflects expenditure of grants allocated to the municipality and internally funded projects.

The Municipal Capital Budget is funded from the following Grants:

Grant	Funding Source	Budget
Municipal Infrastructure Grant	Direct Allocation	R35 250 784
Finance Management Grant	Direct Allocation	R350 000
Equitable Share	Direct Allocation	R1 200 000
DSRAC	Direct Allocation	R1 083 600
DRPW	Direct Allocation	R1 502 051
INEP	Direct Allocation	R3 782 000
MIG (Roll-Over)	Direct Allocation	R8 100 000
Total Budget		R43 168 435

The Capital Budget is largely driven by projects emanating from the IDP and projects identified by the community as well as incomplete projects.

1.4.1 The below table summaries roll- over expenditure - MIG allocation

Project Title	Budgeted MIG Funds (2016/16)	Current FY - Total Actual Expenditure on MIG funds in the 2016/16 FY	Dec-16	Jan-17	Feb-17
MIG 1 or PMU	As per IP				
Vukani Taxi Road - A Street extending to B Street	R 3,148,915.89	R 3,098,752.12	R 0.00	R 0.00	R 0.00
Multi-purpose Centre in Ward 7	R 9,403,688.00	R 9,403,688.00	R 0.00	R 0.00	R 0.00
Replacement of Asbestos Pipes in Grahamstown	R 4,547,476.67	R 4,250,983.74	R 99,430.82	R 0.00	R 0.00
Construction of 11 High Mast Lights in Mayfield Housing Project	R 2,912,422.91	R 2,912,422.91	R 385,271.77	R 0.00	R 0.00
Upgrading of Roads in Joza Street	R 122,059.87	R 122,059.87	R 0.00	R 0.00	R 0.00
Budget Maintenance: Upgrade of Surfaced Road - Sani Street Grahamstown	R 1,178,375.82	R 883,976.83	R 0.00	R 0.00	R 0.00
Alicedale Sewerage Reticulation	R 1,197,313.17	R 1,197,313.17	R 0.00	R 0.00	R 0.00
PMU: ADMIN	R 1,184,747.67	R 1,184,747.67	R 0.00	R 0.00	R 0.00
	R 23,695,000.00	R 23,053,944.31	R 484,702.59	R 0.00	R 0.00

1.4.2 The below table summaries projects implemented in 2016/17 financial year MIG allocation

Project Title	Budgeted MIG Funds (2016/17)	Current FY - Total Actual Expenditure on MIG funds in the 2016/17 FY	Dec-16	Jan-17	Feb-17
MIG 1 or PMU	As per IP				
Alicedale Roads and Improvements Transrivier and Mandela Park	R 6,255,838.84	R 335,405.94	R 0.00	R 335,405.94	R 0.00
Multi-purpose Centre in Ward 7	R 5,250,544.02	R 3,209,250.59	R 1,608,716.48	R 443,990.16	R 269,725.66
Construction of 11 High Mast Lights in Mayfield Housing Project	R 1,297,187.47	R 306,368.87	R 306,368.87	R 0.00	R 0.00
Alicedale Sewerage Reticulation	R 1,091,787.43	R 262,760.95	R 135,379.21	R 0.00	R 45,710.48
Multi-purpose Indoor Sport Centre: Gymnasium	R 13,000,000.00	R 0.00	R 0.00	R 0.00	R 0.00
Waainek Bulk Water Supply Refurbishment	R 1,939,000.00	R 0.00	R 0.00	R 0.00	R 0.00
Alicedale Roads and Improvements Phase 2	R 4,525,138.80	R 0.00	R 0.00	R 0.00	R 0.00
Construction of Football facilities: Foley's Ground	R 1,000,000.00	R 0.00	R 0.00	R 0.00	R 0.00
Alicedale Waste Water Treatment Works	R 114,103.44	R 0.00	R 0.00	R 0.00	R 0.00
PMU: ADMIN	R 1,814,400.00	R 1,022,140.17	R 179,211.74	R 120,559.99	R 146,403.62
	R 36,288,000.00	R 5,135,926.52	R 2,229,676.30	R 899,956.09	R 461,839.76

Section 4 – Allocations for Grant Receipts and Expenditure

5.1 Summary of Grants Received

GRANT	BUDGET	AMOUNT RECEIVED	EXPENDITURE	EXPENDITURE TO DATE
MIG	R36 288 000	R5 458 889.10	R779 396.10	R5 458 889.10
MIG – Roll- Over	R8 100 000	R7 973 325.58	R0.00	R 7 489 538.62
INEP	R3 782 000	R4 000 000.00	R0.00	R0.00
FMG	R1 810 000	R1 810 000.00	R33 359.00	R1 634 637.00
EPWP	R1 000 000	R700 000.00	R37 800.00	R737 800.00
DWA	R5 000 000	R3 853 078.78	R440 806.26	R3 853 078.78
TOTAL	R55 980 000	R23 795 293.46	R1 291 361.36	R19 173 943.50

Year-to-date Grant Expenditure amounts to **34%** or **R19 174 million** of the Grants budget of **R55 980 million**.

Supporting Documents

Section 2 – In-year budget statement tables

1.1. Table C1: s71 Monthly Budget Statement Summary

EC104 Makana - Table C1 Monthly Budget Statement Summary - M08 February

Description	2015/16	Budget Year 2016/17							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	56,832	65,215	65,215	3,886	72,885	43,477	29,408	68%	65,215
Service charges	263,693	306,690	242,709	35,673	143,007	174,806	(31,800)	-18%	306,690
Investment revenue	17,569	700	700	23	378	467	(89)	-19%	700
Transfers recognised - operational	83,931	91,292	91,292	1,790	68,882	69,750	(868)	-1%	91,292
Other own revenue	21,803	22,294	22,295	2,487	12,778	14,863	(2,085)	-14%	22,294
Total Revenue (excluding capital transfers and contributions)	444,029	486,191	422,210	43,869	297,829	303,362	(5,433)	-2%	486,191
Employee costs	117,988	144,631	165,268	12,175	104,108	110,179	(6,071)	-6%	144,631
Remuneration of Councillors	9,367	10,497	10,497	925	8,164	6,998	1,166	17%	10,497
Depreciation & asset impairment	21,227	31,639	31,639	-	-	21,093	(21,093)	-100%	31,639
Finance charges	8,344	-	9,700	94	1,148	6,467	(5,319)	-82%	-
Materials and bulk purchases	203,200	105,926	72,625	6,961	87,014	48,417	38,598	80%	105,926
Transfers and grants	5,237	50,515	50,515	1,891	3,970	33,677	(29,706)	-88%	50,515
Other expenditure	78,127	142,983	81,966	23,564	123,372	66,458	56,914	86%	142,983
Total Expenditure	443,492	486,191	422,210	45,610	327,776	293,288	34,488	12%	486,191
Surplus/(Deficit)	537	-	(0)	(1,740)	(29,847)	10,074	(39,921)	-396%	-
Transfers recognised - capital	-	-	-	-	-	-	-	-	-
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	537	-	(0)	(1,740)	(29,847)	10,074	(39,921)	-396%	-
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	537	-	(0)	(1,740)	(29,847)	10,074	(39,921)	-396%	-
Capital expenditure & funds sources									
Capital expenditure	21,008	170,043	-	779	15,720	13,219	2,500	19%	-
Capital transfers recognised	-	-	43,168	2,559	-	28,779	(28,779)	-100%	-
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-
Total sources of capital funds	-	-	43,168	2,559	-	28,779	(28,779)	-100%	-
Financial position									
Total current assets	40,656	278,678	278,677		230,336				278,678
Total non current assets	1,106,575	920,961	920,961		906,751				920,961
Total current liabilities	188,320	281,004	281,005		123,034				281,004
Total non current liabilities	107,827	109,841	109,841		98,120				109,841
Community wealth/Equity	962,051	1,043,057	1,043,057		915,933				1,043,057
Cash flows									
Net cash from (used) operating	123,329	181,064	57,188	9,278	19,452	4,727	(14,725)	-312%	57,188
Net cash from (used) investing	2,893	170,043	(43,168)	(779)	(15,720)	13,219	28,939	219%	(43,168)
Net cash from (used) financing	64	(5,500)	(4,000)	(575)	(1,054)	(1,054)	-	-	(4,000)
Cash/cash equivalents at the month/year end	133,206	348,216	12,629	-	3,859	19,501	15,642	80%	11,202
Debtors & creditors analysis	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
Debtors Age Analysis									
Total By Income Source	5,097	15,806	10,103	11,268	290,646	-	-	-	332,919
Creditors Age Analysis									
Total Creditors	27,546	18,789	149	82,158	-	-	-	-	128,641

EC104 Makana - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M08 February

Description	2015/16	Budget Year 2016/17							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Revenue By Source									
Property rates	58,832	65,215	65,215	3,686	72,895	43,478	72,841	167544%	65,215
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	276,009	191,033	129,683	31,158	74,350	99,485	(25,105)	-25%	129,683
Service charges - water revenue	(39,528)	63,277	71,059	1,833	39,783	47,373	(7,590)	-16%	71,059
Service charges - sanitation revenue	20,350	44,075	33,682	1,635	21,657	22,441	(785)	-3%	33,682
Service charges - refuse revenue	7,225	8,395	8,305	1,050	7,217	5,537	1,680	30%	8,305
Service charges - other	(105)	-	-	-	-	-	-	-	-
Rental of facilities and equipment	1,167	811	811	95	1,103	541	557	105%	811
Interest earned - external investments	17,689	700	700	23	378	467	(89)	-19%	700
Interest earned - outstanding debtors	-	16,899	16,899	1,830	6,611	10,766	(2,195)	-21%	16,899
Dividends received	-	-	-	-	-	-	-	-	-
Fines	49	1,692	1,692	35	551	728	(177)	-24%	1,692
Licences and permits	1,857	1,847	1,847	0	596	1,098	(532)	-48%	1,847
Agency services	223	500	500	(449)	235	333	(99)	-30%	500
Transfers recognised - operational	83,031	91,292	91,292	1,780	68,882	69,750	68,812	98656%	91,292
Other revenue	18,607	2,165	2,165	871	1,807	1,457	350	24%	2,165
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	444,029	486,191	422,210	43,869	297,929	190,249	107,680	57%	422,210
Expenditure By Type									
Employee related costs	117,888	144,031	165,289	12,175	104,168	110,178	(6,071)	-6%	165,289
Remuneration of councillors	9,387	10,497	10,497	825	8,164	6,888	1,166	17%	10,497
Debt impairment	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment	21,227	31,639	31,639	-	-	21,083	(21,083)	-100%	31,639
Finance charges	8,944	-	9,700	94	1,148	6,467	(5,319)	-82%	9,700
Bulk purchases	203,200	104,404	71,103	8,942	66,430	47,402	39,028	82%	71,103
Other materials	-	1,622	1,622	18	894	1,015	(431)	-42%	1,622
Contracted services	7,665	28,408	28,408	980	15,413	18,838	(3,525)	-19%	28,408
Transfers and grants	5,237	50,515	50,515	1,691	3,970	33,677	(29,706)	-88%	50,515
Other expenditure	70,272	114,575	83,958	23,404	107,859	47,520	60,439	127%	83,958
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Expenditure	443,492	486,191	422,210	45,610	327,776	293,286	34,488	12%	422,210
Surplus/(Deficit)	537	-	(0)	(1,740)	(29,847)	(103,039)	73,192	(0)	(0)
Transfers recognised - capital	-	-	-	-	-	-	-	-	-
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	537	-	(0)	(1,740)	(29,847)	(103,039)			(0)
Taxation	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	537	-	(0)	(1,740)	(29,847)	(103,039)			(0)
Attributable to minorities	-	-	-	-	-	-			-
Surplus/(Deficit) attributable to municipality	537	-	(0)	(1,740)	(29,847)	(103,039)			(0)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-			-
Surplus/ (Deficit) for the year	537	-	(0)	(1,740)	(29,847)	(103,039)			(0)

EC104 Makana - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding) - M08 February

Vote Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Multi-Year expenditure appropriation	2									
Vote 1 - TECHNICAL SERVICES		9,435	89,671	-	335	3,372	1,252	2,120	168%	-
Vote 2 - CORPORATE SERVICES		909	6,350	-	-	-	650	(650)	-100%	-
Vote 3 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-
Vote 4 - COMMUNITY & SOCIAL SERVICES		6,343	17,878	-	444	8,574	16,454	(7,881)	-48%	-
Vote 5 - EXECUTIVE & COUNCIL		-	-	-	-	-	-	-	-	-
Vote 6 - MUNICIPALITY MANAGER		-	-	-	-	-	-	-	-	-
Vote 7 - LOCAL ECONOMIC DEVELOPMENT		-	-	-	-	-	-	-	-	-
Vote 8 - HOUSING		-	-	-	-	-	-	-	-	-
Vote 9 - ELECTRICITY		1,082	9,079	-	-	3,774	3,774	(0)	0%	-
Vote 10 - WATER		2,099	47,065	-	-	-	-	-	-	-
Vote 11 - DOG TAX		-	-	-	-	-	-	-	-	-
Vote 12 - PARKING METERS		-	-	-	-	-	-	-	-	-
Total Capital Multi-year expenditure	4,7	19,848	170,043	-	779	15,720	22,130	(6,411)	-28%	-
Capital Expenditure - Standard Classification										
Governance and administration		1,296	1,100	1,644	(54)	-	-	-	-	600
Executive and council		-	-	-	-	-	-	-	-	-
Budget and treasury office		-	-	-	-	-	-	-	-	-
Corporate services		1,296	1,100	1,644	(54)	-	0	-	-	600
Community and public safety		8,352	9,541	20,334	1,335	12,303	13,558	(1,254)	-9%	5,204
Community and social services		807	-	1,884	(30)	-	722	(722)	-100%	-
Sport and recreation		6,636	9,541	19,251	1,385	12,303	12,834	(531)	-4%	5,204
Public safety		8	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		8,437	13,567	12,880	708	2,884	8,573	(5,679)	-66%	7,400
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		8,437	13,489	12,880	708	2,884	8,573	(5,679)	-66%	7,341
Environmental protection		-	108	-	-	-	-	-	-	89
Trading services		4,824	148,353	8,331	570	523	-	523	#DIV/0!	81,146
Electricity		1,082	7,035	5,079	68	308	-	306	#DIV/0!	3,837
Water		2,099	13,780	2,180	484	-	-	-	-	7,600
Waste water management		1,763	127,868	1,882	40	217	-	217	#DIV/0!	69,809
Waste management		-	-	-	-	-	-	-	-	-
Other		-	183	-	-	-	-	-	-	100
Total Capital Expenditure - Standard Classification	3	21,000	172,745	43,168	2,558	15,720	22,130	(6,408)	-28%	94,451
Funded by:										
National Government		-	-	42,085	2,588	-	28,055	(28,055)	-100%	-
Provincial Government		-	-	1,084	(30)	-	722	(722)	-100%	-
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	0	-	-	0	(0)	-100%	-
Transfers recognised - capital		-	-	43,168	2,558	-	28,778	(28,778)	-100%	-
Public contributions & donations	5	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	-	-	-	-	-	-
Total Capital Funding		-	-	43,168	2,558	-	28,778	(28,778)	-100%	-

EC104 Makana - Table C6 Monthly Budget Statement - Financial Position - M08 February

Description	Ref	2015/16	Budget Year 2016/17			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		16,901	7,533	7,533	7,924	7,533
Call investment deposits		(4,789)	12,940	12,940	538	12,940
Consumer debtors		(23,446)	189,260	189,260	182,152	189,260
Other debtors		45,446	52,347	52,347	29,672	52,347
Current portion of long-term receivables		-	30	30	-	30
Inventory		6,525	16,568	16,568	10,050	16,568
Total current assets		40,656	278,678	278,677	230,336	278,678
Non current assets						
Long-term receivables		-	-	-	-	-
Investments		3,830	-	-	-	-
Investment property		219,050	-	-	-	-
Investments in Associate		652	151	151	-	151
Property, plant and equipment		878,387	908,810	908,810	904,251	908,810
Agricultural		-	-	-	-	-
Biological assets		-	-	-	-	-
Intangible assets		1,947	12,000	12,000	2,500	12,000
Other non-current assets		2,899	-	-	-	-
Total non current assets		1,106,575	920,961	920,961	906,751	920,961
TOTAL ASSETS		1,147,231	1,199,639	1,199,638	1,137,087	1,199,639
LIABILITIES						
Current liabilities						
Bank overdraft		6,442	-	-	-	-
Borrowing		(122)	4,400	4,400	-	4,400
Consumer deposits		-	2,474	2,474	3,853	2,474
Trade and other payables		178,634	263,776	263,776	108,155	263,776
Provisions		3,385	10,354	10,354	11,026	10,354
Total current liabilities		188,320	281,004	281,005	123,034	281,004
Non current liabilities						
Borrowing		58,512	60,534	60,534	60,534	60,534
Provisions		51,315	49,307	49,307	37,586	49,307
Total non current liabilities		107,827	109,841	109,841	98,120	109,841
TOTAL LIABILITIES		296,147	390,845	390,846	221,154	390,845
NET ASSETS	2	851,084	808,794	808,793	915,933	808,794
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		982,051	1,037,308	1,037,308	915,933	1,037,308
Reserves		-	5,749	5,749	-	5,749
TOTAL COMMUNITY WEALTH/EQUITY	2	982,051	1,043,057	1,043,057	915,933	1,043,057

EC104 Makana - Table C7 Monthly Budget Statement - Cash Flow - M08 February

Description	Ref	Budget Year 2016/17								
		2015/16	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1	Audited Outcome								
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratpayers and other		507,870	304,319	304,319	23,582	286,880	278,253	(11,362)	-4%	304,319
Government - operating		83,931	68,475	68,475	-	65,179	70,500	(5,321)	-8%	68,475
Government - capital		1,541	170,043	43,168	779	15,720	18,500	(2,780)	-15%	43,168
Interest		17,888	12,100	12,100	-	1,255	7,500	(6,245)	-83%	12,100
Dividends		-	-	-	-	-	-	-	-	-
Payments										
Suppliers and employees		(474,002)	(351,872)	(348,973)	(12,333)	(310,984)	(350,500)	(39,516)	11%	(348,973)
Finance charges		(6,344)	(5,000)	(5,000)	-	-	(2,000)	(2,000)	100%	(5,000)
Transfers and Grants		(5,237)	(37,801)	(37,801)	(2,750)	(18,609)	(17,525)	1,083	-6%	(37,801)
NET CASH FROM/(USED) OPERATING ACTIVITIES		123,328	181,064	57,188	9,278	16,452	4,727	(14,725)	-312%	57,188
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		(1,070)	-	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors		-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		1,070	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		25,766	-	-	-	-	-	-	-	-
Payments										
Capital assets		(22,883)	170,043	(43,168)	(779)	(15,720)	13,219	28,939	219%	(43,168)
NET CASH FROM/(USED) INVESTING ACTIVITIES		2,893	170,043	(43,168)	(779)	(15,720)	13,219	28,939	219%	(43,168)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		6,395	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		(2,321)	-	-	-	-	-	-	-	-
Payments										
Repayment of borrowing		(4,010)	(5,800)	(4,000)	(575)	(1,054)	(1,054)	-	-	(4,000)
NET CASH FROM/(USED) FINANCING ACTIVITIES		64	(5,800)	(4,000)	(575)	(1,054)	(1,054)	-	-	(4,000)
NET INCREASE/ (DECREASE) IN CASH HELD		126,286	345,607	10,020	7,924	2,678	16,892			10,020
Cash/cash equivalents at beginning:		6,920	2,609	2,609		1,182	2,609			1,182
Cash/cash equivalents at month/year end:		133,206	348,216	12,629		3,859	19,501			11,202

EC104 Makana - Supporting Table SC3 Monthly Budget Statement - aged debtors - M08 February

Description	NT Code	Budget Year 2016/17									
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days - 1 Yr	Over 1 Yr	Total	Actual Bad Debts Written Off against Debtors
R thousands											
Debtors Age Analysis By Income Source											
Trade and Other Receivables from Exchange Transactions - Water	1200	(5,885)	3,534	2,410	2,080	37,280	-	-	-	41,124	40,158
Trade and Other Receivables from Exchange Transactions - Electricity	1300	887	6,534	2,894	3,289	27,088	-	-	-	36,111	30,894
Receivables from Non-exchange Transactions - Property Rates	1400	3,572	2,704	2,037	1,710	80,238	-	-	-	119,157	111,004
Receivables from Exchange Transactions - Waste Water Management	1500	-	-	-	-	84	-	-	-	54	54
Receivables from Exchange Transactions - Waste Management	1600	803	472	418	287	12,048	-	-	-	13,841	12,415
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-
Interest on Asset Debtors Accounts	1810	1,508	1,071	1,072	1,037	70,484	-	-	-	86,143	80,311
Other	1820	-	-	-	-	-	-	-	-	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1900	3,750	1,032	874	1,107	25,689	-	-	-	33,348	26,976
Total By Income Source	2000	5,037	15,881	10,103	11,203	205,848	-	-	-	332,918	301,913

EC104 Makana - Supporting Table SC4 Monthly Budget Statement - aged creditors - M08 February

Description	NT Code	Budget Year 2016/17								
		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	0100	8,219	-	-	54,017	-	-	-	-	62,236
Bulk Water	0200	-	-	-	-	-	-	-	-	-
PAYE deductions	0300	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-
Loan repayments	0600	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	19,232	16,223	149	18,380	-	-	-	-	53,994
Auditor General	0800	94	2,665	-	9,751	-	-	-	-	12,411
Other	0900	-	-	-	-	-	-	-	-	-
Total By Customer Type	1000	27,546	16,789	149	82,158	-	-	-	-	128,641

EC104 Makana - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M08 February

Description		Ref	2015/16	Budget Year 2016/17						
			Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
R thousands										
RECEIPTS:										
Operating Transfers and Grants										
National Government:										
Local Government Equitable Share	1,2	77,754	77,632	77,632	711	62,780	51,755	9,028	19.0%	77,632
Finance Management		74,637	73,008	73,008	-	57,765	48,672	9,083	18.7%	73,008
Municipal Systems Improvement		-	1,810	1,810	631	2,341	1,207	-	-	1,810
EPWP Incentive		830	-	-	-	-	-	-	-	-
		1,002	1,000	1,000	38	738	637	-	-	1,000
	3	-	-	-	-	-	-	-	-	-
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EC104 Makana - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M08 February

Supporting Table 06 (1) Monthly Budget Statement - transfers and grant expenditure - June February										
Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
EXPENDITURE										
Operating expenditure of Transfers and Grants										
National Government:		77,754	77,632	77,632	711	62,780	51,755	11,035	21.3%	77,632
Local Government Equitable Share		74,637	73,808	73,808	-	57,765	48,672	9,083	18.7%	73,808
Finance Management		-	1,810	1,810	531	2,341	1,207	1,135	94.0%	1,810
Municipal Systems Improvement		830	-	-	-	-	-	-	-	-
EPWP Incentive		1,602	1,000	1,000	38	735	667	71	10.7%	1,000
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
MIG OPERATIONAL		1,185	1,814	1,814	141	1,855	1,210	746	61.7%	1,814
Provincial Government:		2,681	2,801	2,801	-	2,801	1,834	967	50.0%	2,801
Sport and Recreation		2,681	2,801	2,801	-	2,801	1,834	967	50.0%	2,801
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Other transfers and grants [insert description]		-	-	-	-	-	-	-	-	-
District Municipality:		1,800	1,917	1,917	-	1,800	1,278	322	25.2%	1,917
		-	-	-	-	-	-	-	-	-
Health Subsidy		1,800	1,917	1,917	-	1,800	1,278	322	25.2%	1,917
Other grant providers:		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
[insert description]		-	-	-	-	-	-	-	-	-
Total operating expenditure of Transfers and Grants:		81,035	82,489	82,489	711	67,201	54,667	12,334	22.4%	82,489
Capital expenditure of Transfers and Grants										
National Government:		42,510	152,780	39,032	779	8,459	26,021	(17,562)	-47.5%	152,780
Municipal Infrastructure Grant (MIG)		22,610	34,474	35,251	779	5,459	23,601	(18,042)	-76.8%	34,474
		20,080	60,800	-	-	-	-	-	-	60,800
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Bucket Eradication		-	24,083	-	-	-	-	-	-	24,083
INEP		-	7,423	3,761	-	3,000	2,621	479	19.0%	7,423
Provincial Government:		988	1,084	1,084	-	1,084	723	361	50.0%	1,084
		988	1,084	1,084	-	1,084	723	361	50.0%	1,084
		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Other grant providers:		-	16,160	3,033	-	3,785	2,035	1,750	86.0%	16,160
		-	16,160	3,033	-	3,785	2,035	1,750	86.0%	16,160
		-	-	-	-	-	-	-	-	-
Total capital expenditure of Transfers and Grants		43,506	170,043	43,168	779	13,328	28,779	(15,451)	-53.7%	170,043
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		125,341	252,493	125,610	1,490	80,518	83,746	(3,127)	-3.7%	252,493

OTHER PARTIES CONSULTED

There were no other parties consulted.

RESOLVED TO RECOMMENDED:

- That Section 71 report for the month of February 2017 be noted by the Budget Steering Committee.

CHIEF FINANCIAL OFFICER
MS. N.F. SIWAHLA



Report To: BUDGET STEERING COMMITTEE

File ref :

Collaborator/Item no: BSC 5.2

Date: FEBRUARY 2017

**SUBJECT: REPORT DATED 9 MARCH 2017 FROM THE CHIEF FINANCIAL OFFICER ON
EXPENDITURE FOR FEBRUARY 2017**

1. PURPOSE

The purpose of this item is to submit a report to the Budget Steering Committee on capital and operational expenditure incurred for February 2017.

2. FOR DECISION BY

Budget Steering Committee

3. EXECUTIVE SUMMARY

The Expenditure Section includes Expenditure, Vat & Payroll Management, but also Assets and Insurance. The report is split into different sub-sections, the first of which is Expenditure/Creditors.

4. DISCUSSION/CONTENTS

EXPENDITURE/CREDITORS

PURPOSE

This report shows expenditure incurred for the month of February 2017. Only Invoices which fully complied with the SCM policy and developed internal controls were processed for payment. The municipality is financially struggling to timeously pay its creditors within 30 days after receipt of a valid invoice. An amount of R 12 908 202 was paid out during the month of February. Of this amount, R 9 002 674 was in respect of salary related payments, and the remaining amount of R 3 905 528 was paid to creditors such as MIG Contractors (R 779 396), Roads Project (R471 234), fuel suppliers (R358 336), vehicle maintenance service providers (R198 100), Security (R106 100), postage for accounts (R77 500), electrical suppliers (R270 703), legal fees (R230 474), DBSA (R574 881), advertisements (R33 003), commission on traffic fines paid (R24 097), unpaid items reversed on bank account (R 223 359), sundry suppliers (R109 230), refund of deposits and S&T (R291 796) and travel and accommodation (R4 993). The municipality's creditors' balance as per the age analysis as at the end of February was R 127013711. The reason why this amount varies from month to month is because the Expenditure Section is in the process of cleaning up the age analysis by verifying

balances with creditor statements and correcting where required. During February, R31 746 699.46 was added in respect of amounts owing to Amatola Water.

LEGAL REQUIREMENTS

This report is done in terms of the requirements of S65 of the MFMA NO 56 of 2003 - Expenditure Management.

PAYMENT PLANS

Due to financial constraints, the municipality entered into payment plans with some creditors to settle their debts through payment of agreed instalments. There are some difficulties where the municipality fails to honour these payment plans, e.g. the SALGA payment plan, due to financial challenges, however, the municipality is trying its level best to honour monthly commitments.

SUPPLIER		TOTAL AMOUNT OWED	MONTHLY INSTALMENT	AMOUNT PAID	BALANCE
Eskom	Bulk Account payment	R 54 000 000	Current account plus additional. Current account paid in March on due date	R1 000 000 paid on arrears in March on due date	R 54 000 000 (R53 000 000 after March payment)
SALA pension Fund	Employee pension fund deductions were not paid over	R 2 649 430	R 106 249		R 1 104 308 (interest)
Solstice Network	Minimum competency training	R 880 000	R 100 000	R96 000	R392 000
Auditor General (excluding current fees)	Prior years audit fees were never paid.	R 11 895 130	R 350 000	Payment made in March	R 10 463 619
SALGA	Prior year levies	R 2 242 045	R 500 000		R2 242 045
Smith Tabata	Legal fees	R 804 518	R 100 000	R 139 677	R 181 742
Ballenden Rob	Project	R 474 969	R 265 828	R265 828	Paid up
Business Connexion	IT Services	R 325 482	R 162 741	R54 247	Nil. New debt of R1 603 403
North Robertson	Electrical fittings	R 340 000	R 100 000		R 140 000
DBSA	20 Year loan	R 56 358 399	R 574 881	R 574 881	R 55 208 637

No new payment plans were entered into. The amended ESKOM payment plan was approved by Council in January 2017.

LABOUR IMPLICATIONS

None

FINANCIAL IMPLICATIONS

A provision for payment of old debt was budgeted for in the approved budget.

SERVICE DELIVERY IMPLICATIONS

Non-payment of the above accounts will have a negative impact on service delivery, as suppliers are starting to demand cash up front, or refuses to deal with the municipality.

OTHER PARTIES CONSULTED

All Municipal Directorates

RISK

Late payment of suppliers can result in non-compliance with s65 (e) of MFMA & poor service delivery.

ANNEXURES

None

RECOMMENDATION

1. That the Budget and Treasury Expenditure report for the month of February 2017 be noted by the Budget Steering Committee.

PAYROLL REPORT

PURPOSE

The purpose of this part of the report is to report to the Budget Steering Committee about expenditure incurred on councillors & staff benefits for February 2017.

All statutory deductions were paid over to relevant parties. Schedules were subsequently emailed to all relevant parties. All payroll suspense accounts are in the process of being cleared. The total salary cost for the month of February as reported in terms of section 66 of the MFMA amounted to R 13 603 278.47

LEGAL REQUIREMENTS

This report is done in terms of s.66 of the MFMA NO 56 of 2003 - Expenditure on staff benefits

LEAVE ENCASHMENT

During the month of February, Finance Department received payroll input for encashment of leave days for 1 employee that have terminated his services with the municipality, amounting to R15 030.74.

OVERTIME:

The municipality has paid overtime amounting to R 699 390.10 to employees. This has decreased from R 740 910 which was paid for the month of January. Overtime hours claimed is currently being investigated to find ways of reducing overtime. At present the formula links to reporting on PAYDAY is being reviewed. Previously the expenditure on Standby, Shift Work and Overtime was all added together in 1 amount, while the hours were indicated separately for each category. Once revised, we will be able to report on the actual amounts on these individual items. This should then give a more accurate picture of what the overtime expenditure is.

FINANCIAL IMPLICATIONS

The municipality is financially cash strapped, and the overtime votes have been overspent.

SERVICE DELIVERY IMPLICATIONS

None

OTHER PARTIES CONSULTED

None

ANNEXURES

An overtime report is attached and compares the budget to overtime actually paid out as at 28 February 2017.

RECOMMENDATION

1. That the Budget and Treasury Payroll report for the month of February be noted by the Budget Steering Committee.
2. That departmental HOD's should implement controls to reduce overtime and only approve overtime where it is compulsory to work overtime so as to save municipal finances.

MONTHLY RECONCILIATION REPORT

PURPOSE

The purpose of this part of the report is to report to the budget Steering Committee about monthly reconciliations for February 2017.

LEGAL REQUIREMENTS

Municipal Finance Management Act no 56 of 2003

STATUTORY

Section 65 (1) (j) of MFMA which states that all financial accounts of the municipality are closed at the end of each month and be reconciled with its financial records.

BACKGROUND AND REASONING

The financial system for the month of February was closed and the following reconciliations are being prepared and reviewed.

- Bank reconciliation
- VAT reconciliation
- Creditors reconciliations
- Payroll reconciliations

LABOUR IMPLICATIONS

None

FINANCIAL IMPLICATIONS

None

SERVICE DELIVERY IMPLICATIONS

None

OTHER PARTIES CONSULTED

None

RISK

Inaccurate accounting records which might result to misstatement of financial reports

ANNEXURES

None

RECOMMENDATION

1. That the Budget and Treasury reconciliation report for the month of February be noted by the Budget Steering Committee.

UNAUTHORISED, IRREGULAR FRUITLESS & WASTEFULL EXPENDITURE AS AT 31 DECEMBER 2016

PURPOSE

To report to the Budget Steering Committee about unauthorised, irregular, fruitless & wasteful expenditure incurred by the municipality during 2016 /2017 financial year

LEGAL REQUIREMENTS

Municipal Finance Management Act no 56 of 2003

STATUTORY

S1 & 32 of the MFMA NO 56 of 2003 – Unauthorised, Irregular, Fruitless & Wasteful expenditure

FRUITLESS & WASTEFUL EXPENDITURE

In terms of s1 of Municipal Finance Management Act no 56 of 2003, fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

The report shows fruitless & wasteful expenditure incurred by the municipality for the financial period ending 28 February 2017. The municipality has incurred & paid interest expense amounting to R 4 148 017.45 due to non-payment of suppliers within 30 days – see attached schedule.

Due to municipality's current financial situation, the municipality is continuing incurring fruitless and wasteful expenditure. The Internal Audit unit has begun their investigations into the payment of Fruitless expenditure.

IRREGULAR AND UNAUTHORISED EXPENDITURE

The municipality did not incur any irregular / unauthorised expenditure during the year under review. However, the municipality has prior year expenditures which are still disclosed on the municipality's financial records and will always have a negative impact on the municipality's audit opinion. The Acting Municipal Manager did request the Internal Audit unit to investigate and report on these amounts.

FINANCIAL IMPLICATIONS

Finance costs are not budgeted for & need to be condoned by the council or recovered from responsible individual as per MFMA

SERVICE DELIVERY IMPLICATIONS

None

OTHER PARTIES CONSULTED

None

ANNEXURES

Schedule of interest paid for 2016/2017.

RECOMMENDATION

1. That the Budget and Treasury Unauthorised, Irregular, Fruitless & Wasteful expenditure report for the month of February be noted by the Budget Steering Committee.
2. That departmental HOD's should take reasonable steps to ensure that the municipality avoid incurring this expenditure & also investigate reasons for already incurred expenditure.
3. That it be noted that Internal Audit did start their investigation into the interest paid thus far.

CHIEF FINANCIAL OFFICER

MS N SIWAHLA

OVERTIME REPORT - JANUARY 2017

- excluding standby
- Including shift hours

DEPARTMENT	Average Amount 15/16	16-Jul	16-Aug	16-Sep	16-Oct	16-Nov	16-Dec	17-Jan	17-Feb	AMOUNT SPENT YTD	BUDGET TOTAL	BUDGET SURPLUS/ (DEFICIT)
TECHNICAL ADMIN	1,339.45											
MASONS/CARPENTERS	0.00											
ENG DISTR PLANT	14,705.77	R 10,073.92	R 14,656.22	R 14,854.45	R 19,988.43	R 15,339.39	R 11,465.05	R 10,239.56	R 12,297.19	R 20,020.40	10,000.00	-10,000.00
ENG DISTR TRANSPORT	17,655.22	R 17,672.87	R 21,076.86	R 16,126.26	R 18,071.46	R 18,781.70	R 15,331.78	R 15,331.78	R 11,222.78	R 108,914.61	50,000.00	50,000.00
WORKSHOPS	1,417.46	R 638.34	R 4,193.95	R 74.45	R 358.49		R 4,604.74	R 1,040.21	R 2,786.58	R 133,918.06	50,000.00	-83,918.06
ENG PAIR REMOVALS	36,721.45	R 71,069.95	R 75,115.88	R 65,042.72	R 45,574.29	R 59,882.82	R 54,572.27	R 65,875.03	R 40,369.76	R 477,502.72	45,000.00	31,353.24
ENG SEWER ADMIN	4,145.35	R 13,119.27	R 10,521.83	R 16,132.67	R 12,504.00	R 9,193.27	R 10,512.40	R 10,126.70	R 15,402.66	R 97,512.80	7,000.00	-90,512.80
ENG DISPOSAL WORKS	42,799.58	R 25,185.82	R 44,268.46	R 34,743.97	R 44,507.38	R 46,278.51	R 53,110.07	R 61,013.16	R 62,102.82	R 371,210.19	50,000.00	-321,210.19
ENG SEWER RETICULATION	35,366.00	R 26,845.50	R 34,920.69	R 24,163.17	R 23,226.35	R 29,851.96	R 26,377.16	R 36,394.21	R 14,250.16	R 218,069.20	40,000.00	-178,069.20
STORMWATER DRAINS	12,858.49											
ENG STR FOOTPATHS GUTTERS	21,651.30	R 2,234.72	R 11,120.55	R 5,542.47	R 5,944.74	R 7,734.10	R 1,468.50	R 2,839.10	R 17,274.44	R 51,923.90	30,000.00	-21,923.90
TOWN PLANNING	0.00	R 987.62	R 25,904.75	R 3,633.47	R 13,600.61	R 25,502.97	R 126.12	R 3,845.42	R 31,730.43	R 106,578.49	50,000.00	-56,578.49
PROPERTIES AND ESTATES	0.00											
WATER ADMIN	0.00	R 4,046.18								R 4,046.18	0.00	-4,046.18
WATER CONSERVATION PURIF	62,176.66	R 53,016.76	R 84,745.59	R 92,446.66	R 84,732.55	R 82,061.65	R 75,472.24	R 81,625.13	R 65,699.54	R 619,800.12	100,000.00	-519,800.12
WATER JAMES KLEYNHANS	13,074.52	R 9,070.30	R 11,570.45	R 19,389.21	R 18,559.02	R 20,268.49	R 11,399.62	R 30,327.71	R 29,034.59	R 149,659.38	30,000.00	-119,659.38
WATER RETICULATION	56,875.03	R 75,193.97	R 95,963.82	R 90,685.93	R 86,945.51	R 80,134.36	R 87,668.83	R 122,031.72	R 87,561.43	R 727,185.57	10,000.00	-717,185.57
ELECTRICITY ADMIN	348.80		R 4,078.33									
ELECTRICITY DISTRIBUTION	68,511.93	R 75,043.04	R 92,240.62	R 76,836.51	R 73,734.27	R 70,450.89	R 93,520.86	R 85,849.87	R 104,722.07	R 4,078.33	5,000.00	921.67
CORPORATE SERVICES	5,846.39	R 1,549.33	R 1,549.33		R 441.42		R 942.90			R 672,398.13	50,000.00	-622,398.13
CITY HALL & OFFICES	2,476.95	R 697.14	R 6,116.73	R 5,222.82	R 1,372.14	R 2,325.02	R 1,486.49	R 914.76	R 2,151.28	R 2,933.65	52,000.00	49,066.35
COMMUNITY HALLS	12,894.95	R 11,345.93	R 17,089.86	R 16,568.26	R 13,091.16	R 14,275.39	R 11,006.26	R 13,414.90	R 7,548.04	R 20,286.38	30,000.00	9,713.62
COUNCIL	422.84	R 1,768.79	R 8,594.17				R 4,780.86			R 15,143.82	50,000.00	-35,143.82
HUMAN RESOURCES	993.06	R 237.24	R 8,222.90	R 68,146.81	R 20,967.94	R 3,408.82				R 8,542.64	10,000.00	1,457.36
FINANCE ADMINISTRATION	3,472.78	R 2,671.90	R 34,226.61	R 2,244.53	R 1,893.70	R 2,826.25	R 1,660.58	R 3,845.22	R 2,010.41	R 159,979.27	50,000.00	-109,979.27
STORES	102.26									R 23,212.46	10,000.00	-13,212.46
ADMIN & SOCIAL DEVELOPMENT	369.65									R 0.00	5,000.00	5,000.00
CARAVAN PARK	3,525.44	R 7,812.23	R 4,454.51	R 5,646.93	R 3,173.47	R 6,686.88	R 4,287.92	R 8,390.41	R 6,645.18	R 304.92	0.00	-304.92
CEMETERIES	3,076.34	R 2,056.29	R 12,589.66	R 1,417.19	R 4,371.69	R 4,496.86	R 6,985.77	R 9,479.41	R 2,879.70	R 47,097.53	15,000.00	-32,097.53
COMMONAGE	5,688.87	R 4,993.92	R 13,036.54	R 5,674.02	R 7,494.42	R 6,181.05	R 8,610.72	R 7,954.77	R 4,770.21	R 44,006.57	15,000.00	-29,006.57
PARKS ADMIN	1,909.40	R 1,432.86	R 11,349.05	R 350.51	R 408.92	R 2,453.54	R 1,566.52	R 6,231.20		R 54,152.65	15,000.00	-39,152.65
PARKS TRANSPORT	7,851.93	R 8,332.50	R 9,711.00	R 5,270.75	R 2,682.89	R 6,362.82	R 6,097.90	R 8,974.15	R 2,483.65	R 23,792.60	17,000.00	-6,792.60
FIRE CONTROL	96,199.45	R 186,110.82	R 158,761.90	R 136,590.88	R 138,107.36	R 108,871.26	R 90,023.93	R 89,929.93	R 106,741.64	R 49,865.66	40,000.00	-9,865.66
LIBRARY	345.50	R 685.80	R 656.46				R 284.04			R 1,014,937.70	50,000.00	-964,937.70
REFUSE SITE	447.98									R 2,336.40	18,000.00	15,663.60
ROADWORTHY	293.51	R 2,205.70	R 1,804.04							R 1,900.69	0.00	-1,900.69
PUBLIC HEALTH	329.64	R 161.94								R 4,606.95	0.00	-4,606.95
NURSERY	0.00									R 290.69	0.00	-290.69
SANITATION GENERAL	10,785.00	R 5,221.32	R 40,223.67	R 2,094.02	R 1,094.17	R 1,396.01	R 1,282.82	R 6,529.14	R 4,833.91	R 6,461.26	0.00	-6,461.26
TRAFFIC	18,228.18	R 5,048.32	R 68,715.85	R 16,537.75	R 12,153.45		R 5,123.84	R 8,474.95	R 9,415.59	R 71,871.60	35,000.00	-36,871.60
SPORTS GROUNDS	10,495.98	R 20,892.63	R 24,514.88	R 17,518.11	R 17,217.05	R 19,121.67	R 12,029.07	R 14,921.59	R 14,818.73	R 180,374.98	10,000.00	-170,374.98
STR ISLANDS & VERGES	7,237.71	R 6,125.28	R 12,820.60	R 17,518.11	R 9,894.25	R 7,270.52	R 4,321.32	R 17,980.35	R 5,256.72	R 146,367.13	45,000.00	-101,367.13
MAYOR	1,907.82	R 5,417.00	R 11,360.98	R 1,808.73	R 2,849.88		R 6,952.17	R 3,576.32	R 34,801.57	R 74,627.15	45,000.00	-29,627.15
MUNICIPAL MANAGER	0.00									R 66,786.65	5,000.00	-61,786.65
IDP & PERFORMANCE	0.00									R 0.00	2,020.00	2,020.00
MEDIA & COMMUNICATION	0.00									R 0.00	5,000.00	5,000.00
SPEC PROG UNIT	3,396.25	R 2,138.14								R 9,676.08	5,000.00	-4,676.08
LED										R 10,998.54	0.00	-10,998.54
										R 16,080.36	0.00	-16,080.36

OVERTIME REPORT - JANUARY 2017

- excluding standby
- including shift hours

DEPARTMENT	Average Amount 15/16	AMOUNT SPENT 16-Jul	AMOUNT SPENT 16-Aug	AMOUNT SPENT 16-Sep	AMOUNT SPENT 16-Oct	AMOUNT SPENT 16-Nov	AMOUNT SPENT 16-Dec	AMOUNT SPENT 17-Jan	AMOUNT SPENT 17-Feb	AMOUNT SPENT YTD	BUDGET TOTAL	BUDGET SURPLUS/ (DEFICIT)
Sub-Total	R 601,627.73	R 709,193.36	R 1,028,493.37	R 766,500.28	R 691,438.09	R 667,980.45	R 637,077.28	R 740,910.13	R 699,390.10	R 5,241,592.96	1,127,585.00	-4,114,007.80



MAKANA RT ON FRUITLESS & WASTEFULL EXPENDITURE FOR 2016/2017

MUNICIPALITY OF EASTERN CAPE
...o groud geteas the Bay

NO	TRANSACTION DETAILS					PERSON LIABLE (OFFICIAL OR POLITICAL OFFICE BEARER)	TYPE OF PROHIBITED EXPENDITURE	UI	DP	CC	TR	P	WO	GENERAL COMMENTS
	DATE OF DISCOVERY	ACCOUNTING OFFICER	DATE OF PAYMENT	PAYMENT VOUCHER	SERVICE PROVIDER	AMOUNT	DESCRIPTION OF INCIDENT							
1	12/07/2016		July 16		Eskom	9597.47	Interest charged on overdue accounts	X						Interest charged on an delayed payment
2	28/07/2016		July 16		Telkom	904.86	Interest charged on overdue accounts	X						Interest charged on an delayed payment
3	06/07/2016		July 16		Eskom	1,405.06	Interest charged on overdue accounts	X						Interest charged on an delayed payment
4	28/07/2016		July 16		Eskom	701,803.80	Interest charged on overdue accounts	X						Interest charged on an delayed payment
5	31/08/2016		Sept 16		Eskom	61,074.92	Interest charged on overdue accounts	X						Interest charged on an delayed payment
6	12/09/2016		Sept 16		Eskom	225.18	Interest charged on overdue accounts	X						Interest charged on an delayed payment
7	26/09/2016		Sept 16		Telkom	3,424.34	Interest charged on overdue accounts	X						Interest charged on an delayed payment
8	27/09/2016		Sept 16		Eskom	853,924.65	Interest charged on overdue accounts	X						Interest charged on an delayed payment
9	27/09/2016		Oct 16		Telkom	3,295.66	Interest charged on overdue accounts	X						Interest charged on an delayed payment
10	30/09/2016		Oct 16		Eskom	3,472.70	Interest charged on overdue accounts	X						Interest charged on an delayed payment
11	21/10/2016		Oct 16		Eskom	701,552.66	Interest charged on overdue accounts	X						Interest charged on an delayed payment
12	30/09/2016		Nov 16		Auditor- General	79,314.45	Interest charged on overdue accounts	X						Interest charged on an delayed payment

13	28/10/2016		Nov 16		Telkom		2,496.07	Interest charged on overdue accounts	Finance	Wasteful	X					Interest charged on an delayed payment
16	10/10/2016		Dec 16		Eskom		176.61	Interest charged on overdue accounts	Finance	Wasteful	X					Interest charged on an delayed payment
17	10/11/2016		Dec 16		Eskom		335.91	Interest charged on overdue accounts	Finance	Wasteful	X					Interest charged on an delayed payment
18	24/11/2016		Dec 16		Eskom		2,774.69	Interest charged on overdue accounts	Finance	Wasteful	X					Interest charged on an delayed payment
19	31/07/2016		Jan 17		Auditor-General		86,211.62	Interest charged on overdue accounts	Finance	Wasteful	X					Interest charged on an delayed payment
20	30/11/2016		Jan 17		Auditor-General		84,343.44	Interest charged on overdue accounts	Finance	Wasteful	X					Interest charged on an delayed payment
21	08/12/2016		Jan 17		Eskom		3,791.93	Interest charged on overdue accounts	Finance	Wasteful	X					Interest charged on an delayed payment
22	22/12/2016		Jan 17		Eskom		639,403.45	Interest charged on overdue accounts	Finance	Wasteful	X					Interest charged on an delayed payment
23	31/12/2016		Jan 17		Auditor-General		88,764.29	Interest charged on overdue accounts	Finance	Wasteful	X					Interest charged on an delayed payment
24	12/01/2017		Jan 17		Eskom		1,022.93	Interest charged on overdue accounts	Finance	Wasteful	X					Interest charged on an delayed payment
25	31/01/2017		Jan 17		Eskom		3,916.63	Interest charged on overdue accounts	Finance	Wasteful	X					Interest charged on an delayed payment
26	31/01/2017		Jan 17		Eskom		720,525.42	Interest charged on overdue accounts	Finance	Wasteful	X					Interest charged on an delayed payment
27	31/01/2017		Feb 17		Auditor-General		94,258.71	Interest charged on overdue accounts	Finance	Wasteful	X					Interest charged on an delayed payment
					Total		4,148,017.45		Finance	Wasteful	X					

UI Irregular expenditure under investigation
DP Disciplinary process initiated against responsible person
CC Criminal charges laid with SAPS
TR Transferred to receivables for recovery
P Paid or in process of paying in instalments

Preparer:

Reviewer:



MAKANA
MUNICIPALITY | EASTERN CAPE
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BUDGET & TREASURY DEPARTMENT: CFO's MONTHLY REPORTS:

REVENUE & RECEIVABLES

1st LEVEL FAME
2ND LEVEL BUDGET STEERING COMMITTEE (13/03/2017)
3RD LEVEL MAYCO
4TH LEVEL COUNCIL

File No.: **BSC 5.3**

Date : 28 February 2017

**BUDGET AND TREASURY DEPARTMENT: REVENUE COLLECTED REPORT
AS AT 28 FEBRUARY 2017**

PURPOSE

To report to the Committee about revenue received by the municipality for the month of February 2017.

LEGAL REQUIREMENTS

Municipal Finance Management Act no 56 of 2003

STATUTORY

S64 of the MFMA No 56 of 2003 -Revenue management

BACKGROUND AND REASONING

The report shows revenue received by the municipality for the Month of February 2017. Collection is calculated as a percentage of payments received against billing and annual budget.

- Overall actual collection on billed services amounted to R16 967 467.90 against billing of R23 884 444.88 which translates to 71%

Collection Report

Category	Amount Billed	Amount Received	Percentage
Rates	R 4 358 611.54	R 3 623 920.85	83
Electricity	R10 282 411.51	R9 192 572.77	89
Water	R5 537 371.37	R 1 654 859.59	30
Water Connection	R1 398 789.35	R 859 836.91	61
Refuse Removal	R 781 190.65	R 453 089.40	58
Sewer Connection	R1 398 615.48	R 1 031 352.92	74
Lease Income	R 96 844.55	R 78 201.13	81
Housing Rental Income	R 20 766.81	R 7 994.17	38
Sundry Debtors	R 9843.62	R 65 640.18	666

ESTIMATED PROFFIT ON ELECTRICITY

Electricity Purchases	R 7 914 365.37
Prepaid Sales	R 2 126 927.50
Credit Sales	R10 282 411.51
Profit*	R 4 494 973.64

*Subject to credit sales payment received in full

LABOUR IMPLICATIONS

None

FINANCIAL IMPLICATIONS

Increased revenue collection will result in positive service delivery

SERVICE DELIVERY IMPLICATIONS

Increased revenue collection will result in positive service delivery

OTHER PARTIES CONSULTED

None

ANNEXURES

None

RECOMMENDATION

That the revenue collection report for February 2017 be noted by the Committee.

BUDGET AND TREASURY DEPARTMENT: DEBTORS REPORT AS AT 28 February 2017

PURPOSE

To report to the Committee about consumer billing for the month of February 2017.

LEGAL REQUIREMENTS

Municipal Finance Management Act no 56 of 2003

STATUTORY

S64 (f) of the MFMA NO 56 of 2003

BACKGROUND AND REASONING

CONSUMER DEBTORS

Billings for the month of January was done and interest was raised on all overdue accounts. As at 28 February 2017, the municipality's debtors amounted to R334 282 162

This amount is made up as follows

CATEGORY	BALANCE 31 JANUARY 2016	BALANCE AT 28 FEBRUARY 2017
Business	R 44 324 606	R 42 878 244
Residential	R 295 712 078	R 285 160 608
Government	R 7 241 099	R 5 568 661
Councillors	R 58 208	R 36 423
Staff Debtors	R 700 283	R 638 226

DEBT COLLECTOR

The municipality employed REVCO for a period of 3 years, to perform services of debt collection. The supplier is commission based and is paid at 9.12% based on revenue collected by Revco. This means that whatever collected by REVCO, the municipality has to pay an amount equal to 9.12% to REVCO.

Payments made to REVCO for the past months are as follows:

Month	REVCO Collection	Amount paid to REVCO
July	R8 087 135.91	R737 546.79
August	R8 051 389.93	R734 286.76
September	R5 361 020.47	R488 925.07
October	R4 487340.60	R409 245.46
November	R4 098 139.35	R373 750.31
December	R3 160 337.17	R288 222.75
January	R2 000 307.94	R182 428.08

LABOUR IMPLICATIONS

None

FINANCIAL IMPLICATIONS

None

SERVICE DELIVERY IMPLICATIONS

None

OTHER PARTIES CONSULTED

None.

ANNEXURES

Annexure B Summary Ageing Report

RECOMMENDATION

That debtor's report of February 2017 be noted by the Committee.

Committee.

**BUDGET AND TREASURY DEPARTMENT: FREE BASIC SERVICES /
INDIGENT REPORT AS AT 28 February 2017**

PURPOSE

To report to the Committee on Free basic serves for the month of February 2017.

LEGAL REQUIREMENTS

Constitution of the Republic of South Africa, 1996.
Local Government: Municipal Systems Act, No 32 of 2000.

STATUTORY

Constitution of the Republic of SA – section 27 (1) (c).
Local Government Municipal systems act- section 73 (1) (c).

BACKGROUND AND REASONING

The municipality's indigent register is currently not up to date due to time and human resource constraints. The municipality's process of updating the register involves audit of information submitted by applicant through submission of indigent application form. This is time consuming and needs human resource.

LABOUR IMPLICATIONS

None

FINANCIAL IMPLICATIONS

Improved indigent registrations will result in an increase in equitable share.

SERVICE DELIVERY IMPLICATIONS

Increased equitable share will result in better service delivery.

OTHER PARTIES CONSULTED

None

INDIGENT REPORT

Applications Received	Audited & Captured
447	35

INDIGENT REGISTER		
SERVICE	QUANTITY	VALUE OF FREE BASIC SERVICES
WATER CONNECTION	5319	R697 718.41
WATER USAGE	5812	R729 421.28
SEWER CONNECTION	5138	R474 807.15
RATES	6415	R193 137.54
REFUSE REMOVAL	6109	R422 609.96
ELECTRICITY USAGE (MUNICIPAL)	1151	R 94 007.25
ELECTRICITY USAGE (ESKOM)	5505	R302 143.58
TOTAL		R2 913 845.17

An indigent drive commenced 18 January 2017 which included training of councillors, ward committee member and CDW's and campaigning for indigent registrations.

This has been concluded but the process is ongoing as some wards have not been done and a new programme will be circulated.

RECOMMENDATION

1. That indigent report be noted by the committee

BUDGET AND TREASURY DEPARTMENT: METER READING REPORT

PURPOSE

To report to the Committee about the meter reading progress.

LEGAL REQUIREMENTS

Municipal Finance Management Act no 56 of 2003

STATUTORY

Section 64 (1)

BACKGROUND AND REASONING

Meter readers performance for the month of February has improved as follows:

<u>Meter reader</u>	<u>%read Jan 2017</u>	<u>%read Feb 2017</u>
Fulani, Vuyani	9%	62%
Cana, Mbuseli	0%	26%
Maswana, Mandlenkosi	22%	91%
Ngqoyiya, Thembinkosi	15%	57%
Nelo, Mzwandile	10%	74%
Adam, Thandiwe	0%	54%
Patwana, Luvuyo	9%	37%
Charlie Boma	0%	54%
Noluvuyo Coko	5%	40%
Luvuyo Zondani	10%	31%

LABOUR IMPLICATIONS

The municipality has 9 meter readers with 1 supervisor. So far, only one idle employee has been identified from recently absorbed employees. HR processes will be followed in terms of appointing additional meter readers.

FINANCIAL IMPLICATIONS

Appropriate readings will result in increased municipal revenue

SERVICE DELIVERY IMPLICATIONS

None

OTHER PARTIES CONSULTED

None

METER READERS REPORT:

<u>Meter reader</u>	<u>Total Meters</u>	<u>Meters Visited</u>	<u>%read</u>
Fulani, Vuyani	1520	684	45%
Cana, Mbuzeli	593	138	23%
Maswana, Mandlenkosi	1672	1550	93%
Ngqoyiya, Thembinkosi	1533	523	34%
Nelo, Mzwandile	1762	738	42%
Adam, Thandiwe	1567	539	34%
Patwana, Luvuyo	1729	618	36%
Charlie Boma	1942	655	34%
Noluvuyo Coko	1580	578	37%
Luvuyo Zondani	1576	825	52%

RECOMMENDATION

1. That meter reading report be noted by the committee.
2. That the committee be informed that the Municipality is looking into establishing a revenue protection unit to ensure all metered services used are billed for and focused attention is given to billing of electricity and water usage. This matter is still in progress.



REPORT TO: BUDGET STEERING COMMITTEE

File ref (9/1/2/3)

Collaborator/Item no (BSC)5.4

Date: 13 FEBRUARY 2017

SUBJECT: PROCURED GOODS REPORT FOR THE MONTH OF FEBRUARY 2017

REPORT DATED 13 FEBRUARY 2017 FROM THE CHIEF FINANCIAL OFFICER TO BUDGET STEERING COMMITTEE

PURPOSE

To inform the Budget Steering Committee to note all the goods and services that have been procured for the month of February 2017.

LEGAL REQUIREMENTS

Municipal Finance Management Act no 56 of 2003
Approved Supply Chain Management Policy
Supply Chain Management Regulations

STATUTORY AUTHORITY

Chapter 11 of the MFMA No. 56 of 2003

BACKGROUND AND REASONING

Request for Quotations were called for from prospective service providers for procurement less than R30 000-00 and for procurement above R30 000-00 were advertised on the notice board and website and they met the municipal needs and specifications and therefore were considered and approved.

A credible supplier database is in place and procurement is done with suppliers registered on Centralised Supplier Database (CSD) 2017 as required by Treasury. All the suppliers we do business with are verified against Treasury's list of prohibited suppliers.

To ensure Local Economic Development, quotations are first requested from Makana Service providers. However, the municipality finds it difficult to award to Makana Suppliers due to the following:

Local suppliers now demand cash up front and external suppliers don't but they delay delivering the goods on time as agreed and that delays the service delivery.

Strategies implemented to mitigate SCM challenges

Supply Chain unit together with Local economic Development are embarking on a number of initiatives to try to capacitate our Local suppliers so to promote the "Local content" that is business to stay within Grahamstown. As Supply Chain unit we have organised a meeting with the SMME's board that is the Chairperson and Secretary where we have agreed to have monthly meetings and come up with strategies as a collective to keep business within Grahamstown. There will be another **SMME's full supplier day only for Grahamstown SMME's** on the 17th of March 2017 at Joza Indoor Sport centre, all the role players (SARS; CIDB; CSD; Treasury and Infrastructure Directorate) will be there to explain and capacitate SMMEs. Invitations has been sent out.

To overcome the challenge of our local suppliers demanding cash up front we have now embarked on negotiating upfront with the suppliers without making unrealistic commitments and we are trying to communicate with our suppliers where payments cannot be made within 30 days per legislation.

Our Supply Chain Management Policy is currently being reviewed to include the promotion of local content and the reviewed policy will be presented to council for approval on the 29th of March 2017 after it has gone through all other committees.

We have inserted a delivery clause of seven (7) and if no communication is received from the supplier the order will be automatically cancelled. This will assist in eliminating delays which affect service delivery.

LABOUR IMPLICATIONS

None

FINANCIAL IMPLICATIONS

Funding for the goods and services procured has been budgeted for in 2016/17 financial year. Awards were made as follows

Local Services Providers	Quantity(number of procurements)	External Service Providers	Quantity(number of procurements)	Total Awards
R146,128.38	30	R604,194.51	29	R750,322.89

PROCUREMENT AS PER SCM THRESHOLDS

Below R30, 000	Quantity(number of procurement)	Above R30, 000	Quantity(number of procurement)	Total Awards
R367,611.21	57	R382,711.68	2	R750,322.89

Comparison:

Due to the Municipality's financial situation, as Supply Chain Management Unit have been scrutinising procurement requests and we have cut down on procurement so that we don't create a situation where we procure and as the Institution we cannot pay the service providers. Compared to December 2016 where we procured; January 2017 R811,032.79, in February 2017 its only R750,322.89. We plan to stop procuring by end of April 2017 for the 2016/2017 financial year unless its exceptional cases and communication will be sent out to various department so we can concentrate on control and audit preparation.

PROCUREMENT THROUGH COMPETITIVE BIDDING PROCESS

There were **no goods or services** procured through a competitive bid process for the month of February 2017.

PROCUREMENT THROUGH REGULATION 32

In terms of SCM Regulation 32(1)(c) it starts that "the accounting officer may procure goods or services under a contract secured by another organ of state, but only if –

- a) The contract has been secured by that organ of the state by means of a competitive bidding process applicable to that organ of the state;
- (c) There are demonstrable discounts or benefits to do so"
- (d) that other organ of the state and the provider have consented to such procurement in writing.

Name of the project	Supplier /Contract or	Duration/Period	Directorate	Project Manger	Amount
THE EXTENSION OF THE INDOOR SPORT CENTRE-GYMNASIUM IN THE MAKANA LOCAL MUNICIPALITY: PROFESSIONAL SERVICES ONLY	Tixispan Trading t/a Zezethu Engineers	up until the 30 th of June 2017	TECHNICAL & INFRASTRUCTURE. (PMU)	Mr S.Nomandel a	R1 600 000 inclusive of 14 % Value Added Tax.

CONTRACT MANAGEMENT

Contract management: Extensions/ modification to the contract

The section 65 Contract Management of the SCM policy Extension/ modification to the contract (including variation orders):states that

The accounting officer or nominee may, subject to the provisos to this subparagraph and subparagraphs (b) to (d) authorize the issue of expansion or variation orders in respect of contract specifications or conditions of contract in order to accommodate

(b) costs for additional work either unforeseen when contracts were awarded for infrastructure projects, essential or necessary additional work or in instances where factors beyond the control of an appointed contractor has led to or will lead to a delay in a contract completion date provided that:

(i) **No** expansion or variation order may be authorized for an **amount exceeding 20%** of the initial contract price for works related goods, services and/or infrastructure projects; or **15%** for all other goods and/or services; and, provided further –

(c) **A variation order may only be issued after -**

(i) the need for such order has been fully motivated by the responsible project manager and supported by the head of department concerned; and

(ii) the chief financial officer has certified that funds are available to cover the cost the required additional work.

(c) **A request for the issue of a variation order in an amount exceeding R200 000 shall first be referred to the Bid Adjudication Committee** which considered the initial bid for approval provided that the accounting officer may constitute a new Bid Adjudication Committee for this purpose.

(d) No request for a variation order may be approved in circumstance where new bids

Further to that MFMA section 116(3) states that **A contract or agreement** procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, **but only after—**

(a) the reasons for the proposed amendment have been **tabled in the council** of the municipality or, in the case of a municipal entity, in the council of its parent municipality;

During the month of February 2017, the following contracts were identified as needing extension due to the following reasons:

Supplier /Contract or	Contract or address	Tender number	Appointment date	SLA signed date	Period /Duration	Project manager
Tactpro Protection services	Safety and security of municipal assets	14/2014	1/03/2015	17/04/2015	24 months	Mager Ettienne

Challenges:

- The Senior Contract management clerk who started in December has resigned and left the employment of Makana municipality effectively by the 24th of February 2017. This has put enormous strain on the Supply Chain Management Unit, as the unit was starting to functioning effectively considering Makana municipality has never had contract management official also considering the amount of work needed to be done for contracts.
- Lack of management and accountability from project managers for contracts under their care
- Lack of contract monitoring from project managers. Contracts expire and requests for renewals are send late to SCM which then leads all those contracts to any

expenditure incurred under those contracts to be irregular and to be ratified by council.

- o Lack of reporting from project managers more specially on poor performing service providers or dissatisfactions
- o Shifting of responsibility by project managers in contracts where they need to deal with the service provider who is poor performing or demands payments

REGULATION 44 AND 45-SUPPLIERS IN SERVICE OF THE STATE

In terms of SCM regulation 13(c) it states that "A Supply Chain Management policy must state that the municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted the quotation or bid-

c) Has indicated-

1. whether he or she is in the service of the state, or has been in the service of the state in the past previous twelve months;
2. if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months ; or Whether a spouse, child or parent of the
3. provider or of all director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months."

SCM regulation 46(1) states that a "A supply chain Management policy must establish a code of ethical standards complying with sub regulation (2) for officials and other role players in the supply chain management system in order to promote-

(a) mutual trust and respect

(b) an environment where business can be conducted with integrity and in a fair and reasonable manner

Para (2)(e) states that a municipal code of ethical standards must stipulate that an official or other role player involved in the implementation of supply chain management policy of the municipality must declare to the accounting officer details of any private or business interest which that person, or any close family member partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality or municipal entity."

SCM regulation 44 (a) also states that the SCM policy of the municipality or municipal entity must irrespective of the procurement process followed state that the municipality or municipal entity may not make any award to a person who is in service of the state.

MFMA Section 112(1) states that "The supply chain management policy of a municipality or municipal entity must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal supply chain management, which must cover at least the following:

(j) compulsory disclosure of any conflicts of interests prospective contractors may have in specific tenders and the exclusion of such prospective contractors from those tenders or bids"

As SCM we have sent out both the code of conduct/ethics for officials and role players in supply chain management system, gift register and declaration of interest so to avoid non-compliance with the above regulations. To this end there are still officials who have not submitted their signed Code of ethics, gift register and declaration of interest. We urge those officials to please do so as this will lead to audit finding with Auditor General if not complete.

For suppliers: we have asked suppliers to send their declarations of interest when they register and renew their annual registration which we had up until 31 January 2017. We strictly don't accept any written quotations or competitive bids without declaration of interest (MBD4). In a couple of occasions we have requested the declaration of interest documents at evaluation stages of the tenders where the advert did not request/mention them, however if in cases where our adverts have specified them in the requirements then we don't even request them during evaluation stage we disqualify the bidder.

Councillor must also declare their interest annually and sign the code of ethics/conduct. Non-compliance to this will lead to a non-compliance finding and possible irregular finding which will be reported in the Audit report.

We appeal to directors to encourage employees on an annual basis to declare all their business interests and other remunerative work that they perform. These declarations should be updated when there is a change during the year.

During 2015/16 audit, the following suppliers we picked up by AGSA as non-compliance and irregular expenditure as they did not disclosed their interest. For consequence management we are required to do something about these suppliers. We have written letters to the suppliers informing them about their false or non- disclosure and affording them the opportunity to provide us with supporting information to the contrary. We are waiting for replies from suppliers.

The suppliers listed in the table below did not disclose their interest as members/directors are state employees in 2015/16 and we have written to them

Name of person	State institution where employed	Position/ job title	Supplier name	Description of award	Expenditure (Payments) - current year
SIDUMO ZIMKITHA	South African Post Office Li	No Information Received	ZIPHO ZETHO CC T/A A	Construction Work	(429 852.77)
S MATIKINCA	EC: EDUCATION	TEACHER SENIOR	SANGE TRADING CC	40 Bags of cement	(9 000.00)
THOMAS PUMANE	Independent Electoral Commission	No Information Received	ICEBOLAM (PTY) LTD	Working tools and tent and chairs	(25 010.55)
MTHEMBENI MKHIZ	Tshwane Metropolitan Municip	No Information Received	OTIS (PROPRIETARY) LTD	Maintenance fees	(47 831.41)

Dinky Mathabela	Transnet Group	No Information Received	ROYAL HASKONING DHV	MIG-Projects	(149 723.52)
NAMANE MAGAU	NTP Radioisotopes	No Information Received	AON SOUTH AFRICA	Insurance cover	(554 500.12)
Thembisa Dingaan	Development Bank of South Africa	No Information Received	ABSA Bank	N/A	(128 006.13)
E VAN ZYL	NAT: RURAL DEVELOPMNT & LAND REFORM	TOWN AND REGIONAL PLANNER CHIEF GRADE A	SETPLAN	Consultant	(416 191.31)
					(1 760 115.81)

OTHER PARTIES CONSULTED

There were no other parties consulted.

ANNEXURES

Annexures - Procured goods / Quotations Register.

RESOLVED TO RECOMMEND

That Procured goods and services report for the month of February 2017 be noted by the Council.

BUDGET & TREASURY DEPARTMENT: FLEET MANAGEMENT FUEL USAGE REPORT FOR FEBRUARY 2017.

PURPOSE

To inform the end Council to note the fuel expenditure and fleet usage for the month February 2017.

LEGAL REQUIREMENTS

Municipal Finance Management Act no 56 of 2003

STATUTORY REQUIREMENT

Supply Chain Management Policy & Regulations

BACKGROUND AND REASONING

The municipality is owning numerous fleet (vehicles and trucks) which use fuel and oil on a monthly basis. The municipality also incurs major expenditure as a result of repairs and maintenance on the municipal fleet.

Fuel: The municipality's vehicles are refueled at main stores every Monday upon submission of request for fuel memo signed by supervisor / Manager. Due to non-payment of creditors within 30 days upon receipt of valid invoice, the municipality purchases fuel from PE fuel upon making an advance payment almost on a weekly basis. We have managed to cut down and maintain a reasonable cost of fuel due to strict control measures that are applied. Unfortunately when there are delays with PE Fuel we can no longer use the local garage as the owner refuses to do business with us after our drivers misbehaved the last time in January. We as SCM are appealing to everyone to try and maintain good relations with the service providers as that impacts on our ability to do business with them for service delivery. The fuel tanks that are at stores are PE Fuel tanks and they are old and they need to be replaced and that will require serious cash. The concern is during rainy days water gets into the tanks and leads to fuel being drained out while trying to take out water and leads to wastage and car damages. It would be better to have the fuel cards by the time winter starts.

Repairs & Maintenance: The municipality's vehicles are repaired and maintained internally at municipal workshop. Repairs and maintenance items are items are purchased through annual tenders.

Months	January	February
Fuel Consumption	R278,148.70	R277,037.60
Repairs & Maintenance	R277,288.17	R131 303,66

Please refer to the table below for a detailed report on each vehicle which work was done on. Because most of our fleet vehicles are old, they require a lot of maintenance and repairs. Exploring other avenues like lease should be looked at to reduce the maintenance cost and speed the service delivery.

Department Description	Amount	Description of repairs	Creditor Name	Vehicle
COMMUNITY & SOCIAL SERVICES	312,07	disc pads for T22	KOWIE BRAKE & CLUTCH C C	T22
TECHNICAL & INFRASTRUCTURE SRV	348,99	hydraulic pipe for H27	KOWIE BRAKE & CLUTCH C C	H27
TECHNICAL & INFRASTRUCTURE SRV	600,00	starter for W10	DOLPHIN AUTO ELECTRICAL	W10
TECHNICAL & INFRASTRUCTURE SRV	798,00	2x tyre repairs	E P MUFFLERS	
TECHNICAL & INFRASTRUCTURE SRV	1 200,00	parts for W10	DOLPHIN AUTO ELECTRICAL	W10
COMMUNITY & SOCIAL SERVICES	1 253,72	hydraulic pipe for H7	KOWIE BRAKE & CLUTCH C C	H7
TECHNICAL & INFRASTRUCTURE SRV	1 571,75	parts for W23	KOWIE BRAKE & CLUTCH C C	W23
COMMUNITY & SOCIAL SERVICES	1 885,00	repairs to aluminium outlet bracket	MASAKHE ENTERPRISE	
TECHNICAL & INFRASTRUCTURE SRV	4 174,68	supply & fit of windows for W98	GRAHAMSTO WN GLASS	W98
COMMUNITY & SOCIAL SERVICES	1 056,50	sharpen blades X5	CORRECT INVESTMENT CC	X5
COMMUNITY & SOCIAL SERVICES	1 106,94	parts for H12	DAR AUTOMOTIV E (PTY) LTD	H12
TECHNICAL & INFRASTRUCTURE SRV	1 197,00	centre bearing for W71	DAR AUTOMOTIV E (PTY) LTD	W71

TECHNICAL & INFRASTRUCTURE SRV	1 938,00	starter for W63	DAR AUTOMOTIV E (PTY) LTD	W63
COMMUNITY & SOCIAL SERVICES	1 972,77	parts for G1	DAR AUTOMOTIV E (PTY) LTD	G1
COMMUNITY & SOCIAL SERVICES	2 052,00	supply seal kit strip & qoute	CORRECT INVESTMENT CC	
COMMUNITY & SOCIAL SERVICES	2 907,00	cable as per sample for H39	DAR AUTOMOTIV E (PTY) LTD	H39
COMMUNITY & SOCIAL SERVICES	3 306,00	parts for H16	DAR AUTOMOTIV E (PTY) LTD	H16
COMMUNITY & SOCIAL SERVICES	3 969,45	PARTS FOR G38	DAR AUTOMOTIV E (PTY) LTD	G38
TECHNICAL & INFRASTRUCTURE SRV	5 757,10	parts for W87 strip & quote	P E ENGINE RECONDITIO NERS PTY	W87
COMMUNITY & SOCIAL SERVICES	6 996,75	PARTS FOR G33	CORRECT INVESTMENT CC	G33
TECHNICAL & INFRASTRUCTURE SRV	12 592,29	parts for W78	P E ENGINE RECONDITIO NERS PTY	W78
TECHNICAL & INFRASTRUCTURE SRV	74 307,65	REPAIRS FOR HIGH VOLTAGE TESTING MACHINES	H V TEST C C	
<u>131 303,66</u>				

LABOUR IMPLICATIONS

None

FINANCIAL IMPLICATIONS

Funding for the fuel and oil has been budgeted for in the 2016/17 financial year.

BUDGET & TREASURY DEPARTMENT: ASSETS ACQUISITION AND INVENTORY MANAGEMENT FOR FEBRUARY 2017.

PURPOSE

To inform the Budget Steering Committee to note the Assets acquired, capital projects completed and Inventory Management reports for the month of February 2017.

LEGAL REQUIREMENTS

Municipal Finance Management Act no 56 of 2003, GRAP 17, GRAP 12.

STATUTORY REQUIREMENT

Chapter 08, Section 63 (1) (a) of the Municipal Finance Management Act 56 of 2003.

BACKGROUND AND REASONING

The accounting officer must for all the purposes of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as February 2017.

INVENTORY

STOCK ITEMS

The municipality has embarked on a system for inventory management. Approved Inventory policy is currently implemented. Monthly stock takes were done and monthly reconciliation for the month of February 2017 have been prepared wherein the balance brought forward from the previous month, issues and purchases for the current month as well as the closing balance is reflected. On the 7th of April we have invited our Internal Audit Unit to attend the stock count.

The municipality is currently monitoring inventory re-order levels to ensure that excessive stock is not purchased at the same time ensuring that the municipality does not run out of stock.

A list of obsolete and slow moving stock which can be disposed of will be submitted to council for approval (See attached).

ASSETS

The municipality has a fully GRAP compliant Asset Management System in place to record all municipal assets. Depreciation is calculated on a monthly basis and fully GRAP compliant asset register is produced.

There were no new assets or completed capital projects during the month of February. The asset unit is currently conducting asset verification which is planned to be done by end of February, this is part of cleaning up the asset register and to ensure that there are no material findings during the audit for assets. Monthly meeting between asset unit, SCM and

Infrastructure are held to make sure there is flow of information and the asset register is updated with all the changes in projects status accordingly.

Additions:

Doc Date	Creditor Name	Creditor Postal Address	Department Description	Total Amount	Specifications
10/02/2017	SERIES IT SOLUTION CC	PO BOX 2019 IDUTYWA 5000	COMMUNITY & SOCIAL SERVICES	29 925,35	Purchasing of two laptops for SCM manager & senior internal auditor.

DISPOSALS

The Asset Management Unit is currently identifying assets that are slow moving and obsolete for disposals.

LABOUR IMPLICATIONS

None

FINANCIAL IMPLICATIONS

Funding for the additions has been budgeted for in the 2016/17 financial year.

OTHER PARTIES CONSULTED

None

RESOLVED TO RECOMMEND

That the Assets acquisition and inventory management reports for the month of February 2017 be noted the Committee.

BUDGET & TREASURY DEPARTMENT: DEVIATIONS REPORT FOR FEBRUARY 2017

PURPOSE

To inform the Budget Steering Committee to note the deviations to the SCM Policy for the month of February 2017.

LEGAL REQUIREMENTS

Municipal Finance Management Act no 56 of 2003

STATUTORY REQUIREMENT

Municipal Supply Chain Management Regulations.

BACKGROUND AND REASONING

The Accounting officer may allow deviations from, and ratifications of minor breaches of, procurement process. These deviations can only be in the following circumstances.

- (i) in an emergency
- (ii) If such goods or services are produced or available from a single provider only.
- (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile.
- (iv) Acquisition of animals for zoos; or
- (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

The reasons for these deviations must be recorded and reported in the next council meeting and included as a note to the annual financial statements.

During the current year, the following deviations were incurred.

Below is the list of deviations that were incurred during the 2016/17 financial year

DEVIATIONS FOR FEBRUARY 2017

Company Name	Description of Goods	ET Number	Vote Number/Cost center	Reasons	Department
H V TEST C C	REPAIRS FOR HIGH VOLTAGE TESTING MACHINES	Not yet paid	MC302010 781000	Sole supplier	TECHNICAL & INFRASTRUCTURE SRV
BVQ S TRADING CC	HIRING OF WATER TRUCK	Not yet paid	MC401070 781000	Sole supplier	TECHNICAL & INFRASTRUCTURE SRV

LABOUR IMPLICATIONS

None

FINANCIAL IMPLICATIONS

None

OTHER PARTIES CONSULTED

None

RESOLVED TO RECOMMEND

Budget Steering Committee to note the deviation report for the month of February.

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CHIEF FINANCIAL OFFICER
MS. N.F. SIWAHLA



