



Report To: **AUDIT COMMITTEE**

File ref : _____

Collaborator/Item no: _____

Date: **27 JANUARY 2017**

SUBJECT: REPORT DATED 27 JANUARY 2017 FROM THE MUNICIPAL MANAGER TO AUDIT COMMITTEE ON THE SECTION 52 REPORT FOR THE 2ND QUARTER.

Purpose

The purpose of this item is to submit a Sec 52 report for the 2nd quarter ending December 2016 to the Audit Committee.

Legislative Framework

The Municipal Budget and Reporting Regulations (MBRR) are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and better medium term planning and policy choices on services delivery

This report has been prepared in terms of the following legislative framework:

- the Municipal Finance Management Act – No. 56 of 2003, Sections 71 & 52, and
- the Municipal Budget and Reporting Regulations

The MBRR highlights the format of the monthly budget statements.

"the monthly budget statement of a Municipality must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act."

The objective of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of Municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process and other relevant matters as required by the Act.

BACKGROUND AND REASONING

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.

- (a) To priorities and accelerate spending on the overall capital budget
- (b) To utilize the year to date unspent maintenance budget to address quick wins service delivery issues in the community, identified during the budget & IDP participation meetings.

Part 1: Executive Summary

This report is a summary of the main budget issues arising from the in-year monitoring process and intends to inform and enable Council to fulfil its oversight responsibility. It compares the progress of the budget to the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP).

1.1 The actual performance for the six months period on the operating budget can be summarised as follows:

Description	Original Budget R'000	Adjustment Budget R'000	Actual R'000	Annual Budget %
Operating Revenue (billed)	486 191	-	245 553	51%
Operating Expenditure (accrued/actual mix)	486 191	-	233 029	48%
Capital Expenditure	170 043	-	12 381	7%

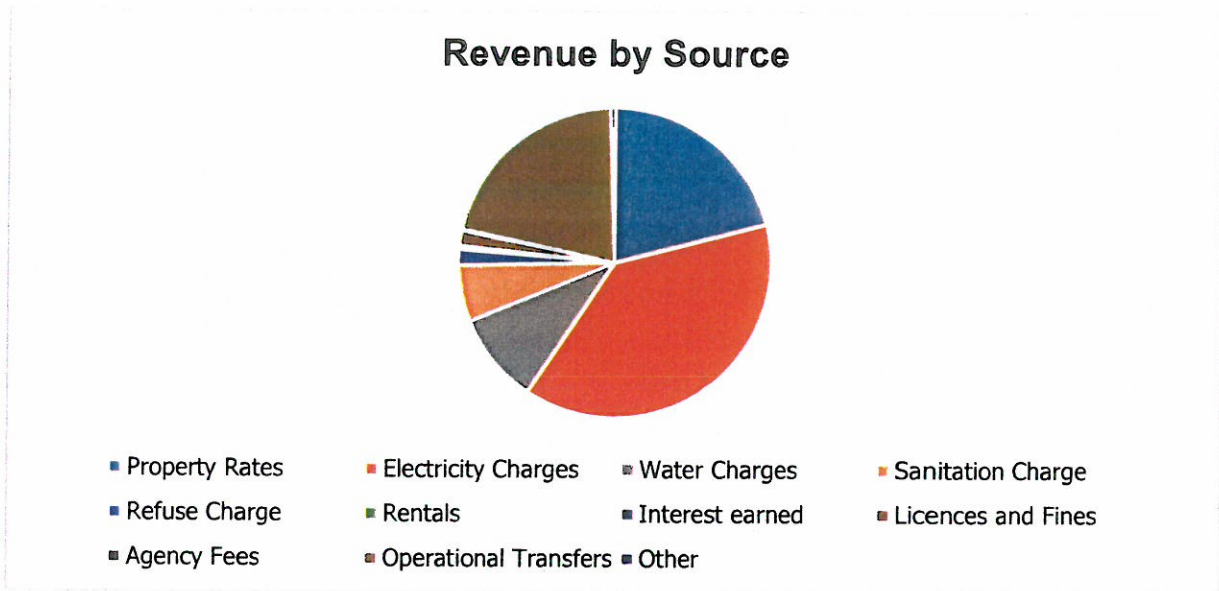
1.1.1 Operating Revenue

The Municipality has generated 51% or R245 553 million of the Budgeted Revenue to date which is in line with the budgeted amounts. During the financial year operating grants totalling R65 179 million were received. The largest part of the grants received forms part of the equitable share allocation for the financial year. Revenue from electricity is 38% under the year to date budget

Major contributors of Operating Revenue to date amounting to R278 805 million are:

- Service Charges-Electricity at R119 267 million or 38%
- Operational Transfers recognised at R65 179 million or 20%.
- Property Rates at R65 116 million or 21%.
- Service Charges-Water R29 243 million or 9%

The following charts compare the actual revenue and expenditure against the approved budget:

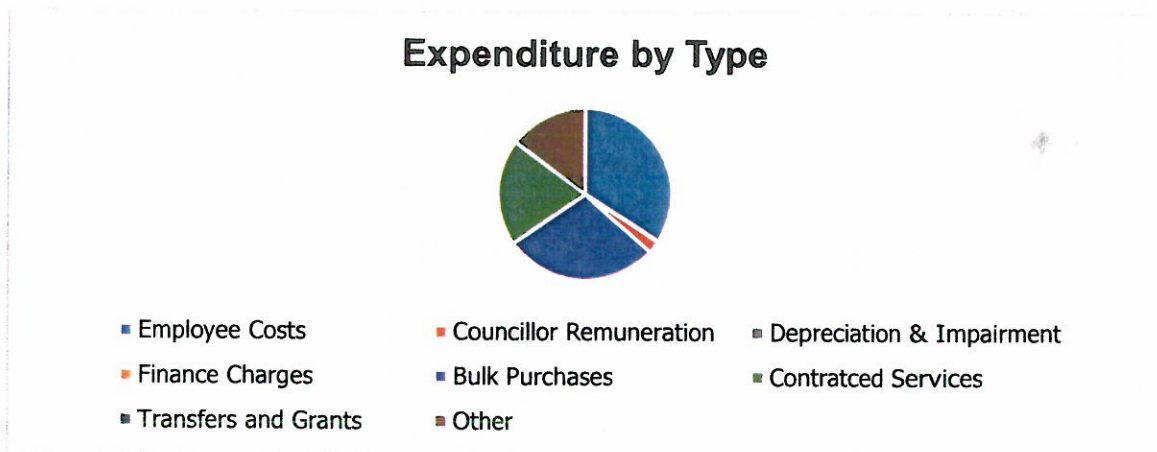


1.1.2. Operating Expenditure

For the quarter ending December 2016, the Municipality managed to spend 48% or R million of the operating budget of R486 191 million.

Major contributors of Operating Expenditure to date amounting to R150 098 million are:

- Employee-related costs at R79 563 million or 34%
- Remuneration of councillors at R5 671 million or 2%.
- Bulk Purchases at R66 864 million or 29%



1.1.3 Capital expenditure

Year-to-date expenditure on capital project amounts to 7% or R12 381 million of the capital budget of R170 043 million.

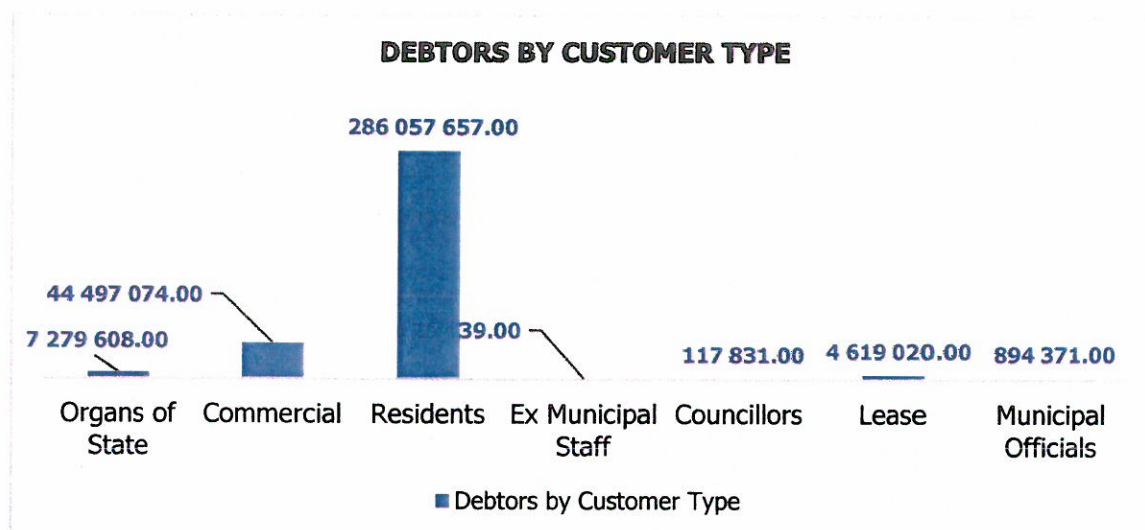
Capital Expenditure of R170 043 million disclosed in above table reflects expenditure of grants transferred directly to municipal bank account and internally funded projects.

1.1.4 Cash Flow

The Municipality started off with a cash flow balance of R2 609 million at the beginning of the year and increased it with R319 051 million. The closing balance for this quarter is R10 158 million. The increase in cash flow is due to the receipt of the operational grants.

1.1.5 Debtors

The following chart indicates the outstanding debtors per customer group (excluding departmental charges)



The Outstanding Debtors of the Municipality amounts to R343 592 million for the quarter ending December 2016. The outstanding debt for more than 90 days amounts to 84%. For the financial year to date the payment rate is 83%. The Municipality is fully implementing the Debt Collection and Credit Control Policy.

1.1.6 Creditors

The following chart highlight the outstanding payments (Ageing of Creditors)

Total outstanding creditors amount to R86 816 million for the quarter ending December 2016. The council is advised to consider condoning interest payment as it is wasteful expenditure.

The municipality has entered into payment arrangement with major creditors. And the austerity measures are adhered to.

Recommendations

- (a) That Audit Committee notes the contents of Sec 52 report for the 2nd quarter of 2016/2017 financial year.

FOR FURTHER DETAILS CONTACT:

NAME	Ms. Riana Meiring
CONTACT NUMBERS	046 603 6138
E-MAIL ADDRESS	rianameiring@makana.gov.za
DIRECTORATE	MUNICIPAL MANAGER


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Ms. R. Meiring
Acting Municipal Manager

31/01/17
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DATE

Municipal Manager's Quality Certification

I, Riana Meiring, Acting Municipal Manager of Makana Municipality, hereby certify that –

- The 2nd quarter report on the implementation of the budget and financial state of the municipality for the period ending 31 December 2016 has been prepared in accordance with the Municipal Finance Management Act and the regulations made under this Act.

NAME: Riana Meiring

SIGNATURE: 

DATE: 31.01.17