

BUDGET AND TREASURY DIRECTORATE



QUARTERLY REPORT TO COUNCIL FOR THE QUARTER ENDING 31 DECEMBER 2021

Compiled By:


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Chief Financial Officer

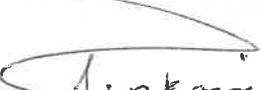
Signed by:


S. Mahlasea
Municipal Manager

Endorsed by:


Cllr. X. Pupuma
Portfolio Head: BTO

Recommended by:


Cllr. T. Nkamisa
Portfolio Head: BTO

4. REVENUE COLLECTION, DEBT MANAGEMENT AND INDIGENT POLICY IMPLEMENTATION

REVENUE COLLECTION

The property rates policy, credit control and debt management policy and the indigent policy were adopted by council and are implemented on a monthly basis. This is done to ensure that all properties valued as per the general valuation roll and supplementary valuation rolls are billed as per the values in the valuation rolls and approved tariff structure and also to ensure that revenue due to the municipality is collected and the financial system is effective and has accurate consumer data.

The municipality appointed the service provider to assist in the preparation of 2019-2024 general valuation roll; all the processes in line with the Municipal Property Rates Act no.6 of 2004 were conducted in all three towns. The General Valuation Roll and the Supplementary Valuation Roll have been uploaded into the system and the objected values have been adjusted and effected into the EMS. The municipality has advertised on the 02nd and 9th of October 2020 for the inspection of the Supplementary Valuation Roll for objections and the closing date is the 27th November 2020.

MSCOA IMPLEMENTATION

The municipality is live on six modules which are Planning, Billing, SCM, Payroll, Inventory and Ledger. The only module that is still outstanding is Asset module which will be live by end of January 2022. December transactions have been captured on the system. There is an improvement in terms of functioning of the system as there are few challenges and their turnaround time is satisfactory.

Property Rates

Properties are levied based on the current valuation roll. The municipality has billed R 39 704 000 which is 32% more than the targeted billing of R 30 000 000. Revenue on property rates has increased due to the implementation of Supplementary Valuation Roll.

Service charges – Refuse billed

The billing for refuse is R 3 060 000 which is 2% more than the targeted billing of R 3 000 000. The increase is due to the implementation of Supplementary Valuation Roll.

Rental of facilities and equipment

This is made up of rentals for Flats, Fingoland Mall, Transkei Quarries and the Country Club. The billing for rentals is R 2 509 000 which is equivalent to 100% of R 2 500 000 which is the targeted billing for the six months.

Interest on investments

The municipality has received an interest of R3 112 000 which is 56% more than the targeted budget of R 2 000 000. The increase is due to an investment on Call Account.

Interest on Outstanding debtors

Interest is charged on outstanding debtors based on prime rate + 2% at the time of billing. Interest charged on outstanding debt is R 5 924 000 which is 19% less than the targeted billing of R 7 337 000 which is caused by increase of collection on outstanding debtors.

Fines

R 3 611 000 has been raised on issued traffic fines which is 10% less than the targeted budget amount of R 4 000 000. Variance on traffic fines issued is due to the expiry of the contract with TCS. The new service provider has already been appointed.

Licences and permits

This is made up of cash from bookings for learners licences, driver's licence renewals, temporals, PDP.

R 453 000 has been collected which is 40% lower than the targeted budget of R 750 000. This is due to the December holidays.

Agency services

This is 19% commission received from the Department of Transport for collection of licensing of cars on behalf of the Department of Transport. R 1 891 000 has been received which is 5% less than targeted budget of R 2 000 000. This is due to the December holidays.

Transfers recognized – operational

- Government grants are the major contributing factor in the operating revenue, which constitutes 79% of the actual operating revenue. R219 028 000 has been received for operating grants which are as follows:
 - Integrated National Electrification Programme Grant (INEG)
 - Equitable Share Grant, Financial Management Grant (FMG)
 - Department of Economic Development, Environmental Affairs and Tourism Grant (DEDEAT)
 - Department of Sport, Recreation, Arts and Culture Grant (DSRAC) and
 - Expanded Public Works Programme (EPWP)
 - Local Government Sector Education & Training Agency

GRANTS RECEIVED AS AT 31 DECEMBER 2021

The municipality on a yearly basis is allocated with funds from the Division of Revenue Act (DoRA), allocation. The municipality has received R 279 302 000 as at the end of December 2021 and R 87 907 000 is still to be received by the end of June 2022. Below is the detail of grants received to date. All grants allocated to the municipality have been committed. LGSETA is not part of DoRA allocations as the municipality receives funds based on the programs approved by LGSETA.

Name of Grant	Allocation as per DoRA	Actual Received	Amount not yet received
MIG	66 145 000	52 865 000	13 280 000
Minerals & Energy (INEG)	9 135 000	7 635 000	1 500 000
Equitable share	282 161 000	209 759 000	72 402 000
FMG	1 850 000	1 850 000	-
DEDEAT	5 000 000	5 000 000	-
DOBAC	500 000	500 000	-
E. VP	2 418 000	1 693 000	725 000
LGSETA	-	226 089	-
TOTAL	367 209 000	279 302 000	87 907 000

5.2 DEBTORS AGE ANALYSIS

The total outstanding debtors as at 31 December 2021 amounts to R222 455 155 million. Debtors payable over 90 days amounts to R 207 309 701 which is 93% of the total debtors balances. The municipality has prioritized the exercise of signing and renewal of Lease agreements for property rental debtors

5.2.1 AGE ANALYSIS PER SERVICE TYPE

Below is the Age analysis per service type and out of R 222 455 155.00, the bulk balance is for property rates.

TYPE OF SERVICE	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	180 DAYS	TOTAL
RATES	R1 945 570	R4 874 670	R4 701 493	R5 112 193	R4 213 460	R140 534 064	R161 381 450
REFUSE	R757 169	R739 967	R724 325	R716 928	R713 094	R39 765 333	R43 416 816
RENTALS	R511 718	R449 023	R441 519	R437 998	R579 227	R15 237 404	R17 656 889
TOTAL	R3 214 457	R6 063 660	R5 867 337	R6 267 119	R5 505 781	R195 536 801	R222 455 155

5.2.2 AGE ANALYSIS OF DEBTORS BY INSTITUTION

Below is the Age analysis of debtors by institution and out of R 222 455 155.00 households are own R161 007 060 which constitutes 72% of the total debtors balances.

INSTITUTION	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	180 DAYS	TOTAL
GOVERNMENT	R475 848	R1 782 548	R1 751 717	R1 742 926	R1 664 239	R16 464 030	R23 881 308
BUSINESS	R632 543	R987 141	R885 512	R1 327 506	R517 361	R33 216 724	R37 566 787
HOUSEHOLDS	R2 106 066	R3 293 971	R3 230 108	R3 196 687	R3 324 181	R145 856 047	R161 007 060
TOTAL	R3 214 457	R6 063 660	R5 867 337	R6 267 119	R5 505 781	R195 536 801	R222 455 155

5.3 INDIGENT POLICY IMPLEMENTATION

The indigent policy was adopted by council and is implemented at all times and all households who qualify as indigent beneficiaries receive free basic services and the operation is run entirely to all 31 mnquma wards to enforce adherence to the policy.

The municipality has submitted an application to the Department of Energy for the installation of non-grid electrification for the second phase and has been approved. The number of households approved for the installation of Solar system is 522 (Ward 10 – 171, Ward 11 – 73, Ward 12 – 131 and Ward 13 – 147). The Department has concluded the signing of SLA between itself and service provider LTM Energy and is proposing to officially introduce the service provider on the third week of January 2022.

The approved list of indigent beneficiaries for FBE is 5859 approved on the 08 July 2021. Below is the number of households supported with 50kWh free basic electricity as per the indigent policy section 7.6.1(a) .

OCTOBER 2021	NOVEMBER 2021	DECEMBER 2021
3 246 Households	3 277 Households	3 267 Households

The reconciliation between Eskom claims and Mnquma Indigent Register is done on a monthly basis. The municipality is still experiencing challenge with Eskom as they are always making claims for Indigent beneficiaries that are not on our Indigent Register. The Municipality has lodged a dispute against the claims made by Eskom for beneficiaries that are not on Mnquma indigent register.

6.2 UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are reconciled with their relevant accounts on a monthly basis and the expenditure incurred on grant funding is transferred from the investment account to the primary account and revenue is recognized when the expenditure is incurred. As at 31 December 2021 the municipality had R 41 743 343 unspent funds. Of the DoRA allocations received as at 31 December the municipality has spent 59% on FMG and 80% on INEP.

NAME	OPENING BALANCES	GRANT RECEIVED	EXPENDITURE	CLOSING BALANCE	% SPENT
Municipal Infrastructure Grant Investment (MIG)	6 529 698	52 865 000	35 312 410	24 082 287	59
Finance Management Grant (FMG)	0	1 850 000	520 455	1 329 545	28
Electrification (INEG)	0	7 635 000	6 127 454	1 507 546	80
EPWP	0	1 693 000	605 000	1 088 000	36
LGSETA	350 584	226 089	149 940	426 733	26
DSRAC	1 088 243	500 000	149 052	1 439 191	9
DEDEAT	0	5 000 000	0	5 000 000	0
Department of Human Settlements	0	0	0	0	0
OTP	0	0	0	0	0
EDSMG	6 870 040	0	0	6 870 040	0
TOTAL	14 838 565	69 769 089	42 864 311	41 743 343	51

The difference on expenditure reported on table 6.1 above and table 6.2 is due to expenditure incurred and interest received not yet transferred from the investment account to the cheque account and the MIG received in December 2021 that was transferred to the investment account in January.

- **Depreciation and impairment**
This will be calculated when preparing the Annual Financial Statements.

- **Finance charges**

The expenditure incurred is sitting at R229.50 which is 98% less than the targeted amount of R10 000.00. Due to consequence management, the expenditure for fruitless and wasteful expenditure has been reduced.

- **Other materials**

Expenditure on Other materials is sitting at R 1 556 000 which is 65 % less than the targeted expenditure of R 2 405 000.

- **Contracted services**

Expenditure on contacted services is sitting at R 2 261 000 which is 13 % more than the targeted expenditure of R 16 837 000. The expenditure on the contracted services is at 7% which is above the norm of 2.5%

- **Transfers recognised - operational**

Expenditure on Transfers recognised – operational (Electricity for Indigent) is sitting at R 6 101 000 which is 71 % to the targeted expenditure of R 8 644 000 .

- **Other expenditure**

R3 570 000 has been spent which is 15% more than the targeted expenditure of R24 035 000.

7.2 ACTUAL BORROWINGS

There are no existing borrowings as at 31 December 2021

7.4 CAPITAL PROJECTS AS AT 31 DECEMBER 2021

Council has approved a Capital budget of R171 699 974 and as at 31 December 2021 R50 843 320 has been spent which is 30% of the total capital budget. The capital budget is funded through Municipal Infrastructure Grant (MIG), Integrated National Electrification Programme (INEP), Human Settlement and Equitable share. The municipality has spent 55% at mid-term which is more than the Dora conditions of 40%. The majority of capital expenditure has been spent by Infrastructure department. Below is the summary of the capital budget expenditure per directorate and per funding sources.

7.4.1 CAPITAL PROJECTS PER DIRECTORATE

DIRECTORATE	ORIGINAL BUDGET 2021-2022	1ST ADJUSTMENT BUDGET 2021-2022	ACTUAL TO DATE	VARIENCE	% SPENT
INFRASTRUCTURAL PLANNING AND DEVELOPMENT	139 515 336	148 164 849	49 340 552	98 824 297	33
BUDGET AND TREASURY	10 900 000	11 985 238	62 243	11 922 995	1
CORPORATE SERVICES	3 445 000	3 458 446	681 175	2 777 272	20
LOCAL ECONOMIC DEVELOPMENT	5 155 000	6 181 444	748 650	5 432 794	12
COMMUNITY SERVICES	1 160 000	1 689 997	0	1 689 997	0
STRATEGIC MANAGEMENT	220 000	220 000	10 700	209 300	5
TOTAL PER DIRECTORATE	160 395 336	171 699 974	50 843 320	120 856 655	30

7.4.2 CAPITAL PROJECTS PER FUNDING SOURCES

FUNDING SOURCES	ORIGINAL BUDGET 2021-2022	1ST ADJUSTMENT BUDGET 2021-2022	ACTUAL TO DATE	VARIENCE	% SPENT
EQUITABLE SHARE	64 869 688	69 644 629	9 641 391	60 003 238	14
MUNICIPAL INFRASTRUCTURE GRANT	62 837 748	69 367 446	33 236 543	36 130 903	48
INTERGRATED NATIONAL ELECTRIFICATION PLAN	9 135 000	9 135 000	6 127 454	3 007 546	67
DEPARTMENT OF HUMAN SETTLEMENT	8 900 000	8 900 000	0	8 900 000	0
OTP	14 652 900	14 652 900	1 837 931	12 814 969	13
CAPITAL PROJECTS PER FUNDING	160 395 336	171 699 975	50 843 320	120 856 656	30

8 PAYROLL MANAGEMENT

8.1 SALARIES AND ALLOWANCES FROM 01 OCTOBER TO 31 DECEMBER 2021

The purpose is to report on the payroll expenditure from 01 October 2021 to 31 December 2021 as per Section 66 as per the Municipal Finance Management Act. The expenditure incurred follows:

EXPENDITURE	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Salaries	12 704 591.54	10 892 109.51	11 073 162.00	34 669 863.05
Salaries Councillors	1 341 521.57	1 127 375.05	1 342 215.09	3 811 111.71
Traditional Leaders	36 000.00	4 800.00	-	40 800.00
Unpaid leave	-12 847.30	-26 424.90	-12 226.68	-51 498.88
Performance Bonus	-	-	-	-
Leave Pays	192 780.67	390 293.39	104 298.14	687 372.20
Overtime	32 841.61	17 165.53	38 621.09	88 628.23
Wages (EPWP Casuals)	344 680.00	354 040.00	347 760.00	1 046 480.00
Wages (Ward Committee)	367 200.00	48 960.00	-	416 160.00
Bonus	922 551.72	1 133 365.50	949 646.82	3 005 564.04
Long Service Bonus	46 296.49	33 197.40	65 031.02	144 524.91
Housing Subsidy	20 254.71	20 254.71	19 565.77	60 075.19
Travel	124 766.69	124 766.69	124 766.69	374 300.07
Data Card – employees	48 014.29	46 995.23	46 514.29	141 523.81
DatRa Card Councillors	18 600.00	18 600.00	19 160.00	56 360.00
M/Vehicle	439 606.51	374 782.90	463 188.77	1 277 578.18
Other Allowances:				
Salgbc	4 377.50	4 346.60	4 336.30	13 060.40
Acting Allowance	29 103.08	36 087.92	9 312.99	74 503.99
Danger Allowance	-	-	-	-
Shift Allowance	50 012.43	52 089.38	52 153.17	154 254.98
Night Allowance	22 209.12	25 719.84	23 659.20	71 588.16
Standby All	3 397.51	2 571.70	12 046.09	18 015.30
Cell phone – Employees	178 038.99	174 496.14	173 210.43	525 745.56
Cell phone – Councillors	210 800.00	213 746.67	214 200.00	638 746.67
Cell phone- Traditional leaders	7 200.00	960.00	-	8 160.00
Pension Allowance	-	-	128 806.62	128 806.62
Med Aid Allowance	-	-	27 644.07	27 644.07
Non Pensionable All	-	-	1 347 000.00	1 347 000.00
Pension	1 972 955.56	1 939 237.48	1 788 273.30	5 700 466.34
Med. Aid	800 606.29	766 486.23	741 724.62	2 308 817.14
Uif	78 710.34	77 369.39	80 403.14	236 482.87
Sdl	157 840.56	138 035.50	161 146.76	457 022,82
Total	20 142 109.88	17 991 427.86	19 345 619.69	57 479 157.43

9 IMPLEMENTATION OF SCM POLICY

1. Introduction

In terms of clause 6(1)(3) of the Municipal Supply Chain Management Regulations, 2005, which deals with the Oversight role of council of municipality or board of directors of municipal entity:

- (1) *The council of a municipality and the board of directors of a municipal entity must maintain oversight over the implementation of its supply chain management policy.*
- (2) *The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor of the municipality or the board of directors of the municipal entity, as the case may be.*
- (3) *In accordance with Regulation 6(2)(a)(i) of the SCM Regulations the Accounting Officer must “within 30 days of the end of each financial year, submit a report on the implementation of the Supply Chain Management Policy of the municipality to the Council of the municipality.”*

2. SCM Policy & Procedures

2.1 Adoption of Policy by Council

- **The municipality have the following supply chain management policies as follows:**
 - ❖ Supply Chain Management (SCM) policy for General Goods and Services
 - ❖ Supply Chain Management Policy (SCM) policy for Infrastructure Delivery Management)
- **The above supply chain management policies have been reviewed and approved by the Council on the 28 May 2021, Council Resolution Number SCM6/20/007.2.2.1**

2.2 Supply Chain Management (SCM) Procedures

To monitor adherence to supply chain management policy, laws and regulations, supply chain management checklists are being completed and signed for each payment.

2.3 Delegations

Supply Chain Management Delegations are as follows:

- *Procurement Requisitions are signed by the heads of Directorates (Directors)*
- *Procurement Recommendations are signed by Manager: SCM*
- *Purchase Orders are authorized as according to thresholds as follows:*
Orders Below R 30 000 Manager: SCM
Orders above R 30 000 Manager SCM, CFO and Municipal Manager
- *Contract above R 30 000 are awarded by the Municipal Manger*

4. Functioning of Bid Committees

4.1 Bid Committees are functional and constituted in line with Regulations 27, 28 &29.

- Bid Specification Committee (BSC)
- Bid Evaluation Committee (BEC)
- Bid Adjudication Committee (BAC)

4.2 Infrastructure Committees are aligned with the standard for Standard for Infrastructure Delivery Management (SPDIM)

4.3 Bid Committees Terms of Reference are in place.

5. REPORTING ITEMS

5.1 Deviations

5.1.1 Section 114 (Approval of tenders not recommended)

- There were no un-recommended tenders approved.

5.1.2 Regulation 32 (Procurement of goods and services under contracts secured by other organs of State)

- There was no procurement done applying Regulation 32

5.1.3 Regulation 36 (Deviation from, and ratification of minor breaches of, procurement processes)

1. Deviation register for the quarter has been prepared in compliance with Regulation 36 of Local Government: Municipal Finance Management Act (56/2003) Municipal Supply Chain Management (SCM) Regulations which states that:

The accounting officer may –

- (a) Dispense with the official procurement processes established by Mnquma local municipality supply chain management policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only:

Service Description	Reason for Deviation
	In addition to the above the municipality deviate to avoid towing fees wherein the vehicle has to be towed to different manufacturers to obtain written price quotation i.e. to be towed to Toyota in east London, Toyota Gqeberha and/or to Toyota Durban
Insurance Excess	In the event where a municipal vehicle, machinery and/or equipment needs to be repaired as a result of an accident or a similar event, the appointed municipal insurance company will appoint an approved panel beater to which the insurance excess will be paid directly to the panel beater by the municipality, therefore one quotation will be sourced in this regard as impractical to obtain three written price quotations
Advertising	Arena Holding/Daily Dispatch is the only service provider registered on the Central Suppliers Data Base to offer the advertising services as the paper that is commonly circulated locally. Therefore that made impractical to obtain three written price quotations
Professional Affiliation fees	In this cases it is impractical or impossible to obtain three quotations as it may be found that the employee is already a registered member in that professional body and it is in line with his/her profession.

(See the attached Deviations Register: July 2021- December 2021)

5.2 Unauthorized, Irregular, Fruitless & Wasteful Expenditure

The municipality maintain registers of all incidents of unauthorised, irregular or fruitless and wasteful expenditure. Incidents are registered in the aforesaid register as soon as they occur. Records for such expenditure are being kept safe for audit and all such expenditure is disclosed in the annual financial statements. The municipality have a functional Municipal Public Accounts Committee to investigate unauthorised, irregular or fruitless and wasteful expenditure and make a recommendation to the council.

Unauthorised expenditure - overspending of approved budget. Spending not in line with the original approved budget item and expenditure incurred without the appropriate approval.

- The expenditure as at end December 2021 is in line with the original approved municipal budget and there is no expenditure incurred without appropriate approval. **Therefore, the municipality does not have unauthorised expenditure for the quarter.**

5.4 Procurement Plan Implementation

- i) Supply Chain Management division coordinated the development of 2021/2022 procurement plan in consultation with end-user directorates through IDP directorate sessions.

The municipal directorates procurement plans are linked to the annual budget, and were consolidated to be the municipal annual procurement plan for 2021/2022 financial year and approved.

- ii) Report on implementation of procurement plan for financial 2021/2022 – Quarter is as follows:

Local Economic Development	44	41	93%	<p>The following three projects were awarded due non-adherence to procurement turn-around:</p> <ul style="list-style-type: none"> • Qolorha upgrade • pig stall • Revitalisation of a donated state farm • Review SDF • Furniture and equipment • Supply and Delivery of Animal Medication for two emerging farmers 	<p>Weekly correspondence will be sent to the Directorate to remind them about their planned projects and to update them about the progress of the implementation of the procurement plan.</p>
Corporate Services	44	39	88%	<p>The following five projects were awarded due non-adherence to procurement turn-around:</p> <ul style="list-style-type: none"> • Appointment of service provider for 8 electronic media slots by June 2021 • Develop 2021/2022 OHS Plan by June 2021 • Procurement of 308 Filing Cabinet for Registry • Procurement of G/S • 24 Hors Toll Free Hotline Services 	<p>Weekly correspondence will be sent to the Directorate to remind them about their planned projects and to update them about the progress of the implementation of the procurement plan.</p>
Community Services	13	7	53%	<p>The following Six projects were awarded due non-adherence to procurement turn-around:</p> <ul style="list-style-type: none"> • "Installation of Alarms systems (DLTC, Centane, LEDP and Ngqamakwe, Traffic) • Installation of Burglar proofing (Registering Authority, Msobomvu Hall, Centane TRC hall, Community Services, Ngqamakwe TRC Hall) • "Installation of Alarms systems 	<p>Weekly correspondence will be sent to the Directorate to remind them about their planned projects and to update them about the progress of the implementation of the procurement plan.</p>

**Procurement plan for the quarter has been implemented see the attached detailed implementation report
(Attached as Annexure B)**

5.5 Bids Awarded above R30 000 as at December 2021

No.	Project name	Bid number	Contractor	Contractor Amount
1.	Supply and Delivery of Cleaning Material for a period of a year	MNQ/SCM/84/20-21	Tabazi Projects (Pty) Ltd	Based on Quotations
2.	Supply and Delivery of Refuse Bags for a period of a year	MNQ/SCM/79/20-21	N2 Assist Towing and Recovery Service (Pty) Ltd	R 125.00 per bale on quotation basis
3.	Appointment of a Service Provider to Train 21 officials on municipal governance	SCM/MLM/61/20-21	Kgolo Business Trust	178 500.00
4.	Construction of Masizakhe to Nzanzana AR	MNQ/SCM/10/21-22	Mikuwo Construction	4 949 087.00
5.	Construction of Rhaladiya to Jingqi AR	MNQ/SCM/05/21-22	Gqobo Investments CC	4 370 155.37
6.	Construction of Gcina (Ezingeni) AR	MNQ/SCM/05/21-22	ZKS and Nam General Trading	5 270 478.79
7.	Supply and Delivery of LED Street Lights	MNQ/SCM/89/20-21	Mentolek Projects (Pty) Ltd	587 667.94
8.	Construction of Fihlani AR	MNQ/SCM/09/21-22	Rosibu Holding	4 864 535.95
9.	Construction of Ibika Internal Streets	MNQ/SCM/08/21-22	Devomix (Pty) Ltd	3 997 505.82
10.	Rehabilitation of Msobomvu Main Road	MNQ/SCM/01/21-22	Lunika Investments	11 687 396.34
11.	Supply & Installation of 90 hawkers Stalls	MNQ/SCM/03/21-22	AK Building Construction (Pty) Ltd	5 829 179.19
12.	Construction of Ntseshe Community Hall	MNQ/SCM/07/21-22	Masiba & Son Trading (Pty) Ltd	4 055 784.24
13.	Construction of Thongwana Outdoor Sport Facility	MNQ/SCM/02/21-22	Counterpoint 420 CC	7 265 382.44
14.	Supply, Delivery and Installation of Network Cabling for LED Offices and Network Point for Municipality Mobile Offices	MNQ/SCM/91/20-21	SMS ICT Choice (Pty) Ltd	442 148.40
15.	Construction of Zizamele Internal Streets (Gravel)	MNQ/SCM/04/21-22	Masiyabu Trading and General Civil Construction (Pty) Ltd	7 395 446.23
16.	Paving of Vuli-Valley Main Road	MNQ/SCM/13/21-22	Lunika Investments	7 882 576.55
17.	Supply and Installation of 20 LED Street Lights Along Mthatha Street & King Street	MNQ/SCM/05/21-22	Mabhese Electrical Projects and Trading (Pty) Ltd	1 631 369.70

No.	Project name	Bid number	Contractor	Contractor Amount
31	Planning, Designing and Construction of Animal Pound at Mission Location Butterworth	MNQ/SCM/92/21-22	Kaazi Engineering Group (Pty) Ltd	R 3 916 068.64
32	Tar Surface Repairs and Asphalt Overlay at Blyth and King Link Roads	MNQ/SCM/18/21-22	Gqobo Investments CC	R 4 440 337.03
33	Tar Surface Repairs and Asphalt Overlay at Academy, Blyth, Stanford, Robinson and Daly Street	MNQ/SCM/17/21-22	Mantishe Construction CC	R 7 346 778.72
34	Refurbishment of Butterworth Town Hall	MNQ/SCM/38/21-22	ZKS and Nam General Trading	R 4 168 592.45
35	Construction of Thongwana Outdoor Sports Facility Phase 1	MNQ/SCM/51/21-22	Khula Africa Agriculture and Construction Projects	R 6 407 740.10
36	Training of Twenty- One (21) Officials on Municipal Governance	SCM/MLM/61/20-21	Kgolo Business Trust	178500
37	Editing,Designing, Layout, Formatting Printing, Binding and Cover of the 2021/2022 IDP	SCM/MLM/30/20-21	Copy World	R 47 472.00
38	Supply and Delivery of Food Parcels for Mandela Day	SCM/MLM/30/21-22	Swift Express and Warehouse cc	R 46 241.65
39	Training of forty- one (41) Officials on Performance Management	SCM/MLM/71/20-21	Fachs Business Consulting and Training	R 113 395.75
40	Supply and Delivery of Books for Butterworth and Thanga Libraries	SCM/MLM/69/20-21	Sothozulu Projects (Pty) Ltd	R 99 016.38
41	Training of Forty One (41) Officials on Risk Management	SCM/MLM/80/21-22	Summat Training Institute (Pty) Ltd	R 77 797.80
42	Tree Felling and Pruning of Butterworth CBD, Centane CBD and Centane Cemetery	SCM/MLM/06/21-22	DWorld Development	R 75 000.00
43	Fixing, Revamping, Design, Printing and Installation of Municipal Building Outdoor Signage, Directional Road Signage and Indoor Office Signage	SCM/MLM/62/20-21	Khayasonke Communications (Pty) Ltd	R 88 500.00

No.	Project name	Bid number	Contractor	Contractor Amount
57	Supply, Delivery, Implementation and Commissioning of Data Centre and Disaster Recovery Services for Mnquma Local Municipality for a period of five (05) years (effective 03 January 2022 - 31 January 2027)	MNQ/SCM/47/20-21	Sense – IT (Pty) Ltd	R 7 796 579.51
58	Supply and Delivery of Motor Vehicle and Plant	MNQ/SCM/31/21-22	Imvelo Consulting and Project Managers	16 438 773.70
59	Appointment of a Service Provider for Re- Planning, Valuation and Surveying of Municipal Properties	MNQ/SCM/34/21-22	Fourways Consulting Services	R 618 240.00
60	Supply and Installation of Software for Capturing and Processing of Traffic Fines for a Period of Three (03) Years, effect 04 January 2022 to 31 January 2025	MNQ/SCM/29/21-22	Dunamis Empirium Services (Pty) Ltd and Fegza Trading Enterprise (Pty) Ltd Jv	R 2 810 600.00

5.6 Municipal Bid Appeals (if applicable)

- i) There were no bids appeals received for the quarter.

5.7 Contracts and contract management

In terms of Section 116.2(b) of the Municipal Finance Management Act (MFMA), the municipality monitors the contracts on monthly basis for the performance of the contractor under the contract or agreement.

Delivery under each contract is being monitored to ensure that it achieves its original objectives and effecting any necessary changes to the contract are done upon receipt of the approved changes. Monitoring of contract includes tracking and auditing of contract terms such as:

- Pricing and discounts
- Timelines of payments and receipts
- Performance in delivering agreed service level or specification of goods and services
- Amendments

End-user directorate takes responsibility for day to day management and monitoring of contract in line with the contractual conditions.

Contract register is maintained and updated when there is an award made.

- Amount committed for goods or services not yet received as at end December 2021 amounts to R 138 020 896.57
- Monitoring the contracts all amounts paid are within terms and conditions of the contract, there are no breaches of conditions or service delivery targets (either party) and there are no significant price variations or other variations in the conditions.
- **List of Contracts due to expire:**

Project name	Project End Date
Supply, delivery, installation, commissioning and maintenance of office automation solutions to Mnquma local municipality for the period three years	28 February 2022
Supply and Delivery of tubes, tyres and rims for a period of 1 year	25 January 2021

Detailed Contracts Register and Commitments Register as at December 2021 is attached .

5.7.2 Variations

i) Variations within 15% or 20% (this can part of contract register)

There were no variations within 15% or 20% for quarter.

ii) Variations above 15% or 20% (Comply with MFMA S116(3)) (this can be part of contracts register)

There were no variations above 15% or 20% for the quarter.

5.7.3 Supplier Performance Management

In terms of Section (2) (b) of the MFMA — The performance of the contractors under the contract or agreement are monitored on a monthly basis. The following measurements are being implemented to monitor the performance of service providers:

- Site visits in accordance with the requirements of the contracts;
- Site meetings with service providers;
- Performance reviews are conducted before payments is being paid.
- In instances where non-performance has been identified, a formal letter advising a specific non-performing areas and stating the remedial action(s) required within a specific timeframe are issued to the nonperforming service provider, by the Supply Chain Management in consultation with the end-user directorate.

The municipality have 97 contracts in which 35 are construction projects and 62 operating projects. The overall performance of service provider has been evaluated as satisfactory.

(See the attached supplier's assessment report).

Project	Date Advertised	Date Closed
Supply and Delivery of Mobile Toilets	November 18, 2021	03 December 2021
Supply and delivery of Animal Medication for two Farming Cooperatives	November 18, 2021	02 December 2021
Appointment of a Service Provider for the Supply, Delivery and Installation of Building Material and Rehabilitation of Electrical Reticulation and air Conditions in Msobomvu Hall	November 18, 2021	11 January 2022
Appointment of a Service Provider for Refurbishment of House No.57 Blyth Street	November 18, 2021	11 January 2022
Supply, Delivery and Installation of Air Conditioners	November 18, 2021	02 December 2021
Supply and Delivery of Back to School Uniform for Vulnerable Children	November 18, 2021	03 December 2021
Hiring of a Service Provider for Provision of Lifeguard Services	November 16, 2021	23 November 2021
Appointment of four (04) Panel of Attorneys for the handling of Mnquma Local Municipality Legal matters for a period of three (03) years	November 16, 2021	15 December 2021
Maintenance of Blythswood Caves in Ngqamakwe	November 16, 2021	15 December 2021
Provision of Comprehensive Insurance Cover for Mnquma Local Municipality Assets for a Period of Three Years	November 16, 2021	15 December 2021
Training of 40 Officials on Dispute Resolution	November 15, 2021	22 November 2021
Hiring Of D9 Dozer for a Period of Five (05) Days	November 15, 2021	23 November 2021
Supply and Installation of Network Points for Mnquma DLTC Offices	November 12, 2021	23 November 2021
Supply and Delivery of License Disc Scanners	November 12, 2021	22 November 2021
Supply, Delivery and Installation of Burglar Doors, Windows and Gates for DLTC Offices	November 11, 2021	17 November 2021
Appointment of a Service Provider to Provide 24 Hours Toll Free Fraud Hotline Services for Mnquma Local Municipality for a Period of Two (02) Years	November 11, 2021	13 December 2021
Supply and Delivery of Cartridges for the Period of one (01) Year	November 11, 2021	13 December 2021
Supply and Delivery of Paint for Interior & Exterior Walls at Ngqamkwe TRC Hall	November 11, 2021	18 November 2021

7. Local Content Procurement

Tenders with local production content in this quarter are as follows:

Project name	Bid number
Supply And Delivery of 84 Laptops and laptop bags	MNQ/SCM/95/20-21
Supply, Installation and Commissioning Of Standby Generators, Ups and Refurbishment of Electrical Distribution Board Including Maintenance Contracts for Mnquma Main Building	MNQ/SCM/97/20-21
Construction of Butterworth Tourism Information Centre	MNQ/SCM/43/20-21
Supply and Installation of Network points for Satellite Offices	MNQ/SCM/25/21-22
Planning, Designing and Construction of Animal Pound at Mission Location Butterworth	MNQ/SCM/92/21-22
Refurbishment of Butterworth Town Hall	MNQ/SCM/38/21-22
Construction of Thongwana Outdoor Sports Facility Phase 1	MNQ/SCM/51/21-22
Fixing, Revamping, Design, Printing and Installation of Municipal Building Outdoor Signage, Directional Road Signage and Indoor Office Signage	SCM/MLM/62/20-21
Supply and Delivery of a Container	MNQ/SCM/57/21-22

9. Fraud Prevention Policy

The municipality has reviewed and adopted the Fraud prevention policy on the 28 May 2021 and is implemented.

Intangible Assets on the other hand are assets (other than cash and cash equivalents) which can be distinguished separately from other assets of an institution but do not have any physical existence or substance. Examples of the intangible assets would be a goodwill, copyrights, patents, software etc. of which the municipality does not have intangible assets.

The municipality also owns infrastructure assets by the following classes:

- Land;
- Roads infrastructure;
- Buildings;
- Investment property;
- Community Assets.
- Parks & Cemeteries

10.3 PHYSICAL VERIFICATION OF MOVABLE ASSETS

The Asset Management section conducts a full asset verification (100% testing on the existence of assets and completeness of the FAR) on a quarterly basis. The asset verification for the 2nd Quarter is still in progress, it was started on the 10th of November 2021.

10.4 PHYSICAL VERIFICATION PROCESS

The process of the physical verification, as outlined on the asset count procedures, is as follows:

- Notification via email from the Asset Management Office was communicated to all office bearers to be aware of the commencement date and schedule of this project.
- Drafting and Printing of a sufficient number of data-collection sheets;
- Printing of office-by-office assets *listings*. The direction of testing for this is from the system to the floor (existence of the Fixed Asset Register);

10.5 ASSET VERIFICATION SCHEDULE

A schedule of the verification was issued to all employees. This verification schedule serves as a guideline to the asset management section of how the routine of the verification should be conducted and at the same time as a written instruction to the employees to cooperate with the team when it comes to access to offices, time frame where access to each office should be granted and asset movement restriction between offices. The locations are as follows:

- Main Building
- Town Hall licensing offices
- Customer care
- LED Offices (Geach and Robinson Street)

10.8 LEASES

Operating lease register is updated in a monthly basis. The reconciliation is done monthly reconciling between the operating lease contracts and invoices. Treasury allowed the Municipality to participate in transversal contract and it is still in progress. Expenditure for the quarter is **R205 513.47 (Vat inclusive)**.

10.9 DISPOSAL OF ASSETS

During asset verification there were assets that needed to be disposed due to their condition and that their maintenance cost is too high. Two assets (Bus and a Quantum) were approved for disposal but not yet disposed.

Attached on the annexure is an additional list of other assets that are recommended to be disposed off as their cost to repair is higher than their current value.

10.10 INSURANCE CLAIMS

The claims for insurance are logged as and when they happen. The register is updated on an ongoing basis.

11.6 INSPECTION OF VEHICLE SCHEDULE

A schedule of the inspection will be issued to all directorates. This schedule serves as a guideline to the fleet management section of how the routine of the inspection will be conducted and at the same time as a written instruction to the employees to cooperate with the team when it conducts the inspection. The drivers will be requested to avail vehicles to fleet management office at as per the schedule. The inspection books were developed for all buildings where the driver and security signs when the vehicle is going out and when is coming back. These books are returned to the Fleet Office on a weekly basis.

11.7 LIST OF VEHICLES

The Municipality has 55 vehicles including Plant and Trucks, these are listed as follows:

	Asset No	Description	Make	Model	Purchase date
1	FLW695EC	NISSAN UD TRUCK	NISSAN	UD	2009/07/01
2	FMF933EC	TANKER WATER 10 000LITRE	PIUSI	2010	2009/07/01
3	FNN778EC	GRID ROLLER	NONE	NONE	2009/07/01
4	FRP064EC	CHERRY PICKER	NONE	NONE	2009/07/01
5	FWR647EC	TRAILER	VENTER	GENIE TZ-34 20	2009/07/01
6	FWR653EC	LOWBED - MAN TGS 27.480 BBS-L	MAN	TGS27.480	2009/07/01
7	FXZ839EC	MAN CLA 26.280	MAN	CLA 26.280	2009/07/01
8	HBN412EC	COMPACTOR REFUSE - UD 330WF	NISSAN	UD TRUCKS	2009/07/01
9	HBN419EC	TRAILER	VENTER	FLAT BED	2009/07/01
10	HFG693EC	TRAILER	VENTER	NONE	2009/07/01
	HKP016EC	GRADER	NONE	NONE	2009/07/01
T2	HKP022EC	GRADER	NONE	NONE	2009/07/01
13	HLH282EC	BACKHOE LOADER/ TLB	NONE	NONE	2009/07/01
14	FCX279EC	TOYOTA QUANTUM	TOYOTA	QUANTUM	2009/07/01
15	HML527EC	TOYOTA LDV	TOYOTA	CORROLA 1.8	2009/07/01
16	HML534EC	TOYOTA COROLLA	TOYOTA	CORROLA 1.8	2009/07/01
17	HML537EC	TOYOTA COROLLA	TOYOTA	CORROLA 1.8	2009/07/01
18	JHZ632EC	TOYOTA FORTUNER	TOYOTA	FORTUNER	2019/03/25
19	JHZ640EC	TOYOTA FORTUNER	TOYOTA	FORTUNER	2019/03/25
20	JJP173EC	ISUZU BAKKIE	ISUZU	NONE	2019/03/29
21	JJP179EC	ISUZU BAKKIE	ISUZU	NONE	2019/03/29
22	JJS474EC	TOYOTA ETIOS SEDAN	TOYOTA	ETIOS	2019/04/26
23	JJS490EC	TOYOTA ETIOS SEDAN	TOYOTA	ETIOS	2019/04/26
24	JJS505EC	TOYOTA ETIOS SEDAN	TOYOTA	ETIOS	2019/04/26
25	JKM321EC	ISUZU DOUBLE CAB D-MAX	NONE	NONE	2019/06/11

11.8 REPAIRS AND MAINTENANCE

Vehicle repairs and maintenance is the responsibility of fleet section. They have to ensure that all vehicles are repaired and maintained. The driver is responsible to report faults or accidents to the fleet management section. The fleet section has to facilitate the repairs by preparing requisition. The expenditure for the 2nd quarter ending 31st Decemebr 2021 is **R401 555,53.**

11.9 FUEL CONSUMPTION REPORT

Fuel consumption report is compiled using the statement received from Wesbank and the order that was done for vehicles with no fuel cards. The total expenditure for the 1st quarter ending 31st Decemeber 2021 is **R964 684.79**

v. PURCHASES OF STOCK ITEMS

Stock items are currently purchased as and when required through SCM processes by means of requesting quotations. Due to the delays that we encountered in this process, we requested that the Municipality must have contracts for a period of atleast one year for all stock items.

Priority Area	Strategic Objective	Link to Annual Target	Risk	Risk Causes	Consequences	Action to Improve Management of the Risk	Progress
Indigent Support	Prepare and review 4 contracts & commitments registers and report thereof by June 2022	1. Non-credible contracts and commitments register	1. Inadequate update and review of commitments and contract register.	1. Loss of information 2. Negative audit outcomes 3. Irregular Expenditure	1. Update and review commitments and contracts register 2. Reconcile commitments register with ledger 3) Strengthen Project (Contract monitoring) Management - Implement GCC and Contract Management	Contract and Commitments register has been updated Suppliers has been assessed for performance (Suppliers performance report)	
	To provide support to indigent beneficiaries in line with the indigent policy by June 2022	Update 2021/2022 indigent register with 7500 beneficiaries by June 2022	1. Inaccurate indigent register	1. inaccuracies in eskom indigent register 2. Lockdown regulations (limiting access to the communities)	1. Overstated debtors 2. Disputes 3. Financial loss	1. Review Indigent register 2. Capture indigent register to the EMS system 3. Reconcile the Eskom indigent register with the municipality's register	Indigent register has been updated with 5457
	To implement internal controls for approval, authorization and withdrawal payments of funds by June 2022	Pay 100% of creditors within 30 days of receiving invoice by June 2022	1. Inability to pay creditors within 30 days.	1.Delays in processing of invoices.	1. Claims and litigations 2. Negative audit outcomes 3. Poor service delivery Unauthorised expenditure. 4. Financial loss.	1. Ensure timely capturing of invoices 2. Monitor the invoice tracking register	1. Invoices are received daily and captured on the EMS system 2. The invoice tracking register is monitored on daily basis
Expenditure Management							

14. Staff Implications

None

15. Financial Implications

This report details the implementation of the approved budget and related policies.

16. Annexures

1. Schedule of payments from 01 October 2021 to 31 December 2021
2. Detailed capital projects as at 31 December 2021
3. Withdrawals report from 01 October 2021 to 31 December 2021
4. Deviations register from 01 October 2021 to 31 December 2021
5. Contracts and Commitments register as at 31 December 2021
6. Suppliers quarterly assessment report – 31 December 2021
7. Report on 2021-2022 procurement plan as at 31 December 2021
8. Additions register for Immovable assets from 01 October 2021 to 31 December 2021
9. Additions register for movable assets from 01 October 2021 to 31 December 2021
10. Operating Lease register from 01 October 2021 to 31 December 2021
11. Insurance claims from 01 October 2021 to 31 December 2021
12. Report on Physical inspection of mnquma vehicles from 01 July 2021 to 31 December 2021
13. Repairs and Maintenance report and expenditure from 01 October 2021 to 31 December 2021
14. Fuel expenditure from 01 October 2021 to 31 December 2021
15. List for Disposal for 01 July 2021 to 31 December 2021
16. Stock take report for 01 October 2021 to 31 December 2021

17. Recommendations

- It is hereby recommended that the Council approves the report for the quarter ending 31 December 2021.

1. MID TERM REPORT FOR THE TERM ENDING 31 DECEMBER 2021

1. PURPOSE

The purpose of the report is to present the implementation of the budget and the financial state of affairs of the municipality for the term ending 31 December 2021.

2. LEGAL AND OR STATUTORY REQUIREMENT

- (a) In terms of section 72 (1) (a) of the Municipal Finance Management Act No. 56 of 2003, the accounting officer of a municipality must by 25 January of each year assess the performance of the municipality during the first half of the financial year.

3. BACKGROUND EXPOSITION, FACTS AND OR PROPOSAL

The Municipality adopted the MTREF budget for 2021-2022 on the 27th May 2021 and 1st Adjustment budget for inclusion of last year's creditors and commitments on the 27th August 2021.

The report presents the implementation of the approved budget including the financial performance and financial position of the municipality for the term ending 31 December 2021.

The report further gives detail on the implementation of finance related policies as approved by council.

4. REVENUE COLLECTION, DEBT MANAGEMENT AND INDIGENT POLICY IMPLEMENTATION

REVENUE COLLECTION

The property rates policy, credit control and debt management policy and the indigent policy were adopted by council and are implemented on a monthly basis. This is done to ensure that all properties valued as per the general valuation roll and supplementary valuation rolls are billed as per the values in the valuation rolls and approved tariff structure and also to ensure that revenue due to the municipality is collected and the financial system is effective and has accurate consumer data.

The municipality appointed the service provider to assist in the preparation of 2019-2024 general valuation roll; all the processes in line with the Municipal Property Rates Act no.6 of 2004 were conducted in all three towns. The General Valuation Roll and the Supplementary Valuation Roll have been uploaded into the system and the objected values have been adjusted and effected into the EMS. The municipality has advertised on the 02nd and 9th of October 2020 for the inspection of the Supplementary Valuation Roll for objections and the closing date is the 27th November 2020.

MSCOA IMPLEMENTATION

The municipality is live on six modules which are Planning, Billing, SCM, Payroll, Inventory and Ledger. The only module that is still outstanding is Asset module which will be live by end of January 2022. December transactions have been captured on the system. There is an improvement in terms of functioning of the system as there are few challenges and their turnaround time is satisfactory.

Property Rates

Properties are levied based on the current valuation roll. The municipality has billed R 39 704 000 which is 32% more than the targeted billing of R 30 000 000. Revenue on property rates has increased due to the implementation of Supplementary Valuation Roll.

Service charges – Refuse billed

The billing for refuse is R 3 060 000 which is 2% more than the targeted billing of R 3 000 000. The increase is due to the implementation of Supplementary Valuation Roll.

Rental of facilities and equipment

This is made up of rentals for Flats, Fingoland Mall, Transkei Quarries and the Country Club. The billing for rentals is R 2 509 000 which is equivalent to 100% of R 2 500 000 which is the targeted billing for the six months.

Interest on investments

The municipality has received an interest of R3 112 000 which is 56% more than the targeted budget of R 2 000 000. The increase is due to an investment on Call Account.

Interest on Outstanding debtors

Interest is charged on outstanding debtors based on prime rate + 2% at the time of billing. Interest charged on outstanding debt is R 5 924 000 which is 19% less than the targeted billing of R 7 337 000 which is caused by increase of collection on outstanding debtors.

Fines

R 3 611 000 has been raised on issued traffic fines which is 10% less than the targeted budget amount of R 4 000 000. Variance on traffic fines issued is due to the expiry of the contract with TCS. The new service provider has already been appointed.

Licences and permits

This is made up of cash from bookings for learners licences, driver's licence renewals, temporals, PDP.

R 453 000 has been collected which is 40% lower than the targeted budget of R 750 000. This is due to the December holidays.

Agency services

This is 19% commission received from the Department of Transport for collection of licensing of cars on behalf of the Department of Transport. R 1 891 000 has been received which is 5% less than targeted budget of R 2 000 000. This is due to the December holidays.

Transfers recognized – operational

Government grants are the major contributing factor in the operating revenue, which constitutes 79% of the actual operating revenue. R219 028 000 has been received for operating grants which are as follows:

- Integrated National Electrification Programme Grant (INEG)
- Equitable Share Grant, Financial Management Grant (FMG)
- Department of Economic Development, Environmental Affairs and Tourism Grant (DEDEAT)
- Department of Sport, Recreation, Arts and Culture Grant (DSRAC) and
- Expanded Public Works Programme (EPWP)
- Local Government Sector Education & Training Agency

GRANTS RECEIVED AS AT 31 DECEMBER 2021

The municipality on a yearly basis is allocated with funds from the Division of Revenue Act (DoRA), allocation. The municipality has received R 279 302 000 as at the end of December 2021 and R 87 907 000 is still to be received by the end of June 2022. Below is the detail of grants received to date. All grants allocated to the municipality have been committed. LGSETA is not part of DoRA allocations as the municipality receives funds based on the programs approved by LGSETA.

Name of Grant	Allocation as per DoRA	Actual Received	Amount not yet received
MIG	66 145 000	52 865 000	13 280 000
Minerals & Energy (INEG)	9 135 000	7 635 000	1 500 000
Equitable share	282 161 000	209 759 000	72 402 000
FMG	1 850 000	1 850 000	-
DEDEAT	5 000 000	5 000 000	-
DSRAC	500 000	500 000	-
E /P	2 418 000	1 693 000	725 000
LGSETA	-	226 089	-
TOTAL	367 209 000	279 302 000	87 907 000

5.2 DEBTORS AGE ANALYSIS

The total outstanding debtors as at 31 December 2021 amounts to R222 455 155 million. Debtors payable over 90 days amounts to R 207 309 701 which is 93% of the total debtors balances. The municipality has prioritized the exercise of signing and renewal of Lease agreements for property rental debtors

5.2.1 AGE ANALYSIS PER SERVICE TYPE

Below is the Age analysis per service type and out of R 222 455 155.00, the bulk balance is for property rates.

TYPE OF SERVICE	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	180 DAYS	TOTAL
RATES	R1 945 570	R4 874 670	R4 701 493	R5 112 193	R4 213 460	R140 534 064	R161 381 450
REFUSE	R757 169	R739 967	R724 325	R716 928	R713 094	R39 765 333	R43 416 816
RENTALS	R511 718	R449 023	R441 519	R437 998	R579 227	R15 237 404	R17 656 889
TOTAL	R3 214 457	R6 063 660	R5 867 337	R6 267 119	R5 505 781	R195 536 801	R222 455 155

5.2.2 AGE ANALYSIS OF DEBTORS BY INSTITUTION

Below is the Age analysis of debtors by institution and out of R 222 455 155.00 households are own R161 007 060 which constitutes 72% of the total debtors balances.

INSTITUTION	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	180 DAYS	TOTAL
GOVERNMENT	R475 848	R1 782 548	R1 751 717	R1 742 926	R1 664 239	R16 464 030	R23 881 308
BUSINESS	R632 543	R987 141	R885 512	R1 327 506	R517 361	R33 216 724	R37 566 787
HOUSEHOLDS	R2 106 066	R3 293 971	R3 230 108	R3 196 687	R3 324 181	R145 856 047	R161 007 060
TOTAL	R3 214 457	R6 063 660	R5 867 337	R6 267 119	R5 505 781	R195 536 801	R222 455 155

5.3 INDIGENT POLICY IMPLEMENTATION

The indigent policy was adopted by council and is implemented at all times and all households who qualify as indigent beneficiaries receive free basic services and the operation is run entirely to all 31 mnquma wards to enforce adherence to the policy.

The municipality has submitted an application to the Department of Energy for the installation of non-grid electrification for the second phase and has been approved. The number of households approved for the installation of Solar system is 522 (Ward 10 – 171, Ward 11 – 73, Ward 12 – 131 and Ward 13 – 147). The Department has concluded the signing of SLA between itself and service provider LTM Energy and is proposing to officially introduce the service provider on the third week of January 2022.

The approved list of indigent beneficiaries for FBE is 5859 approved on the 08 July 2021. Below is the number of households supported with 50kWh free basic electricity as per the indigent policy section 7.6.1(a) .

JULY 2021	AUGUST 2021	SEPTEMBER 2021	OCTOBER 2021	NOVEMBER 2021	DECEMBER 2021
5 795 Households	98 Households	3 561 Households	3 246 Households	3 277 Households	3 267 Households

The reconciliation between Eskom claims and Mnquma Indigent Register is done on a monthly basis. The municipality is still experiencing challenge with Eskom as they are always making claims for Indigent beneficiaries that are not on our Indigent Register. The Municipality has lodged a dispute against the claims made by Eskom for beneficiaries that are not on Mnquma indigent register.

6.2 UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are reconciled with their relevant accounts on a monthly basis and the expenditure incurred on grant funding is transferred from the investment account to the primary account and revenue is recognized when the expenditure is incurred. As at 31 December 2021 the municipality had R 41 743 343 unspent funds. Of the DoRA allocations received as at 31 December the municipality has spent 59% on FMG and 80% on INEP.

NAME	OPENING BALANCES	GRANT RECEIVED	EXPENDITURE	CLOSING BALANCE	% SPENT
Municipal Infrastructure Grant Investment (MIG)	6 529 698	52 865 000	35 312 410	24 082 287	59
Finance Management Grant (FMG)	0	1 850 000	520 455	1 329 545	28
Electrification (INEG)	0	7 635 000	6 127 454	1 507 546	80
EPWP	0	1 693 000	605 000	1 088 000	36
LGSETA	350 584	226 089	149 940	426 733	26
DSRAC	1 088 243	500 000	149 052	1 439 191	9
DEDEAT	0	5 000 000	0	5 000 000	0
Department of Human Settlements	0	0	0	0	0
OTP	0	0	0	0	0
EDSMG	6 870 040	0	0	6 870 040	0
TOTAL	14 838 565	69 769 089	42 864 311	41 743 343	51

The difference on expenditure reported on table 6.1 above and table 6.2 is due to expenditure incurred and interest received not yet transferred from the investment account to the cheque account and the MIG received in December 2021 that was transferred to the investment account in January.

- **Depreciation and impairment**

This will be calculated when preparing the Annual Financial Statements.

- **Finance charges**

The expenditure incurred is sitting at R229.50 which is 98% less than the targeted amount of R10 000.00. Due to consequence management, the expenditure for fruitless and wasteful expenditure has been reduced.

- **Other materials**

Expenditure on Other materials is sitting at R 1 556 000 which is 65 % less than the targeted expenditure of R 2 405 000.

- **Contracted services**

Expenditure on contacted services is sitting at R 2 261 000 which is 13% more than the targeted expenditure of R 16 837 000. The expenditure on the contracted services is at 7% which is above the norm of 2-5%

- **Transfers recognised - operational**

Expenditure on Transfers recognised – operational (Electricity for Indigent) is sitting at R 6 101 000 which is 71 % to the targeted expenditure of R 8 644 000 .

- **Other expenditure**

R3 570 000 has been spent which is 15% more than the targeted expenditure of R24 035 000.

- **Capital expenditure**

Capital expenditure is 25% of the total expenditure of the municipality.

7.2 ACTUAL BORROWINGS

There are no existing borrowings as at 31 December 2021

7.4 CAPITAL PROJECTS AS AT 31 DECEMBER 2021

Council has approved a Capital budget of R171 699 974 and as at 31 December 2021 R50 843 320 has been spent which is 30% of the total capital budget. The capital budget is funded through Municipal Infrastructure Grant (MIG), Integrated National Electrification Programme (INEP), Human Settlement and Equitable share. The municipality has spent 55% at mid-term which is more than the Dora conditions of 40%. The majority of capital expenditure has been spent by Infrastructure department. Below is the summary of the capital budget expenditure per directorate and per funding sources.

7.4.1 CAPITAL PROJECTS PER DIRECTORATE

DIRECTORATE	ORIGINAL BUDGET 2021-2022	1ST ADJUSTMENT BUDGET 2021-2022	ACTUAL TO DATE	VARIENCE	% SPENT
INFRASTRUCTURAL PLANNING AND DEVELOPMENT	139 515 336	148 164 849	49 340 552	98 824 297	33
BUDGET AND TREASURY	10 900 000	11 985 238	62 243	11 922 995	1
CORPORATE SERVICES	3 445 000	3 458 446	681 175	2 777 272	20
LOCAL ECONOMIC DEVELOPMENT	5 155 000	6 181 444	748 650	5 432 794	12
COMMUNITY SERVICES	1 160 000	1 689 997	0	1 689 997	0
STRATEGIC MANAGEMENT	220 000	220 000	10 700	209 300	5
TOTAL PER DIRECTORATE	160 395 336	171 699 974	50 843 320	120 856 655	30

7.4.2 CAPITAL PROJECTS PER FUNDING SOURCES

FUNDING SOURCES	ORIGINAL BUDGET 2021-2022	1ST ADJUSTMENT BUDGET 2021-2022	ACTUAL TO DATE	VARIENCE	% SPENT
EQUITABLE SHARE	64 869 688	69 644 629	9 641 391	60 003 238	14
MUNICIPAL INFRASTRUCTURE GRANT	62 837 748	69 367 446	33 236 543	36 130 903	48
INTERGRATED NATIONAL ELECTRIFICATION PROGRAMME	9 135 000	9 135 000	6 127 454	3 007 546	67
DEPARTMENT OF HUMAN SETTLEMENT	8 900 000	8 900 000	0	8 900 000	0
OTP	14 652 900	14 652 900	1 837 931	12 814 969	13
CAPITAL PROJECTS PER FUNDING	160 395 336	171 699 975	50 843 320	120 856 656	30

EXPENDITURE	JULY	AUG	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Cell phone – Councillors	210 800.00	210 800.00	210 800.00	210 800.00	213 746.67	214 200.00	1 271 146.67
Pension Allowance	-	-	-	-	-	128 806.62	128 806.62
Med Aid Allowance	-	-	-	-	-	27 644.07	27 644.07
Non Pensionable All	-	-	-	-	-	1 347 000.00	1 347 000.00
Cell phone- Traditional leaders	6 000.00	6 000.00	6 000.00	7 200.00	960.00	-	26 160.00
Pension	1 905 021.13	1 915 315.79	1 919 027.72	1 972 955.56	1 939 237.48	1 788 273.30	11 439 830.98
Med. Aid	783 955.58	789 490.43	784 795.12	800 606.29	766 486.23	741 724.62	4 667 058.27
Uif	76 209.96	76 752.79	76 760.66	78 710.34	77 369.39	80 403.14	466 206.28
Sdl	135 078.03	135 962.70	137 997.85	157 840.56	138 035.50	161 146.76	866 061.40
Total	17 537 766.89	17 769 018.65	17 800 251.26	20 142 109.88	17 991 427.86	19 345 619.69	110 586 194.23

On the implementation of Payroll there were changes due to the following:

- Salary increase of 3.5% for employees from July 2021 as per Salga agreement in October and 5.2% for Senior management from 20July 2019 to as per Gazette on upper limits.
- Appointment of the new Council and changes on the portfolios in November .
- Non-pensionable onceoff to employees amounting to R1 347 000 in December.
- There were no Traditional leaders, Ward Committees and cell phone for Traditional leaders for the month of December.
- The “No work no pay “ policy was implemented from July to December was implemented.

adjudication committee and the bid adjudication committee recommend to the municipal manager to make the final award.

2.4 Infrastructure Procurement

The Council has adopted the Supply Chain Management policy for Infrastructure Procurement and Delivery Management as a stand-alone policy.

3. Functioning of the SCM Unit

3.1 SCM Structure:

The Supply Chain Management Unit (SCM) is fully established and functional:

- 1) SCM Manager (Senior SCM Practitioner)
- 2) Demand Officer
- 3) Acquisition Officer
- 4) Contract Management Officer (Vacant)
- 5) X 3 Supply Chain Management Practitioners

The Supply Chain Management division operates under direct supervision of the Chief Finance Officer (CFO). SCM Manager (Senior SCM Practitioner) is responsible for the day to day management of the division. The vacant position for the contract management office has been planned to be filled in the next quarter.

3.2 Declaration of Interest:

All SCM Personnel has declared their interests for financial year 2021/2022.

3.3 Code of Conduct for SCM Practitioners

All supply chain management officials have signed the code of conduct for SCM practitioners.

3.4 Training of SCM Personnel

No training provided for this reporting period.

4. Functioning of Bid Committees

4.1 Bid Committees are functional and constituted in line with Regulations 27, 28 &29.

- o Bid Specification Committee (BSC)
- o Bid Evaluation Committee (BEC)
- o Bid Adjudication Committee (BAC)

4.2 Infrastructure Committees are aligned with the standard for Standard for Infrastructure Delivery Management (SPDIM)

4.3 Bid Committees Terms of Reference are in place.

2. The municipality has deviated for the hereunder services due to exceptional cases where it is impractical or impossible to follow the official procurement processes (to obtain three written price quotations):

Service Description	Reason for Deviation
Servicing and repairing of municipal machinery, equipment and vehicles	<p>Machinery and equipment of a specialized nature will be serviced and repaired by the manufacturer or an agent appointed by the manufacturer. Therefore, one quotation will be obtained in this regard.</p> <p>Vehicles will be serviced by the manufacturer as this might affect the validity of the warranty and might compromise useful life of the vehicle. Therefore, one quotation will be obtained in this regard.</p> <p>Parts and other consumables relating to vehicles, machinery and equipment of specialized nature will be sourced from the manufacturer or an agent appointed by the manufacturer. Therefore, one quotation will be obtained in this regard.</p> <p>In addition to the above the municipality deviate to avoid towing fees wherein the vehicle has to be towed to different manufactures to obtain written price quotation i.e. to be towed to Toyota in east London, Toyota Gqeberha and/or to Toyota Durban</p>
Insurance Excess	In the event where a municipal vehicle, machinery and/or equipment needs to be repaired as a result of an accident or a similar event, the appointed municipal insurance company will appoint an approved panel beater to which the insurance excess will be paid directly to the panel beater by the municipality, therefore one quotation will be sourced in this regard as impractical to obtain three written price quotations
Advertising	Arena Holding/Daily Dispatch is the only service provider registered on the Central Suppliers Data Base to offer the advertising services as the paper that is commonly circulated locally. Therefore that made impractical to obtain three written price quotations
Professional Affiliation fees	In this cases it is impractical or impossible to obtain three quotations as it may be found that the employee is already a registered member in that professional body and it is in line with his/her profession.

(See the attached Deviations Register: July 2021- December 2021)

5.2 Unauthorized, Irregular, Fruitless & Wasteful Expenditure

The municipality maintain registers of all incidents of unauthorised, irregular or fruitless and wasteful expenditure. Incidents are registered in the aforesaid register as soon as they occur. Records for such expenditure are being kept safe for audit and all such expenditure is disclosed in the annual financial statements. The municipality have a functional Municipal Public Accounts Committee to

5.4 Procurement Plan Implementation

- i) Supply Chain Management division coordinated the development of 2021/2022 procurement plan in consultation with end-user directorates through IDP directorate sessions.

The municipal directorates procurement plans are linked to the annual budget, and were consolidated to be the municipal annual procurement plan for 2021/2022 financial year and approved.

- ii) Report on implementation of procurement plan for financial 2021/2022 – Mid-term is as follows:

Directorate	No. of Planed Projects	No. of Implemented Projects	Procurement Plan Implementation %	Reason for projects not implemented	Corrective Actions
Local Economic Development	44	41	93%	<p>The following three projects were awarded due non-adherence to procurement turn-around:</p> <ul style="list-style-type: none"> • Qolorha upgrade • pig stull • Revitalisation of a donated state farm • Review SDF • Furniture and equipment • Supply and Delivery of Animal Medication for two emerging farmers 	<p>Weekly correspondence will be sent to the Directorate to remind them about their planned projects and to update them about the progress of the implementation of the procurement plan.</p>
Corporate Services	44	39	88%	<p>The following five projects were awarded due non-adherence to procurement turn-around:</p> <ul style="list-style-type: none"> • Appointment of service provider for 8 electronic media slots by June 2021 • Develop 2021/2022 OHS Plan by June 2021 • Procurement of 308 Filing Cabinet for Registry • Procurement of GIS • 24 Hors Toll Free Hotline Services 	<p>Weekly correspondence will be sent to the Directorate to remind them about their planned projects and to update them about the progress of the implementation of the procurement plan.</p>
Community Services	13	7	53%	<p>The following Six projects were awarded due non-adherence to procurement turn-around:</p> <ul style="list-style-type: none"> • "Installation of Alarms systems (DLTC, Centane, LEDP and Ngqamakwe, Traffic) 	<p>Weekly correspondence will be sent to the Directorate to remind them about their planned</p>

**Procurement plan for the mid-term has been implemented see the attached detailed implementation report
(Attached)**

5.5 Bids Awarded above R30 000 as at December 2021

No.	Project name	Bid number	Contractor	Contractor Amount
1.	Supply and Delivery of Cleaning Material for a period of a year	MNQ/SCM/84/20-21	Tabazi Projects (Pty) Ltd	Based on Quotations
2.	Supply and Delivery of Refuse Bags for a period of a year	MNQ/SCM/79/20-21	N2 Assist Towing and Recovery Service (Pty) Ltd	R 125.00 per bale on qoutatuiion basis
3.	Appointment of a Service Provider to Train 21 officials on municipal governance	SCM/MLM/61/20-21	Kgolo Business Trust	178 500.00
4.	Construction of Masizakhe to Nzanzana AR	MNQ/SCM/10/21-22	Mikuwo Construction	4 949 087.00
5.	Construction of Rhaladiya to Jingqi AR	MNQ/SCM/05/21-22	Gqobo Investments CC	4 370 155.37
6.	Construction of Gcina (Esingeni) AR	MNQ/SCM/05/21-22	ZKS and Nam General Trading	5 270 478.79
7.	Supply and Delivery of LED Street Lights	MNQ/SCM/89/20-21	Mentolek Projects (Pty) Ltd	587 667.94
8.	Construction of Fihlani AR	MNQ/SCM/09/21-22	Rosibu Holding	4 864 535.95
9.	Construction of Ibika Internal Streets	MNQ/SCM/08/21-22	Devomix (Pty) Ltd	3 997 505.82
10.	Rehabilitation of Msobomvu Main Road	MNQ/SCM/01/21-22	Lunika Investments	11 687 396.34
11.	Supply & Installation of 90 hawkers Stalls	MNQ/SCM/03/21-22	AK Building Construction (Pty) Ltd	5 829 179.19
12.	Construction of Ntseshe Community Hall	MNQ/SCM/07/21-22	Masiba & Son Trading (Pty) Ltd	4 055 784.24
13.	Construction of Thongwana Outdoor Sport Facility	MNQ/SCM/02/21-22	Counterpoint 420 CC	7 265 382.44
14.	Supply, Delivery and Installation of Network Cabling for LED Offices and Network Point for Municipality Mobile Offices	MNQ/SCM/91/20-21	SMS ICT Choice (Pty) Ltd	442 148.40
15.	Construction of Zizamele Internal Streets (Gravel)	MNQ/SCM/04/21-22	Masiyabu Trading and General Civil Construction (Pty) Ltd	7 395 446.23
16.	Paving of Vuli-Valley Main Road	MNQ/SCM/13/21-22	Lunika Investments	7 882 576.55
17.	Supply and Installation of 20 LED Street Lights Along Mthatha Street & King Street	MNQ/SCM/05/21-22	Mabhese Electrical Projects and Trading (Pty) Ltd	1 631 369.70

No.	Project name	Bid number	Contractor	Contractor Amount
31	Planning, Designing and Construction of Animal Pound at Mission Location Butterworth	MNQ/SCM/92/21-22	Kaazi Engineering Group (Pty) Ltd	R 3 916 068.64
32	Tar Surface Repairs and Asphalt Overlay at Blyth and King Link Roads	MNQ/SCM/18/21-22	Gqobo Investments CC	R 4 440 337.03
33	Tar Surface Repairs and Asphalt Overlay at Academy, Blyth, Stanford, Robinson and Daly Street	MNQ/SCM/17/21-22	Mantishe Construction CC	R 7 346 778.72
34	Refurbishment of Butterworth Town Hall	MNQ/SCM/38/21-22	ZKS and Nam General Trading	R 4 168 592.45
35	Construction of Thongwana Outdoor Sports Facility Phase 1	MNQ/SCM/51/21-22	Khula Africa Agriculture and Construction Projects	R 6 407 740.10
36	Training of Twenty- One (21) Officials on Municipal Governance	SCM/MLM/61/20-21	Kgolo Business Trust	178500
37	Editing,Designing, Layout, Formatting Printing, Binding and Cover of the 2021/2022 IDP	SCM/MLM/30/20-21	Copy World	R 47 472.00
38	Supply and Delivery of Food Parcels for Mandela Day	SCM/MLM/30/21-22	Swift Express and Warehouse cc	R 46 241.65
39	Training of forty- one (41) Officials on Performance Management	SCM/MLM/71/20-21	Fachs Business Consulting and Training	R 113 395.75
40	Supply and Delivery of Books for Butterworth and Thanga Libraries	SCM/MLM/69/20-21	Sothozulu Projects (Pty) Ltd	R 99 016.38
41	Training of Forty One (41) Officials on Risk Management	SCM/MLM/80/21-22	Summat Training Institute (Pty) Ltd	R 77 797.80
42	Tree Felling and Pruning of Butterworth CBD, Centane CBD and Centane Cemetery	SCM/MLM/06/21-22	DWorld Development	R 75 000.00
43	Fixing, Revamping, Design, Printing and Installation of Municipal Building Outdoor Signage, Directional Road Signage and Indoor Office Signafe	SCM/MLM/62/20-21	Khayasonke Communications (Pty) Ltd	R 88 500.00

No.	Project name	Bid number	Contractor	Contractor Amount
57	Supply, Delivery, Implementation and Commissioning of Data Centre and Disaster Recovery Services for Mnquma Local Municipality for a period of five (05) years (effective 03 January 2022 - 31 January 2027)	MNQ/SCM/47/20-21	Sense – IT (Pty) Ltd	R 7 796 579.51
58	Supply and Delivery of Motor Vehicle and Plant	MNQ/SCM/31/21-22	Imvelo Consulting and Project Managers	16 438 773.70
59	Appointment of a Service Provider for Re- Planning, Valuation and Surveying of Municipal Properties	MNQ/SCM/34/21-22	Fourways Consulting Services	R 618 240.00
60	Supply and Installation of Software for Capturing and Processing of Traffic Fines for a Period of Three (03) Years, effect 04 January 2022 to 31 January 2025	MNQ/SCM/29/21-22	Dunamis Empirium Services (Pty) Ltd and Fegza Trading Enterprise (Pty) Ltd Jv	R 2 810 600.00

5.6 *Municipal Bid Appeals (if applicable)*

i) There were no bids appeals received for the mid-term.

5.7 *Contracts and contract management*

In terms of Section 116.2(b) of the Municipal Finance Management Act (MFMA), the municipality monitors the contracts on monthly basis for the performance of the contractor under the contract or agreement.

Delivery under each contract is being monitored to ensure that it achieves its original objectives and effecting any necessary changes to the contract are done upon receipt of the approved changes. Monitoring of contract includes tracking and auditing of contract terms such as:

- Pricing and discounts
- Timelines of payments and receipts
- Performance in delivering agreed service level or specification of goods and services
- Amendments

End-user directorate takes responsibility for day to day management and monitoring of contract in line with the contractual conditions.

Contract register is maintained and updated when there is an award made.

Contracts awarded, not yet commenced	Amount contracted
Supply, Delivery, Implementation and Commissioning of Data Centre and Disaster Recovery Services for Mnquma Local Municipality for a period of five (05) years (effective 03 January 2022 - 31 January 2027)	R 7 796 579.51
Supply and Delivery of Motor Vehicle and Plant	R 16 438 773.70
Appointment of a Service Provider for Re- Planning, Valuation and Surveying of Municipal Properties	R 618 240.00
Supply and Installation of Software for Capturing and Processing of Traffic Fines for a Period of Three (03) Years, effect 04 January 2022 to 31 January 2025	R 2 810 600.00

- Amount committed for goods or services not yet received as at end December 2021 amounts to **R 138 020 896.57**
- Monitoring the contracts all amounts paid are within terms and conditions of the contract, there are no breaches of conditions or service delivery targets (either party) and there are no significant price variations or other variations in the conditions.
- **List of Contracts due to expire:**

Project name	Project End Date
Supply, delivery, installation, commissioning and maintenance of office automation solutions to Mnquma local municipality for the period three years	28 February 2022
Supply and Delivery of tubes, tyres and rims for a period of 1 year	25 January 2021

Detailed Contracts Register and Commitments Register as at December 2021 is attached.

5.7 Variations

i) Variations within 15% or 20% (this can part of contract register)

There were no variations within 15% or 20% for mid-term.

ii) Variations above 15% or 20% (Comply with MFMA S116(3)) (this can be part of contracts register)

There were no variations above 15% or 20% for the mid-term.

Project	Date Advertised	Date Closed
Appointment of four(04) panel of attorneys for the handling of Mnquma Local municipality Legal Matters for a period of three (03) Years	27-Jul-21	31-Aug-21
Appointment of a Service Provider for Editing, Designing, Layout, Formatting, Printing, Binding and Cover of the 2021/2022 IDP	27-Jul-21	02-Aug-21
Supply and Installation of Network Points for Satellite Offices	29-Jul-21	27-Aug-21
Training of 41 Officials on Risk Management	29-Jul-21	04-Aug-21
Training of 41 Officials on Performance Management	29-Jul-21	04-Aug-21
Supply and Installation of Network Points for Satellite Offices	29-Jul-21	27-Aug-21
Appointment of a Service Provider for Supply, Installation and Commissioning of Standby Generators, Ups and Refurbishment of Electrical Distribution Board Including Maintenance for Mnquma Local Municipality	29-Jul-21	12-Aug-21
Construction of Butterworth Tourism Information Centre	29-Jul-21	17-Sep-21
Supply And Delivery of 84 Laptops and laptop bags	29-Jul-21	13-Aug-21
Servicing and Maintenance of the Fire Suppression Environmental Monitoring System including Installation of New Biometric System and Air-conditioners for the Server Room	02-Aug-21	01-Sep-21
Supply and Delivery of Sharerboards and Laminating Floor Material for Repairs of Led Offices	03-Aug-21	10-Aug-21
Installation of a Fleet Management System for a period of Three (03) Years	05-Aug-21	06-Sep-21
Surface Repairs and Asphalt Overlay at Sauer Street, Bell Street and King Street	13-Aug-21	14-Sep-21
Tar Surface Repairs and Asphalt Overlay at Academy, Blyth, Stanford, Robinson and Daly Street	13-Aug-21	14-Sep-21
Upgrading of Ngqamakwe Internal Streets- phase 1	13-Aug-21	16-Sep-21
Tar Surface Repairs and Asphalt Overlay at Blyth and King Link Roads	13-Aug-21	15-Sep-21
Paving of Side Walks Along King Street at Blyth Street Municipal Offices	13-Aug-21	15-Sep-21
Construction of Ext 5 Gravel Internal Streets in Centane	13-Aug-21	17-Sep-21
Service Provider for the Tree Felling and Pruning of Butterworth CBD, Centane CBD and Centane Cemetery	26-Aug-21	02-Sep-21

Project	Date Advertised	Date Closed
Supply and Delivery of Fencing Material for two (02) Cooperatives (Toleni & Amagatya)	December 7, 2021	10 January 2022
Supply and Delivery of Cold Carbon Asphalt for a period of one year	December 7, 2021	12 January 2022
Supply, Installation, Monitoring and Maintenance of Intruder Detector Alarms for Mnquma Municipal Premises	December 7, 2021	12 January 2022
Construction of Gabion Retaining Wall at Ngqamakwe Taxi Rank	December 7, 2021	13 January 2022
Supply and Delivery of Electrical Material for DLTC	November 30, 2021	09 December 2021
Hiring Of D9 Dozer for a Period of Five (05) Days	November 29, 2021	08 December 2021
Supply, delivery, installation, automation and repairs of security gates	November 26, 2021	15 December 2021
Supply and Delivery of Office Furniture	November 26, 2021	09 December 2021
Supply and Delivery of Security Uniform	November 26, 2021	10 December 2021
Supply and Delivery of Outdoor Branding (Gazebos)	November 19, 2021	25 November 2021
Branding of New Municipal Vehicles and Plant Machinery	November 19, 2021	26 November 2021
Supply and Delivery of Mobile Toilets	November 18, 2021	03 December 2021
Supply and delivery of Animal Medication for two Farming Cooperatives	November 18, 2021	02 December 2021
Appointment of a Service Provider for the Supply, Delivery and Installation of Building Material and Rehabilitation of Electrical Reticulation and air Conditions in Msobomvu Hall	November 18, 2021	11 January 2022
Appointment of a Service Provider for Refurbishment of House No.57 Blyth Street	November 18, 2021	11 January 2022
Supply, Delivery and Installation of Air Conditioners	November 18, 2021	02 December 2021
Supply and Delivery of Back to School Uniform for Vulnerable Children	November 18, 2021	03 December 2021
Hiring of a Service Provider for Provision of Lifeguard Services	November 16, 2021	23 November 2021

Project	Date Advertised	Date Closed
Supply and Delivery of Cleaning Equipment for a period of one (01) Year	October 20, 2021	18 November 2021
Preparation of GRAP Compliant Immovable and Moveable Asset Register 2021/22 Financial Year	October 20, 2021	10 November 2021
Appointment of a Service Provider for Refurbishment of Customer Care Centre	October 8, 2021	09 November 2021
Supply, Delivery, Implementation And Commissioning Of Data Center And Disaster Recovery Services For Mnquma Local Municipality For A Period of five (05) Years	October 8, 2021	09 November 2021
Provision and deployment of data back up: endpoint protection for a period of three (03) years	October 8, 2021	08 November 2021
Supply and Delivery of Alcohol Test Machine	October 8, 2021	26 October 2021
Appointment of a Service Provider for Re-Planning, Valuation and Surveying of Municipal Properties	October 8, 2021	12 November 2021
Hiring Of A Pad Foot Roller, Grader And Water Cart For A Period Of Ten (10) Days And Water Jet Truck For A Period Of Five (05) Days	October 5, 2021	12 October 2021
Supply and Delivery for Design and Printing of 2022 Calender's and Diaries	October 5, 2021	13 October 2021
Supply and Delivery of Road Marking Paint	October 5, 2021	13 October 2021
Supply and Delivery of Inputs for Cooperatives	October 5, 2021	12 October 2021
Appointment of a Service Provider for the Supply, Delivery and Installation of Building Material and Rehabilitation of Electrical Reticulation and air Conditions in Msobomvu Hall	October 1, 2021	05 November 2021
Construction of Thongwana Outdoor Sports Facility (Phase 1)	September 28, 2021	29 October 2021
Supply and Installation of Software for Capturing and Processing of Traffic Fines for a period of Three (03) Years	September 27, 2021	05 November 2021
Maintenance of Four (04) High Masts	September 27, 2021	28 October 2021

Preferential Procurement Policy Framework Act (PPPFA), Reg. 2017

6.1 Contracts with Pre-Qualification (Regulation 4)

Contracts with Pre-Qualification criteria are as follows:

Project	Contractor	Contract Amount	30% Sub Contract Amount	Subcontractors Pre-Qualifying Criteria	Appointed Subcontractors
Rehabilitation of Msobovu	Lunika	11 687 396.34	2 903 700.95	None	Liya and Milla
					Cathaly Services
					Thiyane Business Investments
					Nqaba Yamajola
					Betroot Trading
Construction of Zizamele	Masiyabu Trading and General Civil Construction (Pty) Ltd	7 395 446.23	1 837 377.95	None	Cingani Cleaning
					KANP
					Vumba Lenkululeko
					BM Bulelamadize Holding
					City Plan and Digital (Pty) Ltd
Paving of Vulli-Valley	Lunika Investments	7 882 576.55	1 958 404.11	Youth	HandSome T
					Mavovana Civils
Construction of Thongwana	Counterpoint Trading 420 CC	7 265 382.44	1 805 063.96	None	Ngomdla Trading
					Goto Construction
					Gudu Corporation
Construction of Ntseshe	Masiba & Son	4 055 784.24	1 007 648.26	None	Gqama Civils
					Bold Fact
Construction of Rhaladiya	Gqobo Investments CC	4 370 155.37	1 085 752.89	Women	Isavuma Mult Traders
					RBV Trading
					Bulelamazide Holding (Pty) Ltd
Supply and Installation of 90 Hawkers Stalls	AK Building Construction (Pty) Ltd	5 829 179.19	1 448 243.28	None	Ubuntu Ndoko
					Nikoza Holding
					Qhamasande Trading (Pty) Ltd
					Bulelamadize Holding (Pty) Ltd
Construction of Fihlani	Rosibu Holdings (Pty) Ltd	4 864 535.95	1 208 580.36	Women	Singalala Ikhaya Trading

Project name	Bid number
Electrification of Qwanguleni Ext, Ntandathu, Ntshatshongo, Enqileni, Mnyameni, Mnyameni Myeki and Macibe Phesheya kweDiphu	MNQ/SCM/12/21-22
Supply And Delivery of 84 Laptops and laptop bags	MNQ/SCM/95/20-21
Supply, Installation and Commissioning Of Standby Generators, Ups and Refurbishment of Electrical Distribution Board Including Maintenance Contracts for Mnquma Main Building	MNQ/SCM/97/20-21
Construction of Butterworth Tourism Information Centre	MNQ/SCM/43/20-21
Supply and Installation of Network points for Satellite Offices	MNQ/SCM/25/21-22
Planning, Designing and Construction of Animal Pound at Mission Location Butterworth	MNQ/SCM/92/21-22
Refurbishment of Butterworth Town Hall	MNQ/SCM/38/21-22
Construction of Thongwana Outdoor Sports Facility Phase 1	MNQ/SCM/51/21-22
Fixing, Revamping, Design, Printing and Installation of Municipal Building Outdoor Signage, Directional Road Signage and Indoor Office Signage	SCM/MLM/62/20-21
Supply and Delivery of a Container	MNQ/SCM/57/21-22

9. Fraud Prevention Policy

The municipality has reviewed and adopted the Fraud prevention policy on the 28 May 2021 and is implemented.

Intangible Assets on the other hand are assets (other than cash and cash equivalents) which can be distinguished separately from other assets of an institution but do not have any physical existence or substance. Examples of the intangible assets would be a goodwill, copyrights, patents, software etc. of which the municipality does not have intangible assets.

The municipality also owns infrastructure assets by the following classes:

- Land;
- Roads infrastructure;
- Buildings;
- Investment property;
- Community Assets.
- Parks & Cemeteries

0.3 PHYSICAL VERIFICATION OF MOVABLE ASSETS

The Asset Management section conducts a full asset verification (100% testing on the existence of assets and completeness of the FAR) on a quarterly basis. The asset verification for the 2nd Quarter is still in progress, it was started on the 10th of November 2021.

10.4 PHYSICAL VERIFICATION PROCESS

The process of the physical verification, as outlined on the asset count procedures, is as follows:

- Notification via email from the Asset Management Office was communicated to all office bearers to be aware of the commencement date and schedule of this project.
- Drafting and Printing of a sufficient number of data-collection sheets;
- Printing of office-by-office assets *listings*. The direction of testing for this is from the system to the floor (existence of the Fixed Asset Register);

10.5 ASSET VERIFICATION SCHEDULE

A schedule of the verification was issued to all employees. This verification schedule serves as a guideline to the asset management section of how the routine of the verification should be conducted and at the same time as a written instruction to the employees to cooperate with the team when it comes to access to offices, time frame where access to each office should be granted and asset movement restriction between offices. The locations are as follows:

- Main Building
- Town Hall licensing offices

10.8 LEASES

Operating lease register is updated in a monthly basis. The reconciliation is done monthly reconciling between the operating lease contracts and invoices. Treasury allowed the Municipality to participate in transversal contract and it is still in progress. Expenditure for the midterm is **R422 043.44 (Vat inclusive)**.

10.9 DISPOSAL OF ASSETS

During asset verification there were assets that needed to be disposed due to their condition and that their maintenance cost is too high. Two assets (Bus and a Quantum) were approved for disposal but not yet disposed.

Attached on the annexure is an additional list of other assets that are recommended to be disposed off as their cost to repair is higher than their current value.

10.10 INSURANCE CLAIMS

The claims for insurance are logged as and when they happen. The register is updated on an ongoing basis.

11.6 INSPECTION OF VEHICLE SCHEDULE

A schedule of the inspection will be issued to all directorates. This schedule serves as a guideline to the fleet management section of how the routine of the inspection will be conducted and at the same time as a written instruction to the employees to cooperate with the team when it conducts the inspection. The drivers will be requested to avail vehicles to fleet management office at as per the schedule. The inspection books were developed for all buildings where the driver and security signs when the vehicle is going out and when is coming back. These books are returned to the Fleet Office on a weekly basis.

11.7 LIST OF VEHICLES

The Municipality has 55 vehicles including Plant and Trucks, these are listed as follows:

Asset No	Description	Make	Model	Purchase date	
1	FLW695EC	NISSAN UD TRUCK	NISSAN	UD	2009/07/01
2	FMF933EC	TANKER WATER 10 000LITRE	PIUSI	2010	2009/07/01
3	FNN778EC	GRID ROLLER	NONE	NONE	2009/07/01
4	FRP064EC	CHERRY PICKER	NONE	NONE	2009/07/01
5	FWR647EC	TRAILER	VENTER	GENIE TZ-34 20	2009/07/01
6	FWR653EC	LOWBED - MAN TGS 27.480 BBS-L	MAN	TGS27.480	2009/07/01
7	FXZ839EC	MAN CLA 26.280	MAN	CLA 26.280	2009/07/01
8	HBN412EC	COMPACTOR REFUSE - UD 330WF	NISSAN	UD TRUCKS	2009/07/01
9	HBN419EC	TRAILER	VENTER	FLAT BED	2009/07/01
10	HFG693EC	TRAILER	VENTER	NONE	2009/07/01
11	HKP016EC	GRADER	NONE	NONE	2009/07/01
12	HKP022EC	GRADER	NONE	NONE	2009/07/01
	HLH282EC	BACKHOE LOADER/ TLB	NONE	NONE	2009/07/01
14	FCX279EC	TOYOTA QUANTUM	TOYOTA	QUANTUM	2009/07/01
15	HML527EC	TOYOTA LDV	TOYOTA	CORROLA 1.8	2009/07/01
16	HML534EC	TOYOTA COROLLA	TOYOTA	CORROLA 1.8	2009/07/01
17	HML537EC	TOYOTA COROLLA	TOYOTA	CORROLA 1.8	2009/07/01
18	JHZ632EC	TOYOTA FORTUNER	TOYOTA	FORTUNER	2019/03/25
19	JHZ640EC	TOYOTA FORTUNER	TOYOTA	FORTUNER	2019/03/25
20	JJP173EC	ISUZU BAKKIE	ISUZU	NONE	2019/03/29
21	JJP179EC	ISUZU BAKKIE	ISUZU	NONE	2019/03/29
22	JJS474EC	TOYOTA ETIOS SEDAN	TOYOTA	ETIOS	2019/04/26
23	JJS490EC	TOYOTA ETIOS SEDAN	TOYOTA	ETIOS	2019/04/26
24	JJS505EC	TOYOTA ETIOS SEDAN	TOYOTA	ETIOS	2019/04/26
25	JKM321EC	ISUZU DOUBLE CAB D-MAX	NONE	NONE	2019/06/11
26	JKM339EC	ISUZU DOUBLE CAB D-MAX	NONE	NONE	2019/06/11
27	MNQ00831	BATTERY CHARGER	HAWKINS	6 60GX	2009/07/01
28	MNQ06776	EXCAVATOR	VOLVO	NULL	2009/07/01

11.8 REPAIRS AND MAINTENANCE

Vehicle repairs and maintenance is the responsibility of fleet section. They have to ensure that all vehicles are repaired and maintained. The driver is responsible to report faults or accidents to the fleet management section. The fleet section has to facilitate the repairs by preparing requisition. Expenditure for the Mid term ending 31st Decemberr 2021 is **R691 435.39.**

11.9 FUEL CONSUMPTION REPORT

Fuel consumption report is compiled using the statement received from Wesbank and the order that was done for vehicles with no fuel cards. Total expenditure for the Mid-term ending 31st Decemeber 2021 is **R1 985 462,90.**

v. PURCHASES OF STOCK ITEMS

Stock items are currently purchased as and when required through SCM processes by means of requesting quotations. Due to the delays that we encountered in this process, we requested that the Municipality must have contracts for a period of atleast one year for all stock items.

Priority Area	Strategic Objective	Link to Annual Target	Risk	Risk Causes	Consequences	Action to Improve Management of the Risk	Progress
Indigent Support	Prepare and review 4 contracts & commitments registers and report thereof by June 2022	1. Non-credible contracts and commitments register	1. Inadequate update and review of commitments and contract register.	1. Loss of information 2. Negative audit outcomes 3. Irregular Expenditure	1. Update and review commitments and contracts register 2. Reconcile commitments register with ledger 3) Strengthen Project (Contract monitoring) Management - Implement GCC and Contract Management	Contract and Commitments register has been updated Suppliers has been assessed for performance (Suppliers performance report)	
	To provide support to indigent beneficiaries in line with the indigent policy by June 2022	Update 2021/2022 indigent register with 7500 beneficiaries by June 2022	1. Inaccurate indigent register	1. inaccuracies in eskom indigent register 2. Lockdown regulations (limiting access to the communities)	1. Overstated debtors 2. Disputes 3. Financial loss	Indigent register has been updated with 5457	
	To implement internal controls for approval, authorization and withdrawal payments of funds by June 2022	Pay 100% of creditors within 30 days of receiving invoice by June 2022	1. Inability to pay creditors within 30 days.	1.Delays in processing of invoices.	1. Claims and litigations 2. Negative audit outcomes 3. Poor service delivery Unauthorised expenditure. 4. Financial loss.	1. Ensure timely capturing of invoices 2. Monitor the invoice tracking register	1. Invoices are received daily and captured on the EMS system 2. The invoice tracking register is monitored on daily basis
Expenditure Management							

14 Staff Implications

None

15 Financial Implications

This report details the implementation of the approved budget and related policies.

16 Annexures

1. Schedule of payments from 01 July 2021 to 31 December 2021
2. Detailed capital projects as at 31 December 2021
3. Withdrawals report from 01 October 2021 to 31 December 2021
4. Deviations register from 01 July 2021 to 31 December 2021
5. Contracts and Commitments register as at 31 December 2020
6. Suppliers mid-term assessment report – 31 December 2020
7. Report on 2021-2022 procurement plan as at 31 December 2020
8. Additions register for Immovable assets from 01 July 2021 to 31 December 2021
9. Additions register for movable assets from 01 July 2021 to 31 December 2021
10. Operating Lease register from 01 July 2021 to 31 December 2021
11. Insurance claims from 01 July 2021 to 31 December 2021
12. Repairs and Maintenance report and expenditure from 01 July 2021 to 31 December 2021
13. Report on Physical inspection of mnquma vehicles from 01 July 2021 to 31 December 2021
14. Fuel expenditure from 01 July 2021 to 31 December 2021
15. List for Disposal for 01 July 2021 to 31 December 2021
16. Stock take report for 01 July 2021 to 31 December 2021

17 Recommendations

- It is hereby recommended that the Council approves the report for the Mid term ending 31 December.
- It is hereby recommended that Council approves the disposal of Assets.

BUDGET AND TREASURY OFFICE



REPORT TO COUNCIL 2021/2022 2nd ADJUSTMENT BUDGET

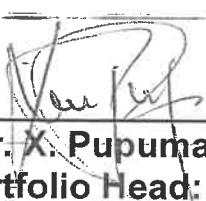
Compiled By:


M. Matomane
Chief Financial Officer

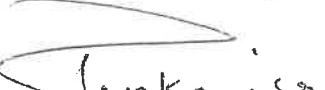
Signed by:


S. Mahlasele
Municipal Manager

Endorsed by:


Cllr. X. Pupuma
Portfolio Head: BTO

Recommended by:


Cllr. Nkamisa
Executive Mayor

4. SUMMARY OF THE ADJUSTMENTS PER DIRECTORATE

Budget and Treasury Office conducted directorate sessions with the IDP division to review SDBIP and the Budget. The directorate consolidated and summarised the adjustments as per the table below.

DIRECTORATE	TOTAL ADJUSTMENTS
Local Economic Development	1 176 725.00
Corporate Services	687 016.42
Strategic Management	- 133 993.00
Community Services	460 000.00
Infrastructure	- 1 430 621.23
Budget and Treasury Office	103 890 094.00
TOTAL ADJUSTMENTS	104 649 221.19

Original budget will increase by R104 649 221.00 which includes R99 697 423 for Debt impairment which is a non cash item and other expenditure amounting to R 9 080 969 which is detailed below.

During the financial year the municipality received a payment of R5 000 000.00 from Rural Development for historical debt, there is also an arrangement with ECDC to pay R10 000 000 for property rates (Historical debt). These were not included on the original budget as the arrangement was done during the financial year. Property rates revenue will be increased by R16 000 000.00 to fund the deficit.

KEY ADJUSTMENTS MADE PER DIRECTORATE:

Local Economic Development

The additional budget is for the appointment of a service provider for re-planning and surveying of properties.

Corporate Services

Additional budget requested is needed for Induction of councillors and Computers.

Strategic management

The directorate had savings.

Community Services

Uniform and protective clothing for Traffic, Security and Solid waste has not been budgeted for.

5. ADJUSTED BUDGETED STATEMENT OF FINANCIAL PERFORMANCE

Description	Budget Year 2021/22				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands	R'000	R'000	R'000	'000	R'000
Revenue By Source					
Property rates	60 000	60 000	16 000	16 000	76'000
Service charges - refuse revenue	6 000	6 000	-	-	6 000
Rental of facilities and equipment	5 000	5 000	-	-	5 000
Interest earned - external investments	4 000	4 000	-	-	4 000
Interest earned - outstanding debtors	14 673	14 673	-	-	14 673
Dividends received	-	-	-	-	-
Fines, penalties and forfeits	8 000	8 000	-	-	8 000
Licences and permits	1 500	1 500	-	-	1 500
Agency services	4 000	4 000	-	-	4 000
Transfers and subsidies	290 236	296 675	226	226	296'901
Other revenue	1 644	1 644	0	0	1 644
Gains	250	250	-	-	250
Total Revenue (excluding capital transfers and contributions)	395 303	401 742	16 226	16 226	417'968
Expenditure By Type					
Employee related costs	215 751	215 751	-	-	215.751
Remuneration of councillors	29 744	29 744	-	-	29.744
Debt impairment	46 073	46 073	91 800	91 800	137.873
Depreciation & asset impairment	110 026	110 026	-	-	110'026
Finance charges	20	20	-	-	20
Inventory consumed	4 700	4 809	(100)	(100)	4 709
Contracted services	34 569	39 732	(1 314)	(1 314)	38 418
Transfers and subsidies	10 850	10 810	(1 537)	(1 537)	9 274
Other expenditure	43 267	48 491	3 438	3 438	51.929
Total Expenditure	494 999	505 456	92 287	92 287	597'744
Surplus/(Deficit)	(99 696)	(103 714)	(76 061)	(76 061)	(179 776)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	95 526	95 526	(4 355)	(4 355)	91 170
Surplus/(Deficit) before taxation	(4 170)	(8 189)	(80 416)	(80 416)	(88 605)
Taxation-	-	-	-	-	-
Surplus/(Deficit) after taxation	(4 170)	(8 189)	(80 416)	(80 416)	(88 605)
Attributable to minorities	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	(4 170)	(8 189)	(80 416)	(80 416)	(88 605)
Share of surplus/ (deficit) of associate	-	-	-	-	-
Surplus/ (Deficit) for the year	(4 170)	(8 189)	(80 416)	(80 416)	(88 605)

1. DETAILED ADJUSTMENTS PER DIRECTORATE

Directores were requested to adjust their budgets and the following tables show savings and requests for additional funds for overspent and new projects.

LOCAL ECONOMIC DEVELOPMENT

ProjectName	Muni Classification	SCOA Item Desc	Current Year Budget	Adjustment	2nd Adjustment Budget 2021-2022
Coastal prencite plan and survey of 10 erven	6007 / Land Use Management:Local Economic Development	Expenditure:Contracted Services:Consultants and Professional Services:Infrastructure and Planning:Town Planner		232 250	232 250
1777 Sub-division - sewer treatment works, waterworks	6007 / Land Use Management:Local Economic Development	Expenditure:Contracted Services:Consultants and Professional Services:Infrastructure and Planning:Town Planner		170 000	-
1779 Review SDF	6007 / Land Use Management:Local Economic Development	Expenditure:Contracted Services:Consultants and Professional Services:Business and Advisory:Valuer and Assessors	500 000	-	172 250
1793 Consolidate 67 plots into 1 plot	6007 / Land Use Management:Local Economic Development	Expenditure:Contracted Services:Consultants and Professional Services:Infrastructure and Planning:Town Planner	80 000	-	60 000
1811 SMMEIS Co-ops	6008 / Small Enterprise Development:Local Economic Development	Expenditure:Transfers and Subsidies:Operational:Allocations In-kind:Private Enterprises:Other Transfers Private Enterprises:Unspecified	360 000	190 000	550 000
1817 Investment Book	6005 / Investment promotions:Local Economic Development	Expenditure:Contracted Services:Outsourced Services:Printing Services	170 775	-	22 275
9212 Conversion of land to business sites	6007 / Land Use Management:Local Economic Development	Expenditure:Contracted Services:Consultants and Professional Services:Infrastructure and Planning:Town Planner	130 000	-	130 000
9228 Maintanance of Gcuwa dam	6005 / Investment promotions:Local Economic Development	Expenditure:Contracted Services:Contractors:Maintenance of Unspecified Assets	600 000	-	652 275
					52 275

ProjectName	Muni Classification	SCOA Item Desc	Cur. At Budget	Year	Adjustment	2nd Adjustment
						Budget
9294 Upgrade of heritage site - Operational Blythswood	6003 / Tourism Development:Local Economic Development	Expenditure:Contracted Services:Contractors:Maintenance of Unspecified Assets	400 000		60 000	460 000
9295 SUPPORT TO FORESTRY	6008 / Small Enterprise Development:Local Economic Development	Expenditure:Transfers and Subsidies:Operational:Allocations In-kind:Private Enterprises:Other Transfers Private Enterprises:Unspecified	40 000		600 000	640 000
9305 Tourism Program-Operational	6003 / Tourism Development:Local Economic Development	Expenditure:Contracted Services:Consultants and Professional Services:Business and Advisory:Valuer and Assessors	55 901	-	55 901	-
11905 Market Day-SMME	6008 / Small Enterprise Development:Local Economic Development	Expenditure:Operational Cost:Hire Charges	30 000	-	10 000	20 000
1740 Big LED screens	6005 / Investment promotions:Local Economic Development	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Community Assets:Cost:Acquisitions	1 998 200		652 275	2 650 475
9229 maintenance of Heritage site Bawa falls & WK Tamsana grave	6003 / Tourism Development:Local Economic Development	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Community Assets:Cost:Acquisitions	20 000	-	7 400	12 600
9253 Upgrade of heritage site - Blythswood	6003 / Tourism Development:Local Economic Development	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Other Assets:Cost:Acquisitions	60 000	-	60 000	-
9278 Revitalisation of a donated state farm	6003 / Tourism Development:Local Economic Development	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Other Assets:Cost:Acquisitions	800 000	-	800 000	-
9280 Tourism programmes	6003 / Tourism Development:Local Economic Development	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Community Assets:Cost:Acquisitions	25 000		55 901	80 901
TOTAL ADJUSTMENTS						1 176 725

ProjectName	Muni Classification	SCOA Item Desc	Cur Year Budget	Adjustment	2nd Adjustment Budget 2021-2022
	8001 / Human resources and Employee Relations:Corporate Services	Expenditure:Operational Cost:Travel and Subsistence:Domestic:Accommodation	80 000.00	700 000.00	780 000.00
344 Training- HR	8001 / Human resources and Employee Relations:Corporate Services	Expenditure:Contracted Services:Outsourced Services:Catering Services	50 000.00	150 000.00	200 000.00
344 Training- HR	8001 / Human resources and Employee Relations:Corporate Services	Expenditure:Contracted Services:Contractors:First Aid	12.00	3 000.00	3 012.00
346 Sport and Recreation	8001 / Human resources and Employee Relations:Corporate Services	Expenditure:Contracted Services:Outsourced Services:Catering Services		10 000.00	10 000.00
346 Sport and Recreation	8001 / Human resources and Employee Relations:Corporate Services	Expenditure:Contracted Services:Contractors:Sports and Recreation		5 000.00	5 000.00
346 Sport and Recreation	8001 / Human resources and Employee Relations:Corporate Services	Expenditure:Operational Cost:Uniform and Protective Clothing		5 000.00	5 000.00
346 Sport and Recreation	8001 / Human resources and Employee Relations:Corporate Services	Expenditure:Operational Cost:Hire Charges		2 000.00	2 000.00
348 Organisational Design & Job Evaluation	8001 / Human resources and	Expenditure:Operational Cost:Honoria (Voluntarily Workers)	500 000.00	- 100 000.00	400 000.00

ProjectName	Muni Classification	SCOA Item Desc	Current Year Budget	Year Adjustment	2nd Adjustment Budget 2021-2022
ICT Equipment	8007 / Information and Communication Technology:Corporate Services	Expenditure:Operational Cost:Assets less than the Capitalisation Threshold	30 000.00		
9216 Email System	8007 / Information and Communication Technology:Corporate Services	Expenditure:Contracted Services:Outsourced Services:Business and Advisory:Communications	1 500 000.00	- 1 012 183.36	487 816.64
9218 first aid kits	8001 / Human resources and Employee Relations:Corporate Services	Expenditure:Contracted Services:Contractors:First Aid	100 000.00	- 100 000.00	-
9224 Hosted Production environment and Backup	8007 / Information and Communication Technology:Corporate Services	Expenditure:Operational Cost:External Computer Service:Software Licences	2 500 000.00	- 1 000 000.00	1 500 000.00
9225 ICT Telecommunications (Cellphones, Data, Telephones and VPN)	8007 / Information and Communication Technology:Corporate Services	Expenditure:Operational Cost:Communication:Telephone, Fax, Telegraph and Telex	3 620 000.00	- 110 000.00	3 510 000.00
9241 Relocation costs	8001 / Human resources and Employee Relations:Corporate Services	Expenditure:Contracted Services:Outsourced Services:Transport Services	150 000.00	- 100 000.00	50 000.00
9249 Table Cloths-Branded	8003 / Council Support:Corporate Services	Expenditure:Operational Cost:Assets less than the Capitalisation Threshold	15 000.00	- 7 000.00	8 000.00
9082 Microphones	8003 / Council Support:Corporate Services	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Machinery and Equipment:Future Use:Cost:Acquisitions	70 000.00	- 70 000.00	-
9089 Generator IT	8007 / Information and Communication Technology:Corporate Services	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Machinery and Equipment:Future Use:Cost:Acquisitions	900 000.00	- 442 072.50	457 927.50

STRATEGIC MANAGEMENT

Project Name	Muni Classification	SCOA Item Desc	Current Year Budget	Adjustment	2nd Adjustment Budget 2021-2022
4 IDP	4001 / IDP & PMS:Strategic Management	Expenditure:Operational Cost:Advertising, Publicity and Marketing:Corporate and Municipal Activities	140 000	-	39 835 100 165
4 IDP	4001 / IDP & PMS:Strategic Management	Expenditure:Contracted Services:Outsourced Services:Transport Services	200 000	58 555	258 555
4 IDP	4001 / IDP & PMS:Strategic Management	Expenditure:Contracted Services:Outsourced Services:Printing Services	60 000	-	18 720 41 280
318 Back To School Program	4007 / Special Programmes Unit:Strategic Management	Expenditure:Transfers and Subsidies:Operational:Allocations In-kind:Private Enterprises:Other Transfers Private Enterprises:Unspecified	250 000	-	32 368 217 632
352 External Newsletter	4009 / Communication:Strategic Management	Expenditure:Operational Cost:Advertising, Publicity and Marketing:Municipal Newsletters	400 000	-	201 625 198 375
1797 Elderly Month Program	4007 / Special Programmes Unit:Strategic Management	Expenditure:Contracted Services:Outsourced Services:Transport Services	20 000	-	10 000 10 000
1813 Performance Reviews	4001 / IDP & PMS:Strategic Management	Expenditure:Operational Cost:Advertising, Publicity and Marketing:Corporate and Municipal Activities	120 000	-	60 000 60 000
9215 Disability Program	4007 / Special Programmes Unit:Strategic Management	Expenditure:Transfers and Subsidies:Operational:Allocations In-kind:Private Enterprises:Other Transfers Private Enterprises:Unspecified	200 000	170 000	370 000
TOTAL ADJUSTMENTS				-	133 993

ProjectName	Muni Classification	SCOA Item Desc	Current Year Budget	Adjustment	2nd Adjustment Budget 2021-2022
Uniform-Overall and protective clothing	5004 / Security Services:Community Services	Expenditure:Operational Cost:Uniform and Protective Clothing	400 000		
414 Maintenance of Library	5006 / Solid waste and Public Amenities:Community Services	Expenditure:Contracted Services:Contractors:Maintenance of Unspecified Assets	927 243	- 300 000	627 243
414 Maintenance of Library	5006 / Solid waste and Public Amenities:Community Services	Expenditure:Contracted Services:Outsourced Services:Catering Services	20 000	10 000	30 000
414 Maintenance of Library	5006 / Solid waste and Public Amenities:Community Services	Expenditure:Operational Cost:Registration Fees:Seminars, Conferences, Workshops and Events:National	100 000	- 40 000	60 000
414 Maintenance of Library	5006 / Solid waste and Public Amenities:Community Services	Expenditure:Operational Cost:Travel and Subsistence:Domestic:Accommodation	50 000	- 10 000	40 000
414 Maintenance of Library	5006 / Solid waste and Public Amenities:Community Services	Expenditure:Operational Cost:Hire Charges	10 000	20 000	30 000
414 Maintenance of Library	5006 / Solid waste and Public Amenities:Community Services	Expenditure:Operational Cost:Wet Fuel	200 000	- 90 000	110 000
414 Maintenance of Library	5006 / Solid waste and Public Amenities:Community Services	Expenditure:Operational Cost:Assets less than the Capitalisation Threshold	90 000	340 000	430 000
414 Maintenance of Library	5006 / Solid waste and Public Amenities:Community Services	Expenditure:Contracted Services:Outsourced Services:Cleaning Services		20 000	20 000
414 Maintenance of Library	5006 / Solid waste and Public Amenities:Community Services	Expenditure:Operational Cost:Signage		50 000	50 000

ProjectName	Muni Classification	SCOA Item Desc	Current Year Budget	Adjustment	2nd Adjustment Budget 2021-2022
Centane, LEDP and Ngqamakwe, Traffic		Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Machinery and Equipment:Future Use:Cost:Acquisitions	15 000		15 000
Generator- Cemetery	5006 / Solid waste and Public Amenities:Community Services				
TOTAL ADJUSTMENTS			460 000.00		

INFRASTRUCTURE

ProjectName	Muni Classification	SCOA Item Desc	Current Year Budget	Adjustment	2nd Adjustment Budget 2021-2022
367 Hire of Plant - Infrastructure service – Engineering	9007 / Civil Services:Infrastructural Planning & Development	Expenditure:Operational Cost:Hire Charges	631 350	3 000 000	3 631 350
Rehabilitation of Ext 6 Ring Road (Surfaced) MIG	9001 / Engineering:Infrastructural Planning & Development	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Roads Infrastructure:Cost:Acquisitions		2 045 998	2 045 998
Rehabilitation of Ext 6 Ring Road (Surfaced) EQS	9001 / Engineering:Infrastructural Planning & Development	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Roads Infrastructure:Cost:Acquisitions		3 000 000	3 000 000
Construction of Thanga Outdoor Sports Facility Phase 1 (EQS)	9001 / Engineering:Infrastructural Planning & Development	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Community Assets:Cost:Acquisitions		1 000 000	1 000 000
85 Ntseshe Community Hall	9001 / Engineering:Infrastructural Planning & Development	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Roads Infrastructure:Cost:Acquisitions	4 055 784	-	811 157
150 Ibika Internal Streets			3 997 506	199 875	3 797 631

ProjectName	Muni Classification	SCOA Item Desc	Current Year Budget	Adjustment	2nd Adjustment Budget 2021-2022
9302 Small Town Revitalisation	9004 / Project Management Unit:Infrastructure Planning & Development	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Roads Infrastructure:Cost:Acquisitions Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Roads Infrastructure:Cost:Acquisitions	14 652 900	4 544 740	19 197 640
9304 Masisakhe to Nzanzana Access Road	9007 / Civil Services:Infrastructure Planning & Development	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Roads Infrastructure:Cost:Acquisitions	4 949 088	-	247 454
11901 Paving of King & Blyth Street	9007 / Civil Services:Infrastructure Planning & Development	Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Roads Infrastructure:Cost:Acquisitions	780 000	-	149 474
TOTAL ADJUSTMENTS				-	1 430 621

BUDGET AND TREASURY OFFICE

ProjectName	Muni Classification	SCOA Item Desc	Current Year Budget	Adjustment	2nd Adjustment Budget 2021-2022
14 Bank Charges: Budget & Treasury 21- Budget & Reporting	7004 / Budget Planning and Financial Reporting:Budget & Treasury	Expenditure:Operational Cost:Bank Charges, Facility and Card Fees:Bank Accounts	-	12	300 000
71 Debt Impairment - Fines	7005 / Revenue and Debt Management:Budget & Treasury	Expenditure:Bad Debts Written Off	3 000 000	2 800 000	5 800 000
72 Debt Impairment - Housing	7005 / Revenue and Debt Management:Budget & Treasury	Expenditure:Bad Debts Written Off	2 000 000	18 000 000	20 000 000
73 Debt impairment - Interest on service charges	7005 / Revenue and Debt Management:Budget & Treasury	Expenditure:Bad Debts Written Off	14 672 635	50 000 000	64 672 635
74 Debt Impairment - Property Rates	7005 / Revenue and Debt Management:Budget & Treasury	Expenditure:Bad Debts Written Off	24 000 000	12 000 000	36 000 000

ProjectName	Muni Classification	SCOA Item Desc	Current Year Budget	Adjustment	2nd Adjustment Budget 2021-2022
1760 Supplementary Valuation	7005 / Revenue and Debt Management:Budget & Treasury	Marketing:Corporate and Municipal Activities			
1760 Supplementary Valuation	7005 / Revenue and Debt Management:Budget & Treasury	Expenditure:Contracted Services:Outsourced Services:Catering Services	30 000	-	25 000
1760 Supplementary Valuation	7005 / Revenue and Debt Management:Budget & Treasury	Expenditure:Contracted Services:Outsourced Services:Business and Advisory:Commissions and Committees	80 000	-	30 000
1760 Supplementary Valuation	7005 / Revenue and Debt Management:Budget & Treasury	Expenditure:Operational Cost:Hire Charges	20 000	-	10 000
1760 Supplementary Valuation	7005 / Revenue and Debt Management:Budget & Treasury	Expenditure:Operational Cost:Travel and Subsistence:Domestic:Transport without Operator:Own Transport	20 000	-	10 000
1760 Supplementary Valuation	7005 / Revenue and Debt Management:Budget & Treasury	Expenditure:Operational Cost:Advertising, Publicity and Marketing:Signs	30 000	-	10 000
1761 Assets Valuation	7002 / Logistics,Assets - and Fleet Management:Budget & Treasury	Expenditure:Contracted Services:Consultants and Professional Services:Business and Advisory:Valuer and Assessors	100 000	-	100 000
1763 Maintenance - Assets- Repairs and Maintenance	7002 / Logistics,Assets and Fleet Management:Budget & Treasury	Expenditure:Contracted Services:Contractors:Maintenance of Unspecified Assets	300 000	-	100 000
1765 SEBATA- licence and registration	7004 / Budget Planning and Financial Reporting:Budget & Treasury	Expenditure:Operational Cost:External Computer Service:Information Services	2 000 000	-	685 792
9217 Fencing of Centane Taxi Rank	7002 / Logistics,Assets and Fleet Management:Budget & Treasury	Expenditure:Contracted Services:Contractors:Maintenance of Unspecified Assets	110 000	-	110 000

2. Staff implications

None

3. Financial implications

- i) Revenue will increase from R497 268 000 to R509 139 000
- ii) Operating expenditure will increase from R 505 456 000 to R 597 743 277
- iii) Capital expenditure will increase from R 171 700 512 to R 184 062 456

4. Recommendations

It is hereby recommended that the Council approves the report for 2021-2022 2nd Adjustment budget.

3. REPORT ON AUDIT ACTION PLAN

1. Purpose

The purpose of the report is to present the Audit Action Plan to be implemented in 2021-2022 .

2. Legal and or statutory requirement

In terms of MFMA Act No. 56 of 2003 section 131:-

"(1) A municipality must address any issues raised by the Auditor General in an audit report. The mayor of a municipality must ensure compliance by the municipality within this subsection".

3. Background exposition, facts and or proposal

The Municipality submitted the Annual Financial Statements for 2020-2021 on 31st August 2021. The Auditor General audited the submitted Annual Financial Statements and the municipality got an Unqualified Audit opinion. The municipality is required to prepare an Audit Action Plan to address the findings raised by the Auditor General. The Audit action plan once approved by the council will be implemented during the financial year.

REFERENCE	AUDIT FINDING	ROOT CAUSE	RESOLVED / NOT RESOLVED	CORRECTIVE MEASURES	TIME FRAME	PERSON OFFICIAL
COAF 04	Misclassification of Computer Expenses	Lack of proper management reviews of financial statements and monitoring over the capturing process.	Resolved	Management must review invoice before capturing on the system and confirm expenditure is recorded in the correct SCOA item to ensure correct classification of expenditure.	Daily	Manager: Budget and Reporting Manager: Payroll & Expenditure
COAF 05	Differences between the payroll report VS general ledger	This was due to lack of management oversight and proper reviews.	Resolved	Management should ensure that transactions recorded on the payroll report, general ledger, trial balance and the annual financial statements agree prior to submission of the Annual Financial Statements for audit.	Monthly	Manager: Payroll & Expenditure
COAF 06	Property Plant and Equipment: Unknown differences in the amounts between the TB and the AFS	This is due to lack of management oversight and proper reviews to ensure that individual line items related to the PPE in the TB agrees to the annual financial statements submitted for audit.	Resolved	Management should ensure that proper and adequate reviews are conducted on the Annual Financial Statements to ensure that all the PPE transactions and accounts in the trial balance agrees to the figures presented in the annual financial statements prior to submission of the Annual Financial Statements for audit.	Daily	Asset Management Manager

REFERENCE	AUDIT FINDING	ROOT CAUSE	RESOLVED / NOT RESOLVED	CORRECTIVE MEASURES	TIME FRAME	PERSON OFFICIAL
COAF 08	Electrification projects: Non-submission	The cause of the above finding is due to a poor filing system and/ record management of the Municipality, as no supporting document was provided to prove occurrence of the transaction that took place to prove the scope and relationship between INEP and the Municipality in order for us to determine the appropriate treatment that should have been applied.	Resolved	Management should ensure that there are adequate controls over record keeping of financial and performance information to ensure that complete, relevant and accurate information is submitted, accessible and available timeously when requested. In addition, there must be an improvement in the filing system.	Daily	Manager: Asset Management
COAF 09	Electrification projects	The cause of the above find is a lack of proper recording of information in the general ledger. Furthermore, it indicates lack of review of information by the expenditure department.	Resolved	Mnquma Local Municipality should ensure the following:I. Draft and implement a plan of action to address this internal control deficiency.II. Reclassify expenditure relating to the prior year to the accumulated surplus and only recognise expenditure incurred on the current year under expenditure.III. Information is reviewed by appropriate level of management after being captured on the system to ensure accuracy of information.	Daily	Manager: Asset Management

REFERENCE	AUDIT FINDING	ROOT CAUSE	RESOLVED / NOT RESOLVED	CORRECTIVE MEASURES	TIME FRAME	PERSON OFFICIAL
COAF 14	Lack of proper management reviews and monitoring to ensure that all the RDP houses that are not yet transferred to the beneficiaries have been recorded in the inventory list as per GRAP requirement.	Unresolved	Management should ensure that the registers are reviewed in detail to ensure that all the information that should have been recorded has indeed been recorded to ensure that the annual financial statements are complete.	Management can avoid these finding in the future by ensuring that a checklist is used to review the AFS after they have been prepared and before they are submitted to the auditors.	Quarterly	Manager: Asset Management
COAF 15	Property Plant Equipment - Misclassification of Community assets into Buildings	Resolved	Lack of management oversight and proper review of Annual Financial statements prior to the submission to the auditors. This could also be due to management erroneously mapping account details of Community assets under Buildings.	Management should revisit the entire population and correctly allocate the community assets to its separate group in the Fixed Assets register and disclose these as a separate line item under the PPE note.	Daily	Manager: Asset Management
COAF 16	Procurement and contract management: Winning supplier not tax compliant	Resolved	Lack of management oversight to ensure that all award quotes and deviations are tax compliant.	It is recommended that management should ensure that all their awards are to tax compliant quotes and or bids.	Daily	Manager: Supply Chain Management

REFERENCE	AUDIT FINDING	ROOT CAUSE	RESOLVED / NOT RESOLVED	CORRECTIVE MEASURES	TIME FRAME	PERSON OFFICIAL
COAF 20	Retentions: Discrepancies noted between the retentions listing and contract register.	The listing is not used to compile the retention list	Resolved	Management should ensure that all retentions are included in the retention list and should properly review items recorded in the contract's register for accuracy.	Monthly	Manager: Asset Management Manager: Supply Chain Management
COAF 21	Commitments - Overstatement errors identified	This is caused by inadequate review of AFS to ensure that accurate amounts are disclosed and that the Municipality complies with all applicable GRAP standards.	Resolved	Management should ensure that the primary information and registers underlying financial statements are properly reviewed to eliminate errors when compiling the AFS. Furthermore, management should ensure that when compiling a commitment register they do not disclose projects contracts which have lapsed.	Monthly	Manager: Supply Chain Management

BUDGET AND TREASURY DIRECTORATE



UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (UIF&W) POLICY; PREVENTION AND REDUCTION STRATEGY

REPORT TO COUNCIL

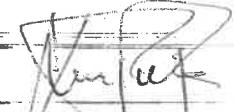
Compiled by:


M. Matomane
Chief Financial Officer

Endorsed by:


S. Mahlasela
Municipal Manager

Endorsed by:


Cllr. X. Pupuma
Portfolio Head: BTO

Recommended by:


Cllr. Nkamisa
Executive Mayor

What is unauthorised expenditure?

Section 1 of the MFMA defines unauthorised expenditure as unauthorised expenditure in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes:

- a) overspending of the total amount appropriated in the municipality's approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;
- c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation or a grant by the municipality otherwise than in accordance with the MFMA.

3. BACKGROUND EXPOSITION, FACTS AND OR PROPOSAL

National Treasury issued MFMA Circular No 111 wherein municipalities are required to develop and implement appropriate strategies/plans to reduce and prevent UIF&W expenditure as a matter of priority and urgently. The aforesaid circular further requires the policy, strategies/plans to reduce and prevent UIF&W expenditure to be provided to councillors at its meeting scheduled for January/February 2022 or sooner.

Unauthorised, irregular, fruitless and wasteful (UIF&W) expenditure reduction strategy aims to introduce measures that will assist in reducing such expenditures. Mnquma Local Municipality Unauthorised, irregular, fruitless and wasteful (UIF&W) expenditure report as per audited financial statements is as follows:

Description	Financial Year 2020/2021	Financial Year 2019/2020
Unauthorised expenditure		
Opening balance	0	415 282 017
Add: Unauthorised expenditure - current year	0	0
Less: Written-off by Council	0	(415 282 017)
	0	0

- c) Mnquma Local Municipality's (MLM's) resources are managed in compliance with the Municipal Finance Management (MFMA) Act No. 56 of 2003, its regulations and other relevant legislation; and
- d) All officials and councillors are aware of their responsibilities in respect of unauthorised, irregular or fruitless and wasteful expenditure.

A copy of Unauthorised, Irregular, Fruitless And Wasteful Expenditure Policy is attached as Annexure A

5. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE PREVENTION AND REDUCTION STRATEGY

This document sets out MLM's strategy and procedures with regards to prevention and reduction of unauthorised, irregular or fruitless and wasteful expenditure.

In terms of section 62 of the Municipal Finance Management Act No. 56 of 2003 (herein referred to as "MFMA"), the accounting officer is responsible for managing the financial affairs of Mnquma Local Municipality and he/she must, for this purpose, inter alia:

- a) Take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented; and
- b) Ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official or councillor of Mnquma Local Municipality (MLM) who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.

This is to ensure the effective, efficient and transparent systems of financial, risk management and internal control.

A copy of Unauthorised, Irregular, Fruitless And Wasteful Expenditure Prevention And Reduction Strategy is attached as Annexure B

6. RECOMMENDATIONS

- It is hereby recommended that the Council approves Unauthorised, Irregular Or Fruitless And Wasteful Expenditure Policy.
- It is hereby recommended that the Council approves Unauthorised, Irregular, Fruitless And Wasteful Expenditure Prevention And Reduction Strategy .