



FINANCE DIRECTORATE
NDLAMBE MUNICIPALITY

QUARTERLY BUDGET AND FINANCE REPORT

PERIOD 1 OCTOBER 2016 TO 31 DECEMBER 2016

The Constitution of the Republic of South Africa states that a local authority must provide its inhabitants with all basic services in a sustainable manner. Section 229 provides for division of fiscal functions and powers and section 156 provides a municipality with executive authority and rights to administer local government matters with this in mind and other legislative provision which have been enacted.

To date funds for the operation of Ndlambe Municipality are generated from user charges, rates, equitable share, subsidies and grants. It is our greatest challenge to ensure that all rates and user charges are collected. To assist in this regard, the Credit Control by-law is being enforced to recover outstanding debt and REVCO has been appointed to assist with the collection of outstanding debt.

The external environment of Ndlambe has been analysed by the finance directorate to ensure that Ndlambe Municipality will continue as a going concern.

From the analysis, the following challenges have been identified:-

1. High unemployment
2. Lack of industry.
3. Small number of sustainable businesses in the Ndlambe Area.
4. Seasonal trading
5. Limits placed on local authorities by National Treasury.
6. The cost of compliance placed on small rural municipalities through legislation.
7. Grants, subsidies and rebates granted by the Ndlambe Municipality to assist indigents, pensioners,
8. To obtain a reliable data base in respect of the population of Ndlambe with specific reference to the indigents.
9. Population statistics not accurate.

FINANCE DIVISION'S VALUES, VISIONS AND MISSION

Values

We, as members of the Finance Division of the Ndlambe Municipality, see ourselves as a professional team working within an organisation with employees of integrity, striving to offer a quality service in a productive and inventive manner to provide service excellence to the people we serve in a participatory democracy and in line with the Batho Pele principals.

Our key values are:-

| | | |
|--------------|---|---|
| Honesty | : | We will strive to be corruption free. |
| Enthusiasm | : | We will be passionate and proud in the performance of our duties. |
| Transparency | : | We will be open and communicate freely with all stakeholders of Ndlambe Municipality. |
| Quality | : | We are committed to a culture in which we will continuously strive for excellence. |
| Professional | : | We practice the highest standards applicable to our respective work and we embrace humility, discipline, respect and trust. |
| Accountable | : | We will always be accountable for our actions. |

Participatory Democracy : We will always maintain and ensure maximum involvement of all stakeholders both internal and external.

Vision

The Finance Division of the Ndlambe Municipality recognises that the main reason for the existence of our division and therefore of every job within it, is to satisfy the needs of our stakeholders and particularly those listed below:-

| | |
|---------------|---|
| Customers | Customers which include ratepayers, residents and visitors given an affordable, sustainable and equitable service in a courteous, friendly, prompt and efficient manner within a safe, clean environment. |
| Employees | Fairness, equity, security, trust, support and fair play between all employees. |
| Co-Workers | Maintaining a high level of mutual respect, trust, honesty, teamwork, information and knowledge sharing among each other. |
| Suppliers | Fair to all suppliers by having a fair and equitable procurement policy ensuring that suppliers are paid on time. |
| The Community | People centred offering a equitable provision of services in a consistent manner in a safe, clean environment promoting ethical governance and operations. |

The finance division of Ndlambe Municipality will ensure that they provide products and services and perform functions as prescribed by all applicable legislation.

FINANCE DIVISION STRATEGIES TO MEET OUR OBJECTIVES

To build on our existing financial management plan, our strategies for attaining our objectives shall be done through the following action plans:-

1. Identify training needs of all employees in the finance division.
2. All current policies and procedures to be analysed and adapted if necessary.
3. To compile a comprehensive policy manual relating to all aspects influencing or impacting on the finance division.
4. Monitor and adopt procedures and work instruction for all employees.
5. Monitor the policy to be adhered to in crisis situations.
6. Monitor the policy for dealing with the use of financial resources.

THE FINANCE DIRECTORATE AND THE COMMUNITY

The Finance Directorate's mission with regard to the community it serves is to encourage community participation. To encourage public participation, the following areas will continue to be concentrated on:-

1. The budget process.
2. The Finance Directorate's involvement in the IDP process.
3. Performance management.
4. Outcomes and impacts of the various services.
5. Strategic decisions made relating to the Finance Directorate.

Various processes and procedures are to be undertaken during the 2016/2017 financial year to ensure public participation:-

1. Survey of internal and external customers to be undertaken.
2. A public meeting is to be held half yearly to deal with all finance related matters and to give the community feedback with regard to strategic decisions made regarding the Finance Directorate and to the complaints and suggestions received.
3. All matters mentioned will be communicated to the community through various mediums to ensure that we reach as many of our customers as possible.
4. The community is to be notified by the mediums mentioned above when:-
 - a) The budget timetable is set, and the dates when the budgets are to be discussed.
 - b) Draft by-laws regarding the Finance Directorate are to be discussed.
 - c) Service delivery agreements are to be discussed.
 - d) Reviews are to be done on the performance of the Finance Directorate.
 - e) The financial statements of the Municipality are to be discussed.
 - f) The report of the Auditor General is to be discussed.

THE FINANCE DIVISION KEY PERFORMANCE INDICATORS

The following key performance indicators were identified for the quarter 1 October 2016 to 31 December 2016:-

| FINANCE DIRECTORATE PERFORMANCE INDICATORS – 1 October 2016 TO 31 December 2016 | |
|--|--|
| Performance Indicator | Comment |
| BASIC SERVICE DELIVERY | |
| % Increase of indigent households having access to free basic water | A significant portion of the increase is as a result of indigent household for FBAE . |
| % Increase of indigent households having access to free basic sanitation services | Sanitation service is provided on demand, the achieved is indicative of the focus to render services irrespective of the customer group. |
| % Increase of indigent households having access to basic electricity service in direct proportion to housing projects coming on-line | During the 2016/17 financial, no RDP houses have been finished yet consequently a minimal number applications have been forwarded to Eskom. Eskom approval of application is also impacting the increase in the number of FBE beneficiaries. |
| % increase of indigent households with access to free alternative energy sources | Indigent registrations continues to be extended to Rural/Farm areas. |
| ORGANIZATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT | |
| Attendance of all meetings of management structures that the MM instituted. | The CFO and the Deputy Director: Revenue attended all the meetings that were instituted by the Municipal Manager. |
| Number of Directorates' management structures and schedule of meetings | The finance directorate held its monthly meeting with all finance staff. |
| Adherence to the MFMA and Municipal policies and regulations like the supply chain policy. | The finance directorate has put systems in place to ensure that there is adherence to legislation and policies. The systems include BTO doing compliance checks on all requisitions and SCM doing compliance checks before issuing orders. |
| Aligned scorecards and operational plans | During this quarter the finance scorecard was aligned to the IDP, SDBIP and operational plans for the 2016/2017 financial year. |
| Credible budgeting process according to applicable prescripts. | The budget timetable and budget instructions were present to Council as required. |
| Signed Performance Agreements for Supervisors and Managers | Performance agreements for 2016/2017 based on the approved budget and IDP were signed and are waiting for the newly elected Council to consider them |
| Directorate's WSP in place and compiled. | The plan is in place but due to limited budgets not all staff identified could be sent on training. In-house mentoring and training continues. |

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| LOCAL ECONOMIC DEVELOPMENT | |
| No of projects undertaken that impacted on local economic development. | The only project finance can undertake is to employ casuals for Gel Distribution and Indigent household registrations. |
| MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | |
| Mechanisms implemented to improve revenue services. | A service provider has been appointed to assist with revenue collection, Use of electronic system access to various databases has an added advantage to increase collections, data cleansing and compilation of supplementary valuations had been of great assistance in revenue enhancement. |
| Service Provider appointed is monitored to ensure effectiveness. | Monthly meetings are held with REVCO to assess their effectiveness and deal with any matters that arise. |
| Court approved valuation roll. | The next valuation will only take place during the last quarter of this financial year. |
| Measures put in place to achieve 80% expenditure spent on the approved budget. | Daily cash flow forecasts are prepared to gauge how much expenditure budget can be spent based on cash available |
| Compliance with budget preparation and budget related policies finalization in accordance with the MFMA. | All legislated dates regarding the budget for the 2016/2017 financial year were met. |
| Number of in year budget performance reports as required by MFMA submitted on time | Unfortunately not 100% achieved as certain of the returns take long to populate as they have to be done manually. All returns were submitted but not all on time. I am confident that when we get our new financial system and the returns are produced electronically we will meet this target. |
| Balance of daily current bank account | This was achieved and formed the basis to our daily cash flow management. |
| % improvement in the implementation of Indigent Policy | Improvement could only be determined by an increase in the number of registered indigent household, based on this principle a total of 5.6% was achieved. |
| % compliance of the SCM Manager with legislation | This target was met for all procurement that is initiated and dealt with by the SCM Unit. |
| Annual financial statements that are 100% compliant to GRAP standards as per gazette issued by National Treasury | A GRAP compliance check list was developed and the service of a GRAP expert was sourced to ensure that our statements that were handed to the Auditor-General in August 2016 would be compliant. |
| Fruitless and wasteful expenditure register in place | The register is in place and is been maintained on a daily basis by the expenditure section. |
| % increase in the number of finance employees that are competent (SETA certification) on | Apart from the interns that are still busy with the competency training and the Assistant Director |

| | |
|---|--|
| minimum competency levels as regulated. | Expenditure that has not yet commenced all other relevant staff in finance has been assessed as competent. |
| % Increased budget provision for asset repairs and maintenance | This target was not achieved as public comment required the budget to be cut to reduce the percentage increase the public were to absorb. |
| Updated Asset Register | The asset register has been updated with all additions, disposals and transfers that the finance directorate have been informed of. |
| GOOD GOVERNANCE AND PUBLIC PARTICIPATION | |
| Progress reports on remedial action instituted according to the Audit Action Plan submitted | No remedial action needed to be instituted against any finance staff during this quarter as they met all their targets. |
| Progress reports on the implementation of Financial Delegations of Authority | The progress report is completed quarterly stating that all finance officials have implemented all tasks, functions and responsibilities assigned to them. |

FINANCE DIRECTORATE : STATISTICAL INFORMATION

The Finance Directorate functioned well during the period under review, thanks to a stable and dedicated finance staff. The main cause for concern remains the unacceptably high outstanding debt in respect of rates and services (as illustrated below), despite applying Council's credit control policies as rigorously as possible with the limited resources available.

REVENUE SECTION

Outstanding Debtors

| | Outstanding as at 30 September 2016 | Outstanding as at 31 December 2016 | Outstanding as at 31 March 2017 | Outstanding as at 30 June 2017 |
|-----------------------|--|---|--|---|
| Rates | 35 024 400 | 34 108 258 | | |
| Refuse | 10 709 587 | 11 398 647 | | |
| Service Charge | 7 711 104 | 8 034 456 | | |
| Sewer –annual charges | 9 548 184 | 10 273 145 | | |
| Electricity | 13 373 994 | 12 967 671 | | |
| Water | 23 039 869 | 25 864 097 | | |
| Housing | 315 523 | 323 018 | | |
| Sanitation | 1 401 020 | 1 440 309 | | |
| Legal fees | 201 785 | 454 588 | | |
| Indigent Charge | -2 318 | -3 129 | | |
| Sundry | 161 318 | 88 433 | | |
| Environmental levy | 2 732 811 | 2 857 245 | | |
| Undefined category | -9 577 | -9 476 | | |
| Total | 104 207 701 | 107 797 262 | | |

Rates and service accounts were processed and e-mailed or mailed on a monthly basis. The delivery of monthly accounts has been a point of concern however alternate methods are been put in place to ensure that ratepayers and consumers receive their monthly accounts. This should hopefully eliminate the complaints received from people that their accounts are not reaching them.

Debt collection continued to receive top priority throughout the period, but the success thereof remains a matter of great concern as indicated earlier.

Income

It is important to provide Council with an overview of what income has been received during a particular calendar month. The information to be supplied to Council should be in a summarised form and classified into sections such as electricity, water, rates, refuse, equitable share, etc. It allows Council to compare what has come in as income compared to what has gone out as expenditure. It also is an indication on where actual income is below budget and gives early warning for corrective measures to be instituted. Additional information that should be brought to Council's attention with regard to income must be included with the summary. Where income is well below budget, an action plan is to be included on how the situation can be rectified.

| INCOME ACCRUED | | | | | | |
|-----------------|--------------|------------|---------------|--------------|---------------|--------------|
| | OCTOBER 2016 | | NOVEMBER 2016 | | DECEMBER 2016 | |
| | Budget | Actual | Budget | Actual | Budget | Actual |
| Rates | 583 259.17 | 544 252.00 | 583 259.17 | 560 822.00 | 583 259.17 | 813 352.00 |
| Electricity | 862 203.75 | 811 090.00 | 862 203.75 | 3 593 186.00 | 862 203.75 | 3 610 569.00 |
| Water | 153 710.00 | 742 944.00 | 153 710 00 | 1 279 126.00 | 153 710.00 | 907 659.00 |
| Refuse | 627 076.25 | 104 705.00 | 627 076.25 | 864 888.00 | 627 076.25 | 841 665.00 |
| Sewer | 444 806.75 | 370 951.00 | 444 806.75 | 527 900.00 | 444 806.75 | 516 840.00 |
| Equitable Share | 4 751 214 | 3 668 425 | 4 751 214 | 3 658 759 | 4 751 214 | 3 678 072 |
| Sanitation | 345 469.75 | 121 678.00 | 345 469.00 | 146 277.00 | 345 469.00 | 187 475.00 |

EXPENDITURE SECTION

Creditors

All creditors, including staff salaries, were paid regularly on a monthly basis and no amounts remained unpaid at the end of the respective financial years.

| | 1 July 2016 to 30 September 2016 | 1 October 2016 to 31 December 2016 | 1 January 2017 to 31 March 2017 | 1 April 2017 to 30 June 2017 |
|------------------------------|--|---|------------------------------------|---------------------------------|
| Number of payments made | 4489 | 279 | | |
| Total value of payments made | R127 304 929.52 | R115 102 672 | | |

Stores

Apart from purchasing and issuing stock items, the purchases of other materials not normally held in stock were controlled through the Stores on behalf of the various departments.

Turnover of stock at the Stores during the four quarters of 2016/2017 was as follows:-

| | 1 July 2016 to 30 September 2016 | 1 October 2016 to 31 December 2016 | 1 January 2017 to 31 March 2017 | 1 April 2017 to 30 June 2017 |
|--------------------|--|---|--|------------------------------------|
| Value of purchases | 2 168 207.80 | 1 350 356.31 | | |
| Value of issues | 1 770 607.66 | 2 059 321.02 | | |

Pay Office

| | OCTOBER 2016 | NOVEMBER 2016 | DECEMBER 2016 |
|---|-----------------|------------------|------------------|
| Full Time Employee's | 512 | 505 | 517 |
| Contract Employee's | Nil | Nil | Nil |
| New Appointments | 0 | 0 | 13 |
| Resignations, Retirements and Dismissals | 0 | 7 | 1 |
| Bonus Accruals | 462 741 | 458 766 | 464 980 |
| Monthly Payroll – Salaries and Allowances | 7 431 343.34 | 7 996 118 | 12 177 202 |
| Overtime Paid | 634 481 | 866 502 | 706 951 |
| Severance Payments, Resignations and Retirements | 0.00 | 86 940 | 86 665 |
| Council Contributions to Medical Aid and Pension/Retirement Funds | 489 925 | 494 534 | 494 534 |

BUDGET AND TREASURY OFFICE

Budget Control

Income and expenditure compared to budget was constantly monitored and the various departments were kept informed of the situation on a monthly basis. Despite this, variances did occur for various reasons and corrective steps were implemented where possible. Comparisons between budgeted and actual income and expenditure for the past three months are as follows:-

| | OCTOBER 2016 | | NOVEMBER 2016 | | DECEMBER 2016 | |
|-------------|--------------|-----------|---------------|-----------|---------------|-----------|
| | Budget | Actual | Budget | Actual | Budget | Actual |
| Income | 1 147 225 | 52 806 | 1 147 225 | 180 174 | 1 147 225 | 52 380 |
| Expenditure | 24 728 666 | 1 230 687 | 24 728 666 | 1 385 377 | 24 728 666 | 2 311 557 |

Operating and Capital Budgets

The budgeting process for 2016/2017 started in September 2016 and the 2016/2017 financial year's budget was approved by Council on 23 June 2016.

Financial Management Grant Summary

| CAPITAL | OCTOBER 2016 | | NOVEMBER 2016 | | DECEMBER 2016 | |
|-------------|--------------|--------|---------------|--------|---------------|--------|
| | Budget | Actual | Budget | Actual | Budget | Actual |
| Expenditure | 129 000 | 26 580 | 129 000 | 5 992 | 129 000 | 0 |

| OPERATING | OCTOBER 2016 | | NOVEMBER 2016 | | DECEMBER 2016 | |
|-------------|--------------|--------|---------------|--------|---------------|---------|
| | Budget | Actual | Budget | Actual | Budget | Actual |
| Expenditure | 1 650 000 | 76 745 | 1 650 000 | 74 675 | 1 650 000 | 260 382 |

Municipal Systems Improvement Grant Summary

| OPERATING | OCTOBER 2016 | | NOVEMBER 2016 | | DECEMBER 2016 | |
|-------------|--------------|--------|---------------|--------|---------------|--------|
| | Budget | Actual | Budget | Actual | Budget | Actual |
| Expenditure | 0 | 0 | 0 | 0 | 0 | 0 |

Once again the capital budget had to be restricted due to the shortage of internal funds. Capital projects will only be embarked upon once the funds are secured.

Cash Flow Management

The key factor to the management of finances within Ndlambe Municipality is effective cash flow management and administration. Expenditure can, to a point, be controlled but the collection of revenue is not always under the municipality's control. The municipality can only spend money which has been collected even though the expenditure has been approved in terms of the budget. Municipality's reserves are non-existent so revenue management and credit control is of vital importance. Cash flow reports are not a precise correlation between the revenue flow and expenditure flow, they are predictions of what can be expected regarding revenue flow and expenditure flow. To a large extent, expenditure flow takes place on a more or less constant pace or a predictable pace which makes cash flow forecasts on expenditure more reliable than that of income. Cash flow forecasts must highlight variances between expected cash inflow to cash outflow and management must be proactive in dealing with them. Management is to come up with ways of smoothing cash inflow to cash outflow.

Cash flow summaries are one of the most important parts of the financial manager's report. The forecast shows monthly income compared to monthly expenditure which will determine if a particular month will be cash positive or cash negative and allow action to be taken to rectify the situation well in advance. From the perspective of the finance operation, accuracy of information in the cash flow forecast is critical in order that effective cash flow administration can be pursued.

SUPPLY CHAIN MANAGEMENT QUARTERLY REPORT

SUPPLY CHAIN MANAGEMENT POLICY – Paragraph 6(4) REPORT – 2017 QUARTER 1 Extracted from the SCM Policy as approved by Council in June 2016:

“6. Oversight role of the council

(3) For the purposes of such oversight, the accounting officer must –

(a) within 30 days of the end of each **financial year**, submit a report on the implementation of this policy to the council through its mayor;

(b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report thereon to the council through its mayor.

(4) The accounting officer must, within 10 days of the end of **each quarter**, submit a report on the implementation of this policy to the mayor.

(5) The aforesaid reports must be made public in accordance with section 21A of the Municipal Systems Act.”

REPORT FOR THE PERIOD 1 OCTOBER 2016 TO 31 DECEMBER 2016

1. Staffing Matters

During the second quarter of the 2017 Financial Year, the two permanent and one contract members of the Unit continued to face many challenges, due mainly to an insufficient number of staff members in the Unit to carry out the full range of duties as set out in the Municipality's Supply Chain Management Policy.

The post of Logistics Clerk, which, since December 2012, had been filled by a contracted employee, has been approved on the organogram and was provided for in this Unit's 2014, 2015 and 2016 operating

budgets. To ensure sustained compliance with Best Practice processes, and to address to issues raised previously by the Auditor-General, this new post was filled on a permanent basis with effect from 1 January 2017. However, the Task Grading in respect of this new post has, as at 31 December 2016, still not yet been completed. Notwithstanding this situation, the permanent appointment was made on 30 December 2016. The post of Logistics Clerk remains the only currently occupied post which has yet to be task graded. No firm indication has been provided by the Human Resources Section as to when this evaluation will be completed but it has been intimated by the HR Section of Ndlambe Municipality that the conclusion of the process is imminent.

2. Office Infrastructure

The situation whereby the SCMU Office, since occupying the 44 Campbell Street premises in November 2012, operated without being linked to the municipality's telephone switchboard system, was resolved in May 2016 when all three staff SCMU members were provided with corded VoIP handsets which were linked to the central municipality switchboard. Training on the finer points of utilisation of the system has not yet been provided.

3. Decentralised Supply Chain Processes

It remains a challenge to fully and comprehensively comply with the administrative and reporting requirements of legislation due to the currently dispersed nature of responsibility for the various Supply Chain Management functions.

The lack of central co-ordination regarding Supply Chain matters such as bid notice preparation, bid committee minutes and agendas, notice placement and other related issues remain an obstacle in complying with the required processes contained within the Supply Chain Management Policy. Although the ideal situation would be to establish a fully-fledged centralised Procurement Section at Ndlambe Municipality, the problem remains that it would be an extremely costly exercise, and would place enormous strain on the overall constraints of restricting increases in budget expenditure. However, until such time that this situation is comprehensively addressed, the Municipality will run the risk of not fully complying with legislated requirements.

It has recently become apparent that progress may shortly be made in this regard with a possible phasing-in approach being followed.

4. Ndlambe Municipality Supplier Database

By amendment to the Supply Chain Management Policy, the municipality's supplier database, with effect from 1 July 2016, has become, *de facto*, the Central Supplier Database (see below).

5. Web Based Central Supplier Database (CSD)

With effect from 1 July 2016, Municipalities must use the CSD supplier number starting with (MAAA) which is auto generated by the Central Database System after successful registration and validation of the prospective provider as mandatory requirement as part of listing criteria for accrediting prospective provider in line with Section 14(1)(b) of the Municipal Supply Chain Management Regulations. This means that the requirement for Ndlambe Municipality to operate and maintain a separate supplier database has fallen away, as all organs of state (including municipalities) must, from 1 July 2016, make exclusive use of suppliers who are registered on the CSD.

To this end:

- An amendment to the Supply Chain Management Policy of the municipality, in line with the recommendations of National Treasury regarding compulsory CSD registration, was approved by Council in June 2016.
- SCMU officials have been assisting many local potential suppliers to register on the CSD.
- The Supply Chain Manager has been registering Ndlambe officials as users on the CSD so that user departments can search this database for potential suppliers. This is an ongoing process.

The response from, particularly local, current suppliers to the municipality has, regrettably, been extremely poor. Ongoing efforts to encourage registrations are being made but there exists a considerable risk that the

municipality, in order to ensure ongoing service delivery, may be left with no other option than to transact with unregistered suppliers.

The current user-friendliness of the CSD has proved to be rather challenging, and suggestions are being made to National Treasury regarding possible improvements to this aspect of the system.

6. Minimum Competency Levels

Section 119(1) of the MFMA states that: *“The accounting officer and all other officials of a municipality or municipal entity involved in the implementation of the supply chain management policy of the municipality or municipal entity must meet the prescribed competency levels.”*

Both the Head: Supply Chain Management and Acquisition Officer must therefore comply with the requirements of the National Treasury: Local Government: Municipal Finance Management Act: Municipal Regulations on Minimum Competency Levels in this regard.

The Head: Supply Chain Management commenced the required studies in April 2013 and should meet the competency requirements by early 2016 as the outstanding Unit Standards will be presented only on a distance learning basis by the training provider, Stellenbosch University. The Acquisition Officer commenced with these required studies during 2015 financial year.

The Acquisition Officer is enrolled at Fort Hare University but, due to ill health, has missed six Unit Standards. The Supply Chain Manager directed an e-mail to the university on 18 March 2016 regarding the completion of these standards, but has yet to receive a reply.

7. Abakus System shortcomings

There many shortcomings regarding the quality of the actual orders which are generated by the Abakus system, and matters such as Delivery Data, Comments, Supplier Reference Numbers, Ndlambe VAT Vendor Number and other data need to be incorporated into the order format. Due to the current apparent lack of support and development for this financial system, the shortcomings will most probably only be addressed once an alternative system is commissioned. The timing of this is unknown as it is dependent on the acquisition, most probably by way of a Section 32 Transversal Tender procurement, a SCOA Regulations NT capable system.

8. Deviations from SCM Processes

Although tendering procedures and many other provisions of the Supply Chain Management Policy were adhered to, many deviations (as defined in Section 36 of the SCM Regulations and Para 39 of Ndlambe Municipality's SCM Policy), mostly relating to the Informal and Formal Written Quotation provisions, still occur on a regular basis. During the quarter under review, 95 authorised deviations, with a total value of R2 276 979, were submitted to the SCMU in support of acquisition documentation.

Concerted efforts are continually being made by the Supply Chain Management Unit to inform user departments of ways to decrease their reliance on using deviations to support acquisitions.

9. Review of Formal Written Quotations

During the quarter under review, the SCMU reviewed and performed preferential points calculations in respect of 30 Formal Written Quotation invitations (acquisitions from R30 000 to R200 000) with a total value (based on the prices of the highest points scoring bidders) of R3 682 008.

10. Annual Tender – 2016/2017 Financial Year requirements

The annual tender invitation notice was published on 6 October 2016 and closed for bids on the 28th. A total of 50 bids were received and the responsiveness testing is currently underway, at the conclusion of which the user departments will undertake the functionality assessments.

11. National Treasury MFMA Circular 77 – Model SCM Policy for Infrastructure Procurement and Delivery Management

In October 2015 this circular, which suggested a separation of supply chain management requirements for general goods and services from those for infrastructure delivery, was issued. A “model” Infrastructure Procurement and Delivery Management policy was also provided.

As the current Supply Chain Management Regulations (Municipal Supply Chain Management Regulations per Notice 868 of 2005) do not make any provision for municipalities to have more than one Supply Chain Management Policy, no action, other than noting the contents of the circular, was taken.

12. National Treasury MFMA Circular 83 – Publication of information on the eTender Publication Portal

This circular, issued in July 2016, set out “requirements” by National Treasury (although a Circular is obviously not any form of Regulation) for municipalities and municipal entities to advertise, on the eTender Publication Portal (<http://www.etenders.gov.za/>), all their bids and publish notices of all awarded bids, cancellations and deviations, variations and extensions of existing contracts.

The circular also stated, *inter alia*, that:

- “Accounting Officers must utilise the Organ of State System Account Application Form on the Office of the Chief Procurement Officer (OCPO) website to request access rights on the eTender Publication Portal.” No clarity has yet been provided to the SCMU regarding this matter.
- “The National Treasury will facilitate access to the system and provide training and support in collaboration with Provincial Treasuries.” No indication as to when this training will be provided has been received by the SCMU.
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The circular also does not make any mention of a commencement date of the requirements. No action, other than noting the contents of the circular, has therefore been taken by the SCMU.

13. Sarah Baartman District SCM Forum

The District SCM Forum was established when the Sarah Baartman District Provincial Treasury office, further to a suggestion put forward by the district’s CFO Forum, was convened and chaired (by PT Director Mr Themba Gwija) an inaugural meeting on 2 September 2016 in Port Elizabeth, which was attended by the Ndlambe Municipality’s Supply Chain Manager.

It was resolved, *inter alia*, at this (inaugural) meeting that the SCM Forum would meet at least on a bi-monthly basis. To date, meetings have been held as follows:

| Date | Venue | Topics summary |
|------------------|--|---|
| 2 September 2016 | SBDC Chamber – Port Elizabeth | Terms of reference of Forum, CIDB presentation (Ms Tabu), AG presentation (Mr Minnaar). |
| 7 October 2016 | SBDC Chamber – Port Elizabeth | Snapshot presentations on SCMU issues by each municipality. |
| 25 November 2016 | Provincial Treasury offices - Port Elizabeth | Presentations by Mr C Weimers of PT, Bisho, on the utilisation of the web based Central Supplier Database system and Contract Management processes within the Supply Chain Management function. |

It is the opinion of the Supply Chain Manager that these meetings are extremely beneficial in that:

- Valuable exchanges of information can take place between the SCM practitioners.
- The opportunity now exists for the municipalities to prepare and jointly pursue matters of concern by using the voice of the Forum.
- Informative presentations, as arranged by Provincial Treasury, provide practitioners with updates and clarities relating to the many ongoing and dynamic legal and administrative issues relating to supply chain processes.

IT FOR FINANCIAL MANAGEMENT

mSCOA

NDLAMBE MUNICIPALITY mSCOA PROJECT MANAGER

| Name | Email Address | Area of expertise (current job description) |
|-------------|--|--|
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NDLAMBE MUNICIPALITY mSCOA STEERING COMMITTEE MEMBERS

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NDLAMBE MUNICIPALITY m SCOA IMPLEMENTATION TEAM

| Name | Email Address | Area of expertise (current job description) |
|--------------------|--|--|
| N MATTHEWS | nmatthews@ndlambe.gov.za | B.T.O (BUDGET REPRESENTATIVE) |
| U QINELA | uqinela@ndlambe.gov.za | B.T.O (ASSET REPRESENTATIVE) |
| M KLAAS | mklaas@ndlambe.gov.za | REVENUE |
| C ENGELBRECHT | cengelbrecht@ndlambe.gov.za | EXPENDITURE |
| L NELANA / P BHUTI | nluthanhdo@ndlambe.gov.za / pbhuti@ndlambe.gov.za | INTERNAL AUDIT |
| A BARKHUIZEN | abarkhuizen@ndlambe.gov.za | PAYROLL |
| S MJACU | smjacu@ndlambe.gov.za | I.DP. |
| V GWINTSA | vgwintsa@ndlambe.gov.za | P.M S |
| J MVUNELWA | jmvunelwa@ndlambe.gov.za | ADMINISTRATION |
| O SOPELA | osopela@ndlambe.gov.za | TECHNICAL |
| S FOUCHE | ffouche@ndlambe.gov.za | C.P.S |
| R GATES | rgates@ndlambe.gov.za | SCM |
| V TSHANGANA | vtshangana@ndlambe.gov.za | PROJECT MANAGEMENT |

Seven out of eighteen team members signed the approved T.O.R and Oath of Secrecy after numerous requests were directed to members.

Information, circulars and training workshop materials are when available circulated to staff and Councillors to update themselves with mSCOA matters.

LEGAL/STATUTORY REQUIREMENTS

- The Constitution of the Republic of South Africa Act 108 of 1996 [Section 216(1)]
- The Municipal Finance Management Act 56 of 2003
- Municipal Regulations on Standard Chart of Accounts, 22 April 2014
- mSCOA Circular 1, 30 July 2015
- mSCOA Circular 2, 21 September 2015
- mSCOA Circular 3, 2 November 2015
- mSCOA Circular 4, 3 March 2016
- mSCOA Circular 5, 15 July 2016
- mSCOA Circular 6, 02 August 2016
- mSCOA Circular 80, 08 March 2016

BACKGROUND

Section 216(1) of the Constitution states that National legislation must establish a National Treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government. Uniform expenditure classifications in the form of Standard Chart of Accounts (SCOA) have already been rolled out for the National and Provincial Government departments. SCOA is currently being rolled out to Local Government.

The Minister of Finance promulgated the Municipal Regulations on Standard Chart of Accounts (mSCOA) on 22 April 2014. The objective of the Regulation is to provide a national standard for uniform recording and classification of municipal budget and financial information at a transactional level by providing a standard chart of accounts.

In accordance with this regulation, all municipalities and municipal entities are required to be mSCOA compliant by 1 July 2017.

In terms of Section 4.25 of mSCOA Circular No. 1, a progress report on the mSCOA implementation including an updated risk register must be tabled to the Municipal Council on a quarterly basis.

PROGRESS

Awareness, Change Management & Training

- ***Dates of mSCOA awareness sessions held for officials and/or councilors:***

Sessions were held on following dates:

14 April 2015
04 March 2016
18 April 2016
06 May 2016
27 October 2016

- 13 December 2016 (Informal training by Munsoft - **Selecting a segment from chart 6.1, using Munsoft - Aligning the current chart to the mscoa chart - Creating projects - Aligning projects to IDP - Creating Segment strings per project-Budgeting.**
- ***The following officials have attended non accredited mSCOA training provided by NT/PT:***
CFO – H. Dredge and A. Buys – Manager I.T
- ***The official/s has/have registered on NT's FAQ database and NT Portal:***
A Buys – Manager I.T (FAQ)
Adv R Dumezweni (NT Portal)
Requested National Treasury to register more users.

- **What the municipality has done to prepare and plan for change management:**
Awareness sessions held, documentation relevant to mSCOA (Circulars, Council resolutions etc) made available to staff and committee members. Staff and especially committee members are constantly made aware that mscoa is a business change and not only a finance and information technology change.
- **Change management strategy to implement the required knowledge of mSCOA within the organization:**
Information sessions and documentation availability to staff and Councillors.

Governance

- **Establishment of the committees (mSCOA Steering committee & mSCOA project implementation team/committee) and the effective functioning of these committees:**
Steering committee was approved by Council on 13 November 2014 – SNCM008/11/2014.
Project Steering/Implementation team approved by Council 31 March 2016 NCM014/03/2016.
Terms of reference approved by Council 31 March 2016 NCM015/03/2016.
Oath of secrecy approved by Council 31 March 2016 NCM016/03/2016.
- **Governance documentation drafted and signed:**
Terms of reference for both committees approved and signed by Chair Person/s.
The steering committee approved the draft appointment letter of the project sponsor at the meeting held 10 August 2016. Appointment letters handed to Municipal Manager on 11 August 2016 for signature.
The following members of the steering and implementation committee signed code of ethics and oath of secrecy:
 - A Buys
 - J Mvunelwa
 - H Dredge
 - A Barkhuizen
 - N Matthews
 - C Engelbrecht
 - S Mjacu
- **mSCOA project approved by council and the date approved:**
mSCOA project was approved by Council on 13 November 2014 – SNCM008/11/2014.
- **Updated risk register and implementation of mitigating strategies to address such risks:**
None
- **Workstreams**
 1. **mSCOA steering committee & project management:**
Meetings of the Steering/Implementation team took place on following dates:
 - 05 March 2015
 - 14 May 2015
 - 31 March 2016
 - 10 August 2016
 - 01 September 2016
 - 07 October 2016
 - 14 November 2016

2. IT infrastructure and network:

I.T infrastructure and network are in place and the I.T section is confident that it will cope. The only concern is replacement of current server for the core system and desktop computers that are old and

outdated. I.T did budget for a replacement of new backup devices. The server form part of the quotes received from vendors. The new backup devices were procured and installed and will be fully functional by End November 2016. Departments should have budgeted for replacement desktop computers on their 2016/2017 budget.

3. Review vote structures and prepare mSCOA budget (Comparison of the current chart of accounts to mSCOA and the breakdown of general ledger account balances into mSCOA requirements):

Finance and I.T section did start but this is only a drop in ocean. Other departments has not started. It must be noted that IDP and budget for 2017/2018 financial year must be done in mSCOA format version 6. And be available by end November 2016.
The to be appointed service provider Munsoft will train staff and assist with budget preparation on the system.

4. Data cleansing; reconciliation of long outstanding balances and clearing of suspense accounts:

None

5. HR and payroll:

None

6. Planning (IDP, budget, SDBIP & Performance management):

None

7. Core system and additional systems:

MSCOA steering committee recommendations 07 October 2016 SCOM001/10/2016 to SCOM005/10/2016 re appointment of service provider and procurement of HR module noted by Council 31 October 2016 NCM013/10/2016.

MSCOA steering committee recommendations 07 October 2016 SCOM005/10/2016 rescinded 14 October 2016 SCOM004/11/2016.

MSCOA steering committee recommendations 07 November 2016 SCOM001/11/2016 to SCOM005/11/2016 re appointment of service provider and procurement of HR module. Corrections were noted by Council 22 November 2016 SNCM006/11/2016.

8. Real estate, land use and grant management:

None

9. Document management:

None

Challenges

1. Download 'mSCOA Chart Version 6.0', review the chart, and all staff to familiarise themselves with the content. For implementation by October/ November 2016 for use in budget compilation;
2. Staff to familiarise themselves with the content of Municipal SCOA Circulars 5 and 6 and implement these circulars;
3. Participate in non-accredited training with its Provincial Treasury, geared at converting its existing trial balance to the mSCOA chart if available;
4. Unpack "repairs and maintenance" and "all new capital projects" into the **mSCOA Project Segment**;
5. Identify officials that should attend the accredited and non-accredited mSCOA training and make arrangements for such; (Requested National Treasury to train implementation team members-no feedback from them as yet)

6. Submit all *m*SCOA related information, requested by the National Treasury in Municipal SCOA Circulars 5 and 6 to the National Treasury and Provincial Treasury;
7. Conduct the assessment (due diligence) of the existing package of systems used by the municipality and all its municipal entities to make a final decision on whether to remain with its existing package of systems or to upgrade systems or to change systems
8. Funding for upgrading of current system/third party systems or change of systems.
9. Buy in from staff and keep to dates of implementation plan.
10. I T Manager to cope with current workload and of being chair of steering, implementation team committees, being project manager and to implement other tasks as per the plan.

Financial Implications

mSCOA Implementation:

2015/2016 Financial year budget – Operating R 250,000 - Capital R 0

2015/2016 Financial year spending – Operating R 1,673 - Capital R 0

2016/2017 Financial year budget – Operating R 877,357 - Capital R 0

2015/2016 Financial year spending – Operating R 0 - Capital R 0

FINANCE DIRECTORATE STAFF

Certain sections and staff in the Finance Directorate are still grappling with Job Evaluations.

NDLAMBE FINANCE DIRECTORATE MONTHLY REPORTS

Attached are the following annexures;

| | |
|------------|----------------------------------|
| Annexure A | Finance Report for October 2016 |
| Annexure B | Finance Report for November 2016 |
| Annexure C | Finance Report for December 2016 |