

2020/2021 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT



Ndlambe Municipality



**Save water
Every Drop Counts**



The Eastern Cape is in the grip of severe drought conditions.
Dams supplying water to Bathurst and Port Alfred are at critically low levels.
Residents are urged to use water sparingly.

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PART 1 – IN-YEAR REPORTING

1.1 PURPOSE

The purpose of this report is to assess the financial performance and position of the municipality, as at 31 December 2020 and the consequential impact on the performance of the approved 2020/2021 IDP/ SDBIP targets within the approved budget. Outline the progress report on Audit Action Plan.

1.2 LEGISLATIVE REQUIREMENT

In terms of Section 72(1)(a), (2), (3) and 52(d) of the Local Government Municipal Finance Management Act No. 56 of 2003 (MFMA) the Accounting Officer must by 25 January of each year assess the performance of the municipality during the first half of the financial year. A report on such assessment must in terms of Section 72(1) (b) of the MFMA be submitted to the Mayor, Provincial Treasury and National Treasury.

Once the Mayor has considered the report, he must submit the report to Council by 31 January in terms of Section 54 of the MFMA.

In terms of the Section 54 (1), (2) and (3) of the Municipal Finance Management Act No. 56, 2003 Chapter 7, the following applies: -

“(1) on receipt of a statement or report submitted by the accounting officer of the Municipality

In terms of section 72, the mayor must –

- (a) Consider the statement or report;
- (b) Check whether the municipality’s approved budget is implemented in accordance with the service delivery and budget implementation plan;
- (d) Issue any appropriate instructions to the accounting officer to ensure –
 - (i) That the budget is implemented in accordance with the service delivery and budget Implementation plan; and
 - (ii) That spending of funds and revenue collection proceed in accordance with the budget;
- (f) Submit the report to the Council by 31 January of each year.”

The mid-year performance reports and supporting tables of the Ndlambe Municipality, prepared in accordance with MFMA Circular 13 and the Municipal Budget and Reporting Regulations.

1.3 EXECUTIVE SUMMARY

Introduction

The Municipal Manager as Accounting Officer of the municipality, is required by Section 72 of the Municipal Finance Management Act to submit a report to the Mayor of the Municipality, the National Treasury and the relevant Provincial Treasury by the 25 January of each year, reviewing the financial performance of the municipality for the first six months of the financial year.

The mid-year report is a critical stage in the in-year reporting cycle of a municipality. As part of the review, in terms of Section 72(3) of the Municipal Finance Management Act, the Accounting Officer needs to make recommendations as to whether the Service Delivery Budget Implementation Plans and both capital and operating budgets need to be adjusted.

Section 54 (1) of the Municipal Finance Management Act requires the Mayor to consider and then submit the mid-year report to Council by 31 January of each year.

It must be noted that the Section 52 & 71, Quarterly/Monthly Budget Monitoring Report are incorporated in this report. Therefore, the requirements of Section 52 (d) and Section 71 of the Municipal Finance Management Act have been met in this mid-year Budget and Assessment Report.

The body of this report is detailed to such an extent that the comments in this executive summary will be limited to aspects that I feel need to be highlighted.

NDLAMBE WATER SITUATION DUE TO DROUGHT

Ndlambe has been heavily affected by drought since 2018 and the drought became severe in 2019 and 2020 all the water supply source levels are low and others are empty currently. The minister of Cooperative Governance and Traditional Affairs under the consultative framework of Inter – ministerial Committee (IMC) on drought and Water Scarcity has through Government Gazette Number 41493, declared a national state of disaster in light of the magnitude of severity of the prevailing drought conditions across the country. Eastern Cape specifically declared a provincial state of disaster due to the magnitude of the drought and water scarcity that exceeded the province's capacity to cope. Ndlambe Local Municipality has been heavily affected by drought and its town's i.e. Boesmansriviermond, Kenton on Sea, Port Alfred, Bathurst, and Kleinemonde / Seafeld and Alexandria have been suffering with water challenges during this period.

The on-going drought has reduced the flow rates of the various resources by up to 80%; most of the water sources are dry. All areas have been affected but mostly Port Alfred Alexandria and Bathurst are the worst affected.

The Port Alfred community is serviced with Bulk water from the Sarel Hayward dam, the East Bank dune well fields and Central belt boreholes. Water in the Sarel Hayward Dam has fallen below a level where it can be pumped to the Balancing Dam. Only 0.4ML is pumped both from the Wellfields and the Central boreholes which is far lower than the demand of Port Alfred community which is 8.6ML.

The community of Bathurst and Nolutkanyo are mostly served with Bulk water from the Golden Ridge dam which is now empty and interventions had to be done in order to get some water for Bathurst people. The boreholes that had to be diverted from Port Alfred to Bathurst are only giving 0.2ML and the demand of Bathurst is about 1ML.

The community of Alexandria is currently served with Bulk water from the Fish Kraals and Cape Padrone Coastal sea-wells. The current maximum water demand for the Alexandria community is 2.3 ML/day; however the above-mentioned coastal resources are currently producing a yield of 1.2 ML/day. Subsequently Alexandria's water supply has a shortfall of 1.1 ML/day.

Ndlambe Municipality has embarked on several intervention projects in order to address the water situation in Alexandria, the following are projects to address the water crisis:

- Water storage tanks have been installed at strategic high lying areas in order to have communal water supply as back-up.
- Hire Additional water truck to cart potable water to areas without water supply. (1 x Water Cart Fulltime in Alexandria)
- Water restrictions have been implemented in all area. Communities have also been reminded of saving and use water sparingly during festive season. (Water use campaigns)
- Conduct weekly inspections to check leaks and burst pipes on major pipes.
- Negotiations with farmers have been done to tap into the boreholes in their properties
- Additional boreholes have been investigated.
- The contractor to build an RO Plant in Port Alfred has been appointed in December 2020.

It must be noted that this pro-longed drought has affected the communities and the municipality negatively. The communities have suffered having to leave with water restrictions for longer periods. The emergency work that has been done was not budgeted for and this is affecting the service delivery functions that were budgeted for where service had to be reduced to cater for the emergency.

INSTITUTIONAL AND COMMUNITY INTERVENTIONS TO COVID19 PANDEMIC

The municipality has incurred unexpected costs due to the eruption of COVID19. Unfortunately the strategies that the municipality introduced need funding. For instance the COVID19 protocol in the form PPEs had to be bought in bulk. Casual labour was appointed to man some of the entrances of our buildings to register and test temperature of all clients and staff entering our building. All our vehicles are fumigated from time to time and all those offices that had infected employees. The municipality had to operate with 33% staff component and all those that are over 60 years and above had to work from home. That had financial implications. At some point in level 5 only essential services employees were at work. Overtime could not be avoided in these circumstances.

There are awareness programmes that the municipality introduced through a Joint Operations Committee that was established. Awareness is through the local radio station and loud hailing. The municipality provided food parcels to almost 2000 families during level 5 lockdown. Unfortunately covid19 pandemic this coincided with a drought whilst water is key during this period. Trucks were hired to cart water to the affected areas. More water tanks had to be bought to place same in affected areas. Boreholes had to be drilled to alleviate the water challenges in the areas. Volunteers were appointed to reinforce awareness campaigns. Lastly economic revival strategy was formulated whereby SMMEs involvement in rendering services was intensified including starter packs in the form of funding. Casuals were appointed for 3 months to alleviate the hunger that COVID19 brought about. It is these types of interventions by the municipality that necessitated adjustment of the budget including the grants that were received from National government.

In 2019/2020 financial year the municipality has written off irregular expenditure to the value of R222 151 354 from the previous financial years (2012 -2018) balance of R556 180 038. The processes are currently underway to write off more irregular, unauthorised and fruitless expenditure in the current financial year 2020/2021.

Unauthorised, Irregular, Fruitless and Wasteful Expenditure - 30 June 2020

Nature of Expenditure	Opening Balance	Written off 2019/20	Incurred 2019/20	Balance	Progress
R'000					
Unauthorised Expenditure	237,476,069	0	70,955,368	308,431,437	
Irregular Expenditure	556,180,038	-222,151,354	55,338,298	389,366,982	
Fruitless Expenditure	11,044,162	0	11,808	11,055,970	

The following qualifying items were raised by the AG during 2018/19 and were raised by I/A prior to compilation of 30 June 2019:

1. Supply Chain Management regulations- The fact that Supply Chain management is decentralised resulting in noncompliance and material errors in the procurement processes.

Progress since the matter was reported- Sadly there has been very limited progress. A Contract management officer has been appointed to administer contract register; however, it is too soon to give an assessment on the effectiveness of the appointed as still the SCM is decentralised. SCM Manager Position has also been advertised. It is the intention of management that the SCM Manager appointment will assist in centralisation of municipal procurement.

2. Irregular Expenditure- No controls in place to identify and report on irregular expenditure when it is incurred.

Progress since matter was reported- The MPAC has recommended for a write off of irregular expenditure valued at R220 million, which is half of the total Irregular expenditure of approximately R500 million dating back from 2012 to 2018 Financial years.

MPAC performed its investigation as required by legislation on the irregular balance and recommended to the Council for a write off. The Council did resolve to condone the R220 million as recommended by MPAC.

An irregular expenditure system has been designed to help identify irregular expenditure. A classification screen has been created to classify each order captured in the system, however the system still requires refinement, currently it does not provide for amounts lower than R2000, to be classified as irregular where such classification is applicable. The service provider is working on it.

3. Performance Management on Annual performance report- Claimed achievement lacked evidence to support the target achievements. Set targets were not always SMART.

Progress since the matter was reported- The municipality acquired the service of PWC to assist on the SDBIP and IDP alignment, coining of targets to be SMART. This also included acquisition of an electronic performance management system, Action Assist. This has had positive effect on performance in term so provision of credible and relevant evidence and timelines of evidence.

**ADV R DUMEZWENI
MUNICIPAL MANAGER**

MID- YEAR PERFORMANCE 2020/2021

1.4 IN-YEAR BUDGET TABLES- FINANCIAL PERFORMANCE

The seven main budget tables, as required in terms of the municipal budget and reporting regulation, are included in this section of the report. These tables will give more insight in the financial performance of Ndlambe Municipality for the period of July 2020 to December 2020. It must be noted that Auditor General is currently auditing the Annual Financial statement for the period 2019/2020. The audited figures for 2019/2020 are not reflecting in the tables will be available when the audit is signed off.

1.4.1 TABLE- C4 FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)

EC105 Ndlambe - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	2019/20	Budget Year 2020/21							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		–	132,266	132,266	10,270	65,839	66,133	(294)	0%	–
Service charges - electricity revenue		–	75,502	75,502	5,840	34,608	37,751	(3,143)	-8%	–
Service charges - water revenue		–	42,928	42,928	3,753	26,007	21,464	4,543	21%	–
Service charges - sanitation revenue		–	12,908	12,908	1,078	6,773	6,454	319	5%	–
Service charges - refuse revenue		–	16,251	16,251	1,361	8,360	8,126	234	3%	–
Rental of facilities and equipment		–	195	195	–	17	97	(80)	-82%	–
Interest earned - external investments		–	3,557	3,557	675	1,347	1,779	(432)	-24%	–
Interest earned - outstanding debtors		–	9,594	9,594	659	3,900	4,797	(897)	-19%	–
Dividends received		–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		–	699	699	36	90	350	(260)	-74%	–
Licences and permits		–	14,730	14,730	953	5,692	7,365	(1,673)	-23%	–
Agency services		–	–	–	–	–	–	–	–	–
Transfers and subsidies		–	111,909	129,839	48,470	97,767	63,126	34,640	55%	–
Other revenue		–	8,608	8,608	932	5,417	4,379	1,038	24%	–
Gains		–	–	–	60	101	–	101	#DIV/0!	–
Total Revenue (excluding capital transfers and contributions)		–	429,147	447,077	74,088	255,918	221,821	34,097	15%	–
Expenditure By Type										
Employee related costs		–	159,926	159,926	19,323	79,882	80,032	(150)	0%	–
Remuneration of councillors		–	7,274	7,274	628	3,765	3,637	128	4%	–
Debt impairment		–	22,779	29,309	–	1,673	14,002	(12,328)	-88%	–
Depreciation & asset impairment		–	36,144	36,144	–	–	18,072	(18,072)	-100%	–
Finance charges		–	1,237	1,237	36	436	618	(182)	-29%	–
Bulk purchases		–	63,137	63,137	5,686	30,141	31,568	(1,427)	-5%	–
Other materials		–	17,161	17,411	1,489	7,446	8,680	(1,234)	-14%	–
Contracted services		–	68,489	70,319	9,257	34,585	36,207	(1,621)	-4%	–
Transfers and subsidies		–	2,944	2,944	162	1,554	1,472	82	6%	–
Other expenditure		–	50,055	50,105	3,429	20,194	26,308	(6,114)	-23%	–
Losses		–	–	–	–	–	–	–	–	–
Total Expenditure		–	429,146	437,806	40,011	179,678	220,597	(40,919)	-19%	–
Surplus/(Deficit)		–	1	9,271	34,077	76,240	1,224	75,016	0	–
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		–	35,528	49,028	10,670	35,087	27,812	7,275	0	–
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)		–	1,201	1,201	–	–	700	(700)	(0)	–
Transfers and subsidies - capital (in-kind - all)		–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		–	36,730	59,500	44,747	111,328	29,736			–
Taxation		–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		–	36,730	59,500	44,747	111,328	29,736			–
Attributable to minorities		–	–	–	–	–	–			–
Surplus/(Deficit) attributable to municipality		–	36,730	59,500	44,747	111,328	29,736			–
Share of surplus/ (deficit) of associate		–	–	–	–	–	–			–
Surplus/ (Deficit) for the year		–	36,730	59,500	44,747	111,328	29,736			–

Revenue Management

The below diagram is mainly outlining own generated revenue.

Revenue Management - Services as at 31 December 2020

Description	2020/21 Financial Year					
	Adjusted Budget Budt	Year to Date Budget	Year to Date Revenue	Variance	YTD % to Budget	30 June'20 Projection
R Thousands						
Property rates	132,266	66,133	65,839	294	99.6%	
Service charges - electricity revenue	75,502	37,751	34,608	3,143	91.7%	
Service charges - water revenue	42,928	21,464	26,007	(4,543)	121.2%	
Service charges - sanitation revenue	12,908	6,454	6,773	(319)	105.0%	
Service charges - refuse revenue	16,251	8,126	8,360	(234)	102.9%	
Service charges - other				–	0.0%	
Rental of facilities and equipment	195	97	17	80	17.9%	
	280,049	140,025	141,605	(1,581)	50.6%	–

The projected collection rate is 89%. In the first quarter the performance on collection rate was at 80% and improved to reflect 88% in the second quarter. There is an immaterial variance of 1% on the collection rate compared to the projected collection rate therefore the projected collection rate of 89% will not be adjusted.

The rental of facilities and equipment is under performing by 17.9%, the line item relates to income for rental of community halls. The community halls were closed for couple of months under level 5 and 4 lockdown covid-19 pandemic regulations as a result a projected budget of R80 000 for the first quarter could not be realised. Therefore the budget will be adjusted to reflect in line with the performance.

The overall performance for own generated revenue is at 50.6% of the projected budget.

The municipality received an additional allocation of the Equitable Share Grant of R16 430 000 for addressing issues relating to Covid-19 Pandemic, council was directed to pass the special adjustment budget in September 2020 and the transfers and subsidies was adjusted to R 129 839 000

The number of active accounts for the period of July to December is 31 093 that reflects an increase of 7% compared to 2019/2020 financial year (29 119 active accounts). The growth in number of active consumer indicates an increase in Ndlambe Municipality's revenue base

Expenditure Management

The below diagram is outlining the operating expenditure by item extracted from the statement of financial performance.

Expenditure Management - as at 31 December 2020

Description	2020/21 Financial Year					
	Adjusted Budget	Year to Date Budget	Year to Date Expenditure	Variance	YTD % to Budget	30 June'20 Projection
R Thousands						
Employee related costs	159,926	80,032	79,882	150	99.8%	
Remuneration of councillors	7,274	3,637	3,765	(128)	103.5%	
Debt impairment	29,309	14,002	1,673	12,328	12.0%	
Depreciation & asset impairment	36,144	18,072	—	18,072	0.0%	
Finance charges	1,237	618	436	182	70.5%	
Bulk purchases	63,137	31,568	30,141	1,427	95.5%	
Other materials	17,411	8,680	7,446	1,234	85.8%	
Contracted services	70,319	36,207	34,585	1,621	95.5%	
Transfers and grants	2,944	1,472	1,554	(82)	105.5%	
Other expenditure	50,105	26,308	20,194	6,114	76.8%	
Loss on disposal of PPE	—	—	—	—	—	
	437,806	220,597	179,678	40,919	81.5%	—

The overall performance for expenditure is at 81.5% of the year to date budget. The underperformance is related to debt impairment not being utilised at this stage. Debt write-off takes place at year end. It is further due to the figure for depreciation being unavailable for the first two quarters as the asset module was not operational during this stage.

Contracted services ratio measures the extent to which the municipality's resources are committed towards contracted services to perform municipal related functions. The performance ratio of expenditure as at December 2020 reflects at 19% versus the norm of (2%-5%). This is due to various reasons such as the municipality making use of consultant to perform electricity services and security service for which the municipality does not have the internal staff.

Councillors and employee benefits

EC105 Ndlambe - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M06 December

Summary of Employee and Councillor remuneration	2019/20	Budget Year 2020/21							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
	A	B	C						D
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	-	4,722	4,722	411	2,467	2,361	106	4%	-
Pension and UIF Contributions	-	341	341	29	174	170	3	2%	-
Medical Aid Contributions	-	55	55	4	26	27	(1)	-5%	-
Motor Vehicle Allowance	-	1,382	1,382	115	691	691	-		-
Cellphone Allowance	-	775	775	68	408	388	20	5%	-
Housing Allowances	-	-	-	-	-	-	-		-
Other benefits and allowances	-	-	-	-	-	-	-		-
Sub Total - Councillors	-	7,274	7,274	628	3,765	3,637	128	4%	-
Senior Managers of the Municipality									
Basic Salaries and Wages	-	5,121	5,121	397	2,389	2,561	(171)	-7%	-
Pension and UIF Contributions	-	953	953	74	445	477	(32)	-7%	-
Medical Aid Contributions	-	226	226	18	108	113	(5)	-4%	-
Overtime	-	-	-	-	-	-	-		-
Performance Bonus	-	392	392	393	393	196	196	100%	-
Motor Vehicle Allowance	-	884	884	74	442	442	(0)	0%	-
Cellphone Allowance	-	112	112	9	56	56	0	0%	-
Housing Allowances	-	127	127	10	60	63	(3)	-5%	-
Other benefits and allowances	-	1	1	-	-	-	-		-
Payments in lieu of leave	-	325	325	-	-	-	-		-
Long service awards	-	-	-	-	-	-	-		-
Post-retirement benefit obligations	-	-	-	-	-	-	-		-
Sub Total - Senior Managers of Municipality	-	8,140	8,140	975	3,893	3,907	(15)	0%	-
Other Municipal Staff									
Basic Salaries and Wages	-	99,774	99,774	7,560	45,706	50,467	(4,762)	-9%	-
Pension and UIF Contributions	-	18,467	18,467	1,349	7,887	9,710	(1,824)	-19%	-
Medical Aid Contributions	-	13,573	13,573	963	5,798	6,787	(988)	-15%	-
Overtime	-	5,632	5,632	34	80	-	80		-
Performance Bonus	-	7,483	7,483	6,901	7,211	3,742	3,470	93%	-
Motor Vehicle Allowance	-	3,629	3,629	336	1,880	1,995	(115)	-6%	-
Cellphone Allowance	-	238	238	-	-	-	-		-
Housing Allowances	-	979	979	48	379	489	(110)	-22%	-
Other benefits and allowances	-	-	-	778	5,047	2,755	2,292	83%	-
Payments in lieu of leave	-	-	-	157	477	163	315	194%	-
Long service awards	-	33	33	3	194	17	178	1070%	-
Post-retirement benefit obligations	-	1,979	1,979	219	1,329	-	1,329		-
Sub Total - Other Municipal Staff	-	151,786	151,786	18,348	75,989	76,125	(136)	0%	-
Total Parent Municipality	-	167,201	167,201	19,950	83,647	83,670	(23)	0%	-
TOTAL SALARY, ALLOWANCES & BENEFITS	-	167,201	167,201	19,950	83,647	83,670	(23)	0%	-
TOTAL MANAGERS AND STAFF	-	159,927	159,927	19,323	79,882	80,032	(151)	0%	-

The remuneration ratio measures the extent of remuneration to the operating expenditure. The employee related expenditure costs excluding casuals and councillors remuneration as from July to December reflects the ratio of 44% versus the norm of 40%. A direct impact is that the municipality has various towns in the municipal jurisdiction which are up to 60km apart and therefore municipal staff is needed in each town to ensure service delivery. Further parts of the municipal jurisdiction consist of rural areas.

Trading Services Operating Surplus / (Deficit)

The below diagram outlines the performance of Trading Services

Financial Performance Trading Services Operating Surplus/(Deficit) 31 December 2020

Description		2020/21 Performance		
R Thousands	2018/19 Audited Outcomes	2020/21 Adjusted Budget	31 December 2020 Sect 71	Adjusted Budg vs Half Year Performance ((Incr/(Decline))
Surplus / (Deficit) on Trading Services	–			–
Electricity Services	(2,049)	4,731	(4,416)	(9,147)
Water Services	62,403	43,444	46,345	2,901
Waste Water Management	11,761	17,276	12,134	(5,142)
Waste Management	9,964	6,048	6,030	(18)
Surplus / (Deficit) on Trading Services	82,079	71,499	60,094	(11,405)

Water services is reflecting an increase in operating surplus, drought block tariff was implemented in February 2020 the budget was based on prior year's actual performance, where the normal tariff was implemented for 7 months.

Electricity Services is operating at a deficit due to the payment arrangement which is in place with the previous electricity service provider (Manelec Services) as a result of discrepancies on the payment model which did not calculate and incorporate all the billing in line with the service level agreement. A three year payment period in line with the prescription Act was investigated to determine the underpayment to the service provider. The reflecting deficit on electricity services will be addressed during the adjustment budget.

1.4.2 TABLE- C5 CAPITAL EXPENDITURE

EC105 Ndlambe - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M06 December

Vote Description	Ref	2019/20	Budget Year 2020/21							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1								%	
Capital Expenditure - Functional Classification										
Governance and administration		-	4,189	5,319	262	703	2,552	(1,849)	-72%	-
Executive and council		-	1,280	1,630	3	170	1,013	(842)	-83%	-
Finance and administration		-	2,884	3,664	259	533	1,527	(994)	-65%	-
Internal audit		-	25	25	-	-	12	(12)	-100%	-
Community and public safety		-	12,342	12,942	800	4,112	8,889	(4,777)	-54%	-
Community and social services		-	700	700	-	110	525	(415)	-79%	-
Sport and recreation		-	10,582	11,182	800	3,812	7,834	(4,022)	-51%	-
Public safety		-	800	800	-	190	400	(210)	-53%	-
Housing		-	250	250	-	-	125	(125)	-100%	-
Health		-	10	10	-	-	5	(5)	-100%	-
Economic and environmental services		-	4,235	4,235	96	2,571	3,557	(986)	-28%	-
Planning and development		-	612	612	-	52	531	(479)	-90%	-
Road transport		-	3,481	3,481	96	2,509	2,955	(446)	-15%	-
Environmental protection		-	142	142	-	10	71	(61)	-86%	-
Trading services		-	23,502	44,542	17,217	35,448	18,175	17,274	95%	-
Energy sources		-	600	600	-	-	300	(300)	-100%	-
Water management		-	16,949	29,225	13,644	28,965	14,272	14,693	103%	-
Waste water management		-	5,847	12,371	3,574	6,483	3,549	2,934	83%	-
Waste management		-	106	2,346	-	-	53	(53)	-100%	-
Other		-	50	50	-	-	25	(25)	-100%	-
Total Capital Expenditure - Functional Classification	3	-	44,318	67,088	18,375	42,834	33,197	9,637	29%	-
Funded by:										
National Government		-	35,178	48,678	6,107	19,144	27,471	(8,326)	-30%	-
Provincial Government		-	350	350	11,919	21,476	350	21,126	6036%	-
District Municipality		-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	1,201	1,201	69	1,013	700	313	45%	-
Transfers recognised - capital		-	36,729	50,229	18,096	41,633	28,521	13,113	46%	-
Borrowing	6	-	-	-	-	-	-	-	-	-
Internally generated funds		-	7,589	16,859	279	1,179	4,677	(3,498)	-75%	-
Total Capital Funding		-	44,318	67,088	18,375	42,812	33,197	9,615	29%	-

Asset Management

The below diagram outlines the capital expenditure by Function and Funding Sources

Capital Budget Performance - 31 December 2020

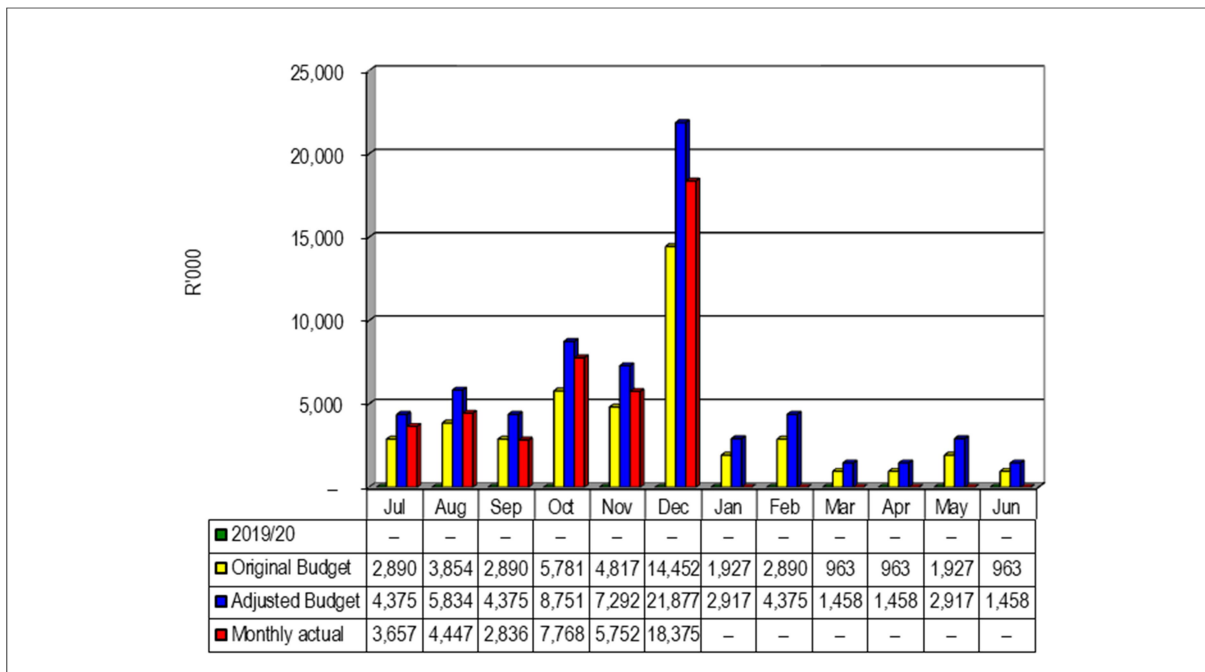
Description	2020/21 Budget Year				
	Adjusted Budget	Q1 Sept 2020 Actual	Q2 2020 Actual	YTD Actual	% to Adjusted Budget
R thousand					
Capital Expenditure - Functional					
Governance and administration	5,319	84	619	703	13.2%
Executive and council	1,630	71	99	170	10.5%
Finance and administration	3,664	12	520	533	14.5%
Internal audit	25	–	–	–	0.0%
Community and public safety	12,942	795	3,317	4,112	31.8%
Community and social services	700	109	1	110	15.7%
Sport and recreation	11,182	685	3,127	3,812	34.1%
Public safety	800	–	190	190	23.7%
Housing	250	–	–	–	0.0%
Health	10	–	–	–	0.0%
Economic and environmental services	4,235	1,288	1,283	2,571	60.7%
Planning and development	612	20	32	52	8.5%
Road transport	3,481	1,266	1,243	2,509	72.1%
Environmental protection	142	2	8	10	6.9%
Trading services	44,542	8,774	26,675	35,448	79.6%
Energy sources	600	–	–	–	0.0%
Water management	29,225	7,377	21,588	28,965	99.1%
Waste water management	12,371	1,397	5,086	6,483	52.4%
Waste management	2,346	–	–	–	0.0%
Other	50	–	–	–	0.0%
Total Capital Expenditure - Functional	67,088	10,939	31,895	42,834	63.8%
Funded by:					0.0%
National Government	48,678	6,532	12,612	19,144	39.3%
Provincial Government	350	4,014	17,462	21,476	6136.0%
District Municipality	–	–	–	–	0%
Other transfers and grants	1,201	70	943	1,013	84.3%
Transfers recognised - capital	50,229	10,616	31,017	41,633	82.9%
Public contributions & donations					0.0%
Borrowing	–				0.0%
Internally generated funds	16,859	323	856	1,179	7.0%
Total Capital Funding	67,088	10,939	31,873	42,812	63.8%

Capital expenditure spending is at 63.8% of the adjusted budget.

National Government consists of Municipal Infrastructure Grant (MIG) and Water Services Infrastructure Grant (WSIG).

Provincial Government consists of Library, Infrastructure services from Office of the Premier and COGTA grants.

Other transfers and grants consists of Extended Public Works Programme (EPWP)



Provincial Government is showing material variance, subsequent to the special adjustment budget in September 2020 the municipality received additional grants from the Office of the Premier (OTP) of R12 476 124, the expenditure to date is R10 831 120 for Construction of Reservoirs in Thornhill. The Further R10 000 000 relates to the payment made for the RO plant which relates to grant funding from COGTA

Capital Internal generated funds reflect low pattern of spending at 7% of the adjusted budgeted. The municipality does not have capital replacement reserves, assets are acquired by utilising savings that becomes available.

Work in Progress Projects

Project Name	Total project cost	Funding	Expenditure	Balance	Project Status
Upgrading of Marselle Sports field phase 2	R 4 680 500	MIG	R 1 957 858,66	R 2 722 641,34	The contractor is progressing well and is at 40% completion
Upgrading of Kenton on Sea Sports field phase 2	R 4 719 500	MIG	R 1 317 057,15	R 3 402 442,85	The contractor is progressing well and is at 45% completion
Upgrading of Alfred Road	R2 230 008,44	MIG	R 1 675 475,34	R 554 533,10	The project is 100%complete

Upgrading of Klipfontein Sports field phase	R 2 010 551,15	MIG	R 722 689,20	R 429 542,80	80% Complete
Augmentation of the Alexandria Bulk Water Supply	R 10 467 058,00	MIG	R 3 898 977,30	R 6 568 080,70	The project is at 72% Complete construction

Project Name	Total project cost	Funding	Expenditure	Balance	Project Status
Upgrading of Kariega road in Kenton on sea	R 1 201 000.00	EPWP	R 1 048 307,00	R 152 693,00	The project entails 250 m of paved road 98% has been completed

Project Name	Total project cost	Funding	Expenditure	Balance	Project Status
Upgrading of Internal Bulk Sewer reticulation in Marselle	R 6 113 502,00	MIG	R 3 928 964,52	R 1 177 351,03	The contractor has been appointed and Waiting for WULA application that was submitted last year for approval
Upgrading of Internal Bulk Water reticulation in Marselle	R 6 947 731,82	MIG	R 1 171 491,31	R 4 776 240,51	The contractor has been appointed and Waiting for WULA application that was submitted last year for approval
Upgrading of Internal Bulk water Reticulation Line in Phase 1 Thornhill (Planning)	R 134 004,19	MIG	R 0	R 134 004,19	Submission was made for an approval of EIA and we are currently awaiting for approval
Upgrading of Internal Bulk Sewer Reticulation Line in Phase 1 Thornhill (Planning)	R 740 900,00	MIG	R 431 343,55	R 309 556,45	Submission was made for an approval of EIA and we are currently awaiting for approval
PMU	R 1 356 750,00	MIG	R 905 028,11	R 451 721,89	

Project Name	Total project cost	Funding	Expenditure	Balance	Project Status
<p>Project: Supply and deliver of Standby generators at Kenton and Kowie River Weir</p> <p>Scope:</p> <ul style="list-style-type: none"> • Site Establishment, • Construction of concrete plinth, • Supply and Installation of standby generators at Kenton and Kowie River Weir, • Installation of palisade Fence around the generators • Connect to MCC and commission 	R 1 396 350.60	WSIG	R 821 262.38	R 575 088.22	<p>Overall progress is 80%</p> <ul style="list-style-type: none"> - Tender closed on Friday, the 28th August 2020 - The handover meeting has been completed - Contractor was appointed on the 22nd September 2020. - Site establishment took place on the 01st of DECEMBER 2020. - Plinth foundation were casted complete. - The equipment has been delivered to sites and Testing offsite has been conducted. - Project Anticipated to be completed on the 08th December 2020 - The contractor has completed the Kenton on Sea Reservoir. - The municipality has encountered a predicament with the submersive pumps which were 110 Kilo watt more than the anticipated 90 Kilo Watt. This resulted to under design of the generator. - Negotiations with the Supplier to procure soft starters to run the pumps. - Negotiations were done with the supplier and the VO has been issued in December 2020. - The contractor is busy with procurement of the genets and expected delivery in January 2021.

<p>Project Name: Refurbishment of Kenton on sea WWTW</p> <p>Scope:</p> <ul style="list-style-type: none"> • Inlet Works (deep clean, flow measurement, refurbishment of sluice gates) • Package plant mechanical and electrical equipment Outlet (flow measurement, chlorine dosing) • Thorough clean of the WWTW • Furnish and maintain operator's office • Remove Fe-bio fouling from pump intakes impellers, casing screens and riser pipes. 	R 4 747 424.00	WSIG	R 1 049 134.65	R 3 698 289.35	<p>Overall progress is 45%</p> <ul style="list-style-type: none"> - Tender closed on Friday, the 04th September 2020 - Contractor was appointed on the 13th NOVEMBER 2020 - Procurement of material and thorough cleaning and desludge of the plant is complete. - Currently the service provider has completed inlet deep cleaning. - Thorough clean of the WWTW - Procurement of Aerators
<p>Project Name: Retrofitting of plumbing households in Ndlambe Municipality</p> <p>Scope: Replace all leaking plumbing equipment in townships at Alexandria, Marselle, Kenton, Port Alfred and Bathurst</p>	R1 500 000.00	WSIG	R 505 166.80	R 994 833.20	<p><u>Overall progress is 35%</u></p> <ul style="list-style-type: none"> - Tender closed on Friday, the 11th September 2020 - Currently on BEC and expected to be appointed by 21th DECEMBER 2020 - The contractor was appointed on 27th NOVEMBER 2020. - Currently busy with the required documentation and Procurement of materials - Contractors

					<p>already on site and performing well but failed to submit the invoices on time.</p> <ul style="list-style-type: none"> - 5 contractors are performing well in different areas in Ndlambe Municipality.
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Project Name	Total project cost	Funding	Expenditure	Balance	Project Status
<p>Project: PORT ALFRED EMERGENCY RO PLANT: DESIGN, BUILD AND OPERATE 2ML SEAWATER RO PLANT + 3ML WASTEWATER REUSE RO PLANT</p> <p>Scope:</p> <p>1. Sea Water Reverse Osmosis Plant</p> <ul style="list-style-type: none"> • Site Preparation • Raw Water Supply • SWRO Plant • Permeate transfer • Telemetry <p>2. Pre-treatment (wastewater treatment works)</p> <ul style="list-style-type: none"> • Raw Water Supply • WWRO Plant • Permeate transfer • Telemetry 	R 80 000 000.00	RBIG	R31 723 910.36	R 48 276 089,64	<p>Overall progress is 31%</p> <ul style="list-style-type: none"> • The value of work done by the previous contractor amounts to R31 million and has not been paid by the department. This invoice has been paid in December 2020 • Tender document has been compiled and completed. • The municipality has concluded the previous contract with the contractor. • The advert has been closed on the 25th September 2020 for PSP and the contractor was advertised on the 23rd September 2020. • The PSP is anticipated to be appointed by the 19th October 2020 and the contractor to be appointed by the 16th November 2020. • The

<p>3. Electrical Supply</p> <ul style="list-style-type: none"> Construct an overhead Electrical Supply line from the Substation to the WWTW 					<p>professional service providers were appointed on the 30th of October 2020.</p> <ul style="list-style-type: none"> The contractor is currently on Evaluation and the appointment of the contractor is also anticipated as planned. On the 23rd of November 2020 the appointment letter was signed by the municipal manager and forwarded to the contractor which was accepted on the 25th of November 2020. Subsequent to this the Infrastructure department arranged for an Inception meeting that was held on the 30th of November 2020 at St Andrews Hotel in consideration of the dire water crisis in Port Alfred. The contractor is expected to commence immediately and SMMEs are expected to be appointed by the 13th of January 2021. The contractor has advertised for SMMEs and is expected to commence as planned. Phase 1 of the project which is 2MLD Sea Water RO Plant is anticipated to be completed by the 23 of February 2021 and The last phase of 3MLD WWRO is anticipated to be completed by the end of March 2021
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Repairs and Maintenance

EC105 Ndlambe - Supporting Table SC13c Monthly Budget Statement - expenditure on repairs and maintenance by asset class - M06

Description	Ref	2019/20	Budget Year 2020/21						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
R thousands	1								
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure		-	12,102	12,102	305	4,247	6,051	1,804	29.8%
Roads Infrastructure		-	750	750	-	96	375	279	74.3%
Roads		-	750	750	-	96	375	279	74.3%
Storm water Infrastructure		-	600	600	52	297	300	3	1.1%
Drainage Collection		-	600	600	52	297	300	3	1.1%
Storm water Conveyance		-	-	-	-	-	-	-	-
Attenuation		-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	4,852	4,852	50	386	2,426	2,040	84.1%
Dams and Weirs		-	100	100	50	-	50	50	100.0%
Boreholes		-	291	291	-	-	145	145	100.0%
Reservoirs		-	549	549	-	143	274	132	48.0%
Pump Stations		-	3,497	3,497	0	157	1,748	1,591	91.0%
Water Treatment Works		-	417	417	-	86	208	122	58.8%
Sanitation Infrastructure		-	3,550	3,550	196	1,454	1,775	321	18.1%
Pump Station		-	3,550	3,550	196	1,454	1,775	321	18.1%
Reticulation		-	-	-	-	-	-	-	-
Waste Water Treatment Works		-	-	-	-	-	-	-	-
Outfall Sewers		-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	2,350	2,350	7	2,014	1,175	(839)	-71.4%
Landfill Sites		-	2,350	2,350	7	2,014	1,175	(839)	-71.4%
								-	
Investment properties		-	40	40	27	27	20	(7)	-35.0%
Revenue Generating		-	40	40	27	27	20	(7)	-35.0%
Improved Property		-	40	40	27	27	20	(7)	-35.0%
Other assets		-	4,276	4,276	421	1,854	2,138	284	13.3%
Operational Buildings		-	4,276	4,276	421	1,854	2,138	284	13.3%
Municipal Offices		-	4,276	4,276	421	1,854	2,138	284	13.3%
Computer Equipment		-	133	133	-	-	66	66	100.0%
Computer Equipment		-	133	133	-	-	66	66	100.0%
Furniture and Office Equipment		-	470	470	-	5	235	230	97.9%
Furniture and Office Equipment		-	470	470	-	5	235	230	97.9%
Machinery and Equipment		-	5,626	5,626	1,591	1,940	2,813	873	31.0%
Machinery and Equipment		-	5,626	5,626	1,591	1,940	2,813	873	31.0%
Transport Assets		-	5,151	5,151	443	1,090	2,575	1,486	57.7%
Transport Assets		-	5,151	5,151	443	1,090	2,575	1,486	57.7%
Total Repairs and Maintenance Expenditure	1	-	27,798	27,798	2,787	9,163	13,899	4,736	34.1%

The expenditure for repairs and maintenance for the period as at December 2020 is R9 163 000 reflecting at 34.1 % of the adjusted budget.

Based on the current data level of spending on repairs and maintenance is at 1% that is below the norm of 8%, the ratio demonstrates that there is insufficient monies that are being spent on repairs and maintenance that could result in an increase in impairment of useful assets and service delivery will be compromised due to redundant plant and machinery and specialised vehicles The Municipality is looking into making use of a system that can assist with managing the life cycle of assets.

1.4.3 TABLE C6 STATEMENT OF FINANCIAL POSITION

EC105 Ndlambe - Table C6 Monthly Budget Statement - Financial Position - M06 December

Description	Ref	2019/20	Budget Year 2020/21			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		-	32,299	48,529	(61,929)	-
Call investment deposits		-	44,136	44,136	93,056	-
Consumer debtors		-	33,149	26,619	86,819	-
Other debtors		-	36,489	36,489	62,653	-
Current portion of long-term receivables		-	281	281	281	-
Inventory		-	1,153	1,153	1,248	-
Total current assets		-	147,508	157,208	182,129	-
Non current assets						
Long-term receivables		-	-	-	-	-
Investments		-	77	77	67	-
Investment property		-	196,667	196,667	196,667	-
Investments in Associate		-	-	-	-	-
Property, plant and equipment		-	938,757	961,527	1,026,104	-
Biological		-	-	-	-	-
Intangible		-	336	336	92	-
Other non-current assets		-	0	0	0	-
Total non current assets		-	1,135,838	1,158,608	1,222,931	-
TOTAL ASSETS		-	1,283,346	1,315,816	1,405,060	-
LIABILITIES						
Current liabilities						
Bank overdraft		-	-	-	-	-
Borrowing		-	(1,956)	(1,956)	1,001	-
Consumer deposits		-	2,928	2,928	3,106	-
Trade and other payables		-	86,387	96,087	76,362	-
Provisions		-	13,893	13,893	13,893	-
Total current liabilities		-	101,252	110,952	94,362	-
Non current liabilities						
Borrowing		-	10,288	10,288	5,985	-
Provisions		-	92,415	92,415	92,415	-
Total non current liabilities		-	102,702	102,702	98,399	-
TOTAL LIABILITIES		-	203,954	213,654	192,761	-
NET ASSETS	2	-	1,079,391	1,102,161	1,212,299	-
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		-	1,079,391	1,102,161	1,212,299	-
Reserves		-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	-	1,079,391	1,102,161	1,212,299	-

The Financial Position for the mid-year has got factors that have not yet taken place such as the impairment on debtors, depreciation that is not calculated on a monthly basis because of the Asset Module that is not yet fully utilised, valuation of Post Retirement Benefit, Long Service Awards and the provision of Landfill Sites are normally done at year end as they are done by Consultant who are the experts in the subject matter.

Creditor's payments

EC105 Ndlambe - Supporting Table SC4 Monthly Budget Statement - aged creditors - M06 December

C0105 Income - Supporting Table C04 Monthly Budget Statement - aged creditors - 1000 December											
Description	NT Code	Budget Year 2020/21									Prior month totals for chart (same period)
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total	
R thousands											
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100	-								-	-
Bulk Water	0200	-								-	-
PAYE deductions	0300	-								-	-
VAT (output less input)	0400	-								-	-
Pensions / Retirement deductions	0500	-								-	-
Loan repayments	0600	-								-	-
Trade Creditors	0700	548								548	1,855
Auditor General	0800	-								-	-
Other	0900	-								-	-
Total By Customer Type	1000	548	-	-	-	-	-	-	-	548	1,855

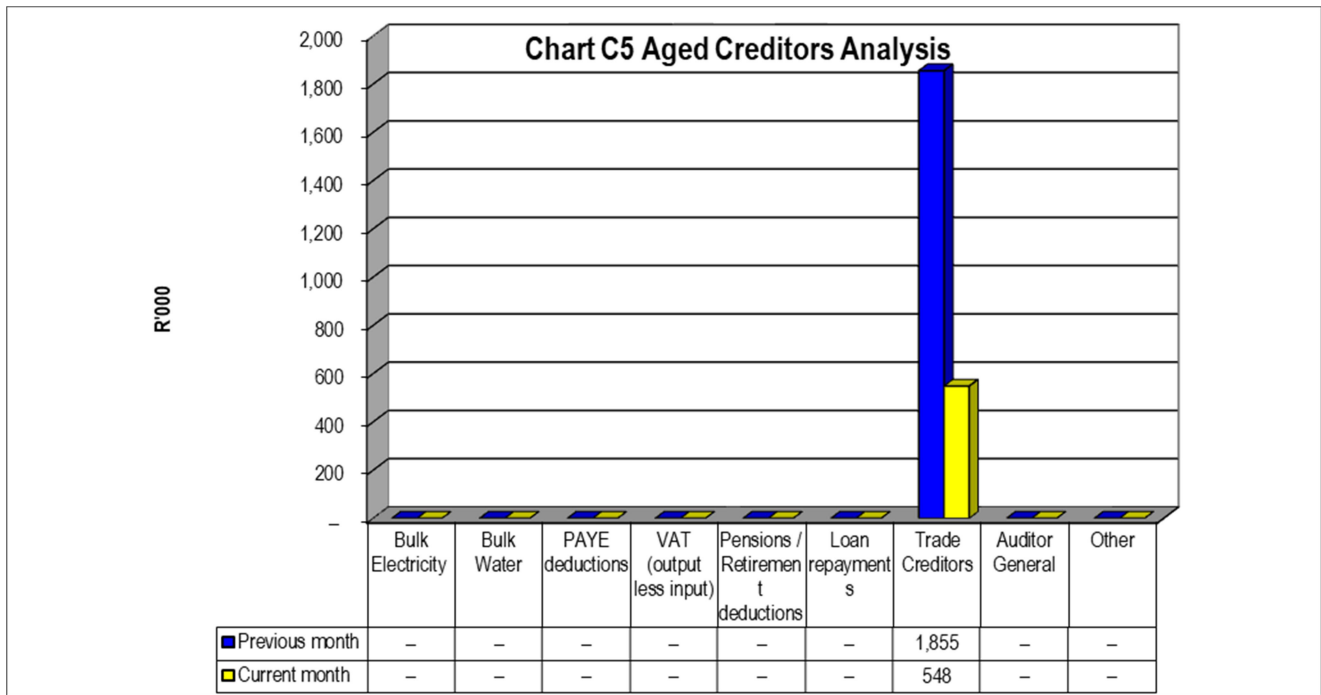
The Creditor's payment period ratio for the previous month November 2020 reflects that the municipality has taken 7 days to settle creditors in the month of December the payment period ratio improved to 2 days. It is therefore evident that the municipality complies with the 30 days payment period as legislated.

The municipality manages the cash flow very closely on a daily basis to ensure that creditors are paid within 30 days. Follow ups are done on invoices with disputes within a turn-around period of 7 days and the processing of payments is being done on a daily basis.

The table below outlines the top 20 highest creditors paid for the month of December 2020

Top 20 highest paid creditors as at 31 December 2020

CREDITOR NAME	AMOUNT
Quality Filtration Systems	10,434,624.42
Eskom Holdings Limited	5,567,200.25
Rudcor Engineering	2,705,500.87
Manelec Services	1,500,000.00
Amatola Water Board	1,031,532.04
Absa Property Development (Pty)	988,805.92
Mamlambo Construction	956,845.95
Real Towers Group	810,321.85
Cdr Electrical (Monthly Fixed)	763,134.25
Czar Construction Cc	754,790.21
Captain Mogul	611,799.60
Khandisisa Trading	580,780.00
The Dept Paymaster	543,996.96
Ndlambe Investments	504,840.60
P & S Consulting E	490,010.25
Development Bank Of Southern Africa	457,383.80
Mubesko Africa	436,101.56
Auditor General	415,115.62
Empumalanga Trust	362,154.72
Mphele Engineers And Project M	338,100.00
	30,253,038.87



The municipality is currently in a contractual obligation (Financial Instrument) with Development Bank of Southern Africa (DBSA) for three loans with different inception and redemption dates relating to infrastructure assets. The final payment for loan no 13478/101 was in December 2020. The remaining loan balances as at 31 December 2020 is as follows:

	Loan Number	Inception date	Redemption date	Period	Capital loan amount	Capital Balance	Interest accrued/repayment	Balance Incl accruals
1	101161/2	20050630	20250331	20	7,500,000.00	3,484,605.28	108,383.63	3,592,988.91
2	102557/1	20080730	20230930	15	10,000,000.00	3,252,504.17	72,200.60	3,324,704.77
3	13478/101	20001231	20201231	20	5,160,000.00	457,292.75	-	457,292.75

Debtor's management

EC105 Ndlambe - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December

Budget Year 2020/21													
Description	NT Code	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	(1,516)	4,340	3,354	36,351					42,531	36,351	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	1300	(809)	4,650	1,799	10,102					15,743	10,102	-	-
Receivables from Non-exchange Transactions - Property Rates	1400	(75)	9,425	3,579	37,775					50,704	37,775	-	-
Receivables from Exchange Transactions - Waste Water Management	1500	(4)	1,278	716	12,754					14,745	12,754	-	-
Receivables from Exchange Transactions - Waste Management	1600	(137)	1,437	781	14,521					16,603	14,521	-	-
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-					-	-	-	-
Interest on Arrear Debtor Accounts	1810	-	-	-	30,295					30,295	30,295	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-					-	-	-	-
Other	1900	(1,042)	239	364	12,092					11,653	12,092	-	-
Total By Income Source	2000	(3,582)	21,370	10,595	153,890	-	-	-	-	182,273	153,890	-	-
2019/20 - totals only										-	-		
Debtors Age Analysis By Customer Group													
Organs of State	2200	(319)	390	353	5,255					5,679	5,255	-	-
Commercial	2300	(8)	1,187	608	2,302					4,088	2,302	-	-
Households	2400	(3,255)	19,793	9,634	146,333					172,505	146,333	-	-
Other	2500	-	-	-	-					-	-	-	-
Total By Customer Group	2600	(3,582)	21,370	10,595	153,890	-	-	-	-	182,273	153,890	-	-

The outstanding debt of R182 272 679 as at December 2020 is consistent to the previous month outstanding debt of R180 539 000. The bad debt provision as at Mid-year equates to R149 300 236 and the billed revenue for the period July to December 2020 amounts to R158 759 697. The net debtors days as at December 2020 is 75.81 days

The amount of R158 759 697 relates to all billing related services not only the main services.

The strategy the Municipality implemented to assist with outstanding debtors relating to Covid 19 pandemic financial burdens was to inform consumers to produce evidence of the financial status which was then send to the Rates and Valuation Committee for review and recommendation to Council who will then approve a rebate or discount on merit of the application

Staff and Councillor Accounts

The below table illustrated the breakdown of the total amount owed by Staff and Councillors.

REPORT ON MUNICIPAL STAFF ACCOUNTS		
Quantity of Debtors	Explanation	Balance as at DECEMBER 2020
354	Staff on Age Analysis Coded as staff	R 549,083.56
302	Staff with current balance paying through staff deduction	R 224,096.86
3	DebtorS (4009790; 4683621; 5004056) with arrears is paying current and towards in cash accounts will be monitored to so reduction in arrear. Should reduction not take place arrangement will be made	13,062.10
5	Accounts with credit balances	-R 7,727.66
37	Staff with arrears with valid arrangements in place (Balance is R186 009.02 of which R33 935.81 relates to current for Dec 2020 which is paid monthly and instalments towards arrears is R19 239.44 (debt will be settled in 1 to 28 months)	R 186,009.02
4	Staff with arrears with arrangements towards arrears but repayment periods is from 48 to 212 months therefor arrangements is not valid but staff member can not afford more. Balance of these staff debtors arrears is R119 784.86 of which current is R3766.47 and instalment towards arrears amounts to R1476.94 (debt will be paid back between 48 to 212 months)	R 119,784.86
2	Account 4016001 and 4830420 are paying accounts in cash and has arrears of R1026.43	R 2,421.36
1	Account 1600251 is an inactive account but staff member has an staff deduction of R400 towards the debt	R 11,437.02
354		R 549,083.56
REPORT ON COUNCILLORS ACCOUNTS		
Quantity of Debtors	Explanation	Balance as at DECEMBER 2020
20	Councillors on Age Analysis Coded as councillors	R 15,295.88
16	Councillors in current balance - paying by staff deduction	R 10,582.54
1	Councillors in current paying cash 5104666	-R 1,581.21
1	Councillor in current paying cash 55000200	0
2	Councillors x 2 with arrears due to water queries but more than current is being deducted to settle the debt. (debt will be settled in 4 - 6 months)	6,294.55
20		R 15,295.88

Electricity and Water Losses

Electricity Losses

The electricity losses as at June 2020 was at 12.77% and the mid-year losses for 2020/2021 is 14.33%, as the losses percentage varies monthly the current 14.33 losses is not the final percentage for the year and might still decrease. The reason for the monthly variance is due to adjustments being passed to the billing of debtors for electricity consumption due to faulty meters and incorrect readings.

Water Losses

The Combined YTD Values for the entire Ndlambe region as at December 2020 are reflected below but the absence of monthly readings from several areas (See explanation for this below point viii), has compromised the accuracy of the combined values :-

- Total Bulk Water Supply = **1 904 601 m³**
- Billed Volume = **955 132 m³**
- NRW Estimate = **50%**
- Average Daily Demand = **9 710 m³ /day this is based on the YTD average**
- Average Number of Registered Billing Meters = **17 797**
- Average Usage per Meter = **9 Kl/month**
- Average Number of meters registering Zero usage = **4 328 as above**
- Average. Daily Usage per Meter excl. Zero Meters = **321 l/day**

The Bulk Water Supply and Non-Revenue Water (NRV) estimates for the various towns within the Ndlambe Municipal Region are reported monthly in separate reports which cover the detailed aspects of the Bulk Supply, Potable Supply and Billing for each town. The losses relates to Alexandria, Cannon Rocks, Boknes, Boesmansriviermond, Kenton on Sea, Port Alfred, Bathurst and Seafield. This is a summary of

the monthly losses for July to December 2020, reflecting the Bulk Supply and NRW for the entire Ndlambe Supply.

The detailed water losses report includes the individual summaries, the number of billing meters read, the number of billing meters which registered zero usage and the respective monthly and daily usage. These values yield a reflection of the daily domestic usage and can assist with the identification of high water loss areas. It must however be noted that the NRW values for July were distorted due to billing reading taken in at the end of June, being the end of the financial year, resulting in a very short billing period for July. As the bulk water supply reading were taken as normal for the full month, this has resulted in distorted NRW levels. It is therefore advisable to view subsequent monthly estimates together with the YTD values. A further aspect which has influenced the NRW estimates is the water restrictions which are applied in several areas while water shortages exist. **It must also be noted that several meter reading errors or omissions are evident and estimates have been made in order to generate the water balances.**

1.4.4 TABLE C7 MONTHLY BUDGET STATEMENT - CASH FLOW**EC105 Ndlambe - Table C7 Monthly Budget Statement - Cash Flow - M06 December**

Description	2019/20	Budget Year 2020/21						
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
R thousands								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates	–	118,088	118,088	9,757	59,958	59,044	914	2%
Service charges	–	153,805	153,805	10,688	61,056	76,902	(15,846)	-21%
Other revenue	–	25,442	25,442	42,897	120,903	12,721	108,182	850%
Transfers and Subsidies - Operational	–	112,911	129,341	59,140	132,906	64,670	68,236	106%
Transfers and Subsidies - Capital	–	35,528	35,528	10,670	35,087	17,764	17,323	98%
Interest	–	557	557	1,644	6,778	279	6,500	2332%
Dividends	–	–	–	–	–	–	–	
Payments								
Suppliers and employees	–	(324,710)	(366,043)	(112,889)	(362,479)	(183,021)	179,458	-98%
Finance charges	–	(1,237)	(1,237)	–	–	(618)	(618)	100%
Transfers and Grants	–	(2,944)	(2,944)	(162)	(1,554)	(1,472)	82	-6%
NET CASH FROM/(USED) OPERATING ACTIVITIES	–	117,440	92,537	21,744	52,656	46,269	(6,387)	-14%
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	–	–	–	–	–	–	–	
Decrease (increase) in non-current receivables	–	–	–	–	–	–	–	
Decrease (increase) in non-current investments	–	–	–	–	–	–	–	
Payments								
Capital assets	–	(44,938)	(45,138)	(18,375)	(43,709)	(22,569)	21,140	-94%
NET CASH FROM/(USED) INVESTING ACTIVITIES	–	(44,938)	(45,138)	(18,375)	(43,709)	(22,569)	21,140	-94%
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	–	–	–	–	–	–	–	
Borrowing long term/refinancing	–	–	–	421	1,169	–	1,169	
Increase (decrease) in consumer deposits	–	–	–	–	(26)	–	(26)	
Payments								
Repayment of borrowing	–	(1,956)	(1,956)	–	–	(978)	(978)	100%
NET CASH FROM/(USED) FINANCING ACTIVITIES	–	(1,956)	(1,956)	421	1,142	(978)	(2,121)	217%
NET INCREASE/ (DECREASE) IN CASH HELD	–	70,546	45,443	3,790	10,090	22,722	12,632	56%
Cash/cash equivalents at beginning:	–	45,310	45,310	5,219	(1,081)	45,310	46,391	102%
Cash/cash equivalents at month/year end:	–	115,855	90,753	9,009	9,008	68,032	59,023	87%

That it be noted the above cash flow statement was manually generated as the financial system do not yet provide an accurate report for the cash flow statement.

The municipality is continuing managing its cash flows closely and has set aside the savings from operations by investing them to build up reserves.

Ndlambe municipality runs a cash book in the financial system on primary bank account. The balance reflecting in the Cash Flow Statement is the primary bank account cash on hand at the end of December 2020.

Investments

EC105 Ndlambe - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M06 D							
Investments by maturity Name of institution & investment ID	Type of Investment	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
R thousands							
Municipality							
First National Bank	Securities - National Government (01),Deposits	32 day notice	13,703	103	–	20,460	34,266
INVESTEC BANK	Deposits - Bank (03)	Call Account	3,887	(4)	(1,160)	158	2,881
STANDARD BANK	Deposits - Bank (03)	Call Account	3,549	63	(21,202)	38,499	20,909
ABSA BANK	Deposits - Bank (03)	Call Account	465	(4)	(57,735)	95,274	38,000
OLD MUTUAL	Shares	Shares	47	6	(10)		42
Municipality sub-total			21,650	164	(80,107)	154,391	96,098

The conditional grant monies are being invested in a call account with the bank that offered the highest interest rate.

The municipality secured the following investments:

1. Surety of the DBSA loans to the value of R3 124 000
2. Eskom bank guarantee in lieu of the deposit for Thornhill connection, to the value of R3 140 000

1.4.5 CONDITIONAL GRANTS

Summary Conditional/Unconditional Grant Spending - 31 December 2020

Description	No. of Projects	No H/H Benefiting	2020/21 Budget Year				
			DoRA/Funder Allocation	Transferred to Municipality	Year to Date Exp	% Spent to DoRA	% Spent to Transferred
R Thousand							
<u>Operating Grants:</u>							
Local Government Financial Management Grant			2,800	2,800	114	4.1%	4.1%
Library Grant			2,750	2,750	1,226	44.6%	44.6%
Local Government Equitable Share			120,231	94,271	12,844	10.7%	13.6%
Health Subsidy			1,551	776	562	36.3%	72.5%
<u>Infrastructure/Capital Grants:</u>							
Municipal Infrastructure Grant	9		36,535	11,611	16,213	44.4%	139.6%
Water Service Infrastructure Grant	5		15,000	15,000	5,362	35.7%	35.7%
Disaster Grant	1		100,000	31,724	30,263	30.3%	95.4%
Infrastructure Services Grant (OTP)	1		15,844	15,844	10,831	68.4%	68.4%
EPWP	1		1,201	841	1,049	87.3%	124.7%
Total			295,911	175,615	78,465	26.5%	44.7%

The municipality received an additional grant of R15 844 000 from the Office of the Premier (OTP) relating to infrastructure services. Grants that are allocated to Ndlambe municipality for the financial year 2020/2021 amount to R195 911 000, the monies transferred as at 31 December 2020 is R 143 891 000.

The Financial Management Grant spending is reflecting low spending at 4.1% due to the vacancies of finance interns from July – October 2020.

The Extended Public Works Programme reflects an overspending, the next payment from the funder is expected in March 2020 which will fund the over expenditure.

The additional grants received or allocated after the special adjustment budget in September will be incorporated into the budget during the mid-year budget adjustment process.

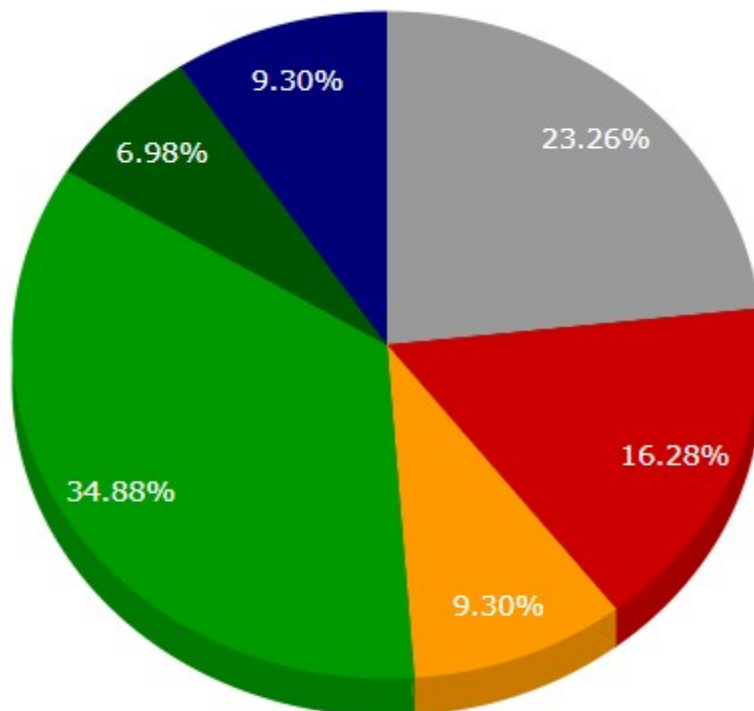
A Grant funding of R31 723 910.36 for the RO Plant project was received from Water and Sanitation Department during December 2020. This will be allocated during the adjustment budget. period.

1.4.6 FINANCIAL RATIOS

Ndlambe Municipality Financial Ratios as at December 2020				
Description	Formula	Ratio	Norm	Reason for performance
Cost Coverage ratio	Cash and cash equivalents + Short term investments/Total operating expenditure	1	1-3 months	This ratio indicates the ability of the municipality to cover its day to day expenses using available cash flow. The outcome of the ratio is 1 month which indicates that Ndlambe municipality is within the norm. The more positive the municipality's bank balance is, the lower the risk of it being unable to fund operational expenditure therefore the outcome of the ratio is positive.
Over/under spending on capital budget	Over/under spending on Capital Budget	63.85%	95%-100%	The result of this ratio is 63,85% which is below the norm meaning that the spending of the municipality is not in accordance with the budget. The reason for this under-spending is due to great reliance on grants for capital projects. Since the municipality does not have capital reserves, it depends on the availability of cash to fund capital assets internally.
Debtors as % of own revenue	Debtors/Own revenue * 100	58%	N/A	This ratio is used to calculate the percentage of revenue that is made up by the municipality's debtors. The outcome of the ratio reflects that debtors make up 14% more of revenue generated than the previous period which could be an indication that debtors are not adhering to the municipality's credit control policy. Therefore, credit control procedures need to be reviewed to establish the cause for challenges in collection of outstanding amounts and to ensure irrecoverable debtors are written off to circumvent exposure to cash flow risk.
Creditors as % of cash and investments	Creditors/Cash and Investments * 1	2%	N/A	This ratio is used to assess whether the municipality has sufficient cash and cash equivalents to cover the municipality's creditors. The ratio has decreased from 12% in 2019/20 to 2% in the current period. This could be an indication of poor cash flow management and has to be monitored to ensure that corrective measure are implemented timeously
Reliance on national and provincial transfers	Grants/Total Revenue * 100	13%	N/A	This ratio is done to assess the level of reliance on revenue received in the form of grants. The result of the ratio reflects that the municipality relies mostly on internally generated funds, however in 2020/21 it is relying on grants more than it did in the previous year. This ratio can fluctuate depending on the grant funding the municipality receives and utilizes at a point in time during a period.
Debt to revenue ratio	Debt/Revenue * 100	33%	45%	This ratio indicates the ability of the municipality to generate sufficient revenue to repay liabilities. The ratio calculated is below the norm of 45%, which reflects a positive outcome as it indicates that the municipality still has capacity to increase funding from borrowings. Consideration of the municipality's cash flow requirements should be taken prior to increasing its debt.

1.5 IDP AND SDBIP FINANCIAL AND NON-FINANCIAL PERFORMANCE AS AT 31 DECEMBER 2020**Overall Summary of Results**

N/A	KPI Not Yet Applicable	KPIs with no targets or actuals in the selected period.	10
R	KPI Not Met	0% <= Actual/Target <= 74.999%	7
O	KPI Almost Met	75.000% <= Actual/Target <= 99.999%	4
G	KPI Met	Actual meets Target (Actual/Target = 100%)	15
G2	KPI Well Met	100.001% <= Actual/Target <= 132.999%	3
B	KPI Extremely Well Met	133.000% <= Actual/Target	4
Total KPIs:			43



Responsible Directorate	KPI Name	Strategic Objective	Municipal KPA	Baseline	Corrective Measures	Overall Performance for Quarter ending September 2020 to Quarter ending December 2020		
Infrastructural Development	1. Number of applications for the building of at least 500 RDP houses submitted to the Department of Human Settlements	Provide sustainable, efficient, cost effective, adequate and affordable services to all our citizens	Spatial Planning	0		0	0	N/A
Infrastructural Development	2. Percentage of completed Land Use Applications finalised within 16 months	Provide sustainable, efficient, cost effective, adequate and affordable services to all our citizens	Spatial Planning	0.00%		0.00%	0.00%	N/A
Community and Protection Services	3. Number of formal households with access to refuse removal as per schedule	Provide sustainable, efficient, cost effective, adequate and affordable services to all our citizens	Basic Service Delivery and Infrastructure	21 306		21 700	21 700	G
Community and Protection Services	4. Number of informal areas provided with access to refuse removal as per schedule	Provide sustainable, efficient, cost effective, adequate and affordable services to all our citizens	Basic Service Delivery and Infrastructure	7		7	7	G
Community and Protection Services	5. Number of beaches with full blue flag status	Develop a vibrant, rapidly growing, employment generating oceans economy	Basic Service Delivery and Infrastructure	2		2	2	G
Community and Protection Services	6. Number of estuaries (Kowie, Bushmans, Kariega) patrolled by	Preserve the natural beautiful environment	Basic Service Delivery and Infrastructure	9		86	86	G

	vessel							
Community and Protection Services	7. Number of biodiversity priority areas patrolled (nature reserves) - Kap and Fish River, Round Hill, Joan Muirhead Local Authority Nature Reserves	Preserve the natural beautiful environment	Basic Service Delivery and Infrastructure	4		4	4	G
Community and Protection Services	8. Percentage compliance with the required attendance time for firefighting incidents (in accordance with SANS 10090)	Create a safe and secure living environment	Basic Service Delivery and Infrastructure	95.00%		100.00%	100.00%	G
Community and Protection Services	9. Number of roadblocks carried out to enhance vehicle safety on roads throughout Ndlambe	Create a safe and secure living environment	Basic Service Delivery and Infrastructure	0		10	10	G
Infrastructural Development	10. Number of water and sanitation infrastructure projects completed	Develop state-of-the-art physical infrastructure	Basic Service Delivery and Infrastructure	3		0	0	N/A
Infrastructural Development	11. Number of Reverse Osmosis Plants installed	Develop state-of-the-art physical infrastructure	Basic Service Delivery and Infrastructure	0		0	0	N/A
Infrastructural Development	12. Percentage of households with access to basic sanitation	Provide sustainable, efficient, cost effective, adequate and affordable services to all our citizens	Basic Service Delivery and Infrastructure	78.92%		79.00%	79.00%	G
Infrastructural Development	13. Percentage of households with access to water supply	Develop state-of-the-art physical infrastructure	Basic Service Delivery and Infrastructure	96.00%	[2_1_2_2.2_13] Director Infrastructural Development: The WULA is anticipated to be completed in January 2021 and the contractor will be monitored to expedite progress for the next quarter of reporting. (December 2020)	96.00%	94.98%	O

Infrastructural Development	14. Percentage of non-revenue water	Provide sustainable, efficient, cost effective, adequate and affordable services to all our citizens	Basic Service Delivery and Infrastructure	39.00%	[2_1_2_2.2_14] Director Infrastructural Development: The department will need to expedite the contractors employed for valves and water meters in the Eastern Side of Ndlambe municipality. (December 2020)	38.00%	41.00%	R
Infrastructural Development	15. Percentage of households with access to electricity	Provide sustainable, efficient, cost effective, adequate and affordable services to all our citizens	Basic Service Delivery and Infrastructure	100.00%		100.00%	100.00%	G
Financial Services	16. % registered Indigent households having access to free basic services	Provide sustainable, efficient, cost effective, adequate and affordable services to all our citizens	Basic Service Delivery and Infrastructure	99.63%	[2_1_2_2.2_16] Chief Financial Officer: Not Applicable (December 2020)	100.00%	100.00%	G
Infrastructural Development	17. Compliance to SANS241	Provide sustainable, efficient, cost effective, adequate and affordable services to all our citizens	Basic Service Delivery and Infrastructure	100.00%		100.00%	100.00%	G
Infrastructural Development	18. Metres of road improved (paving, grading)	Develop state-of-the-art physical infrastructure	Basic Service Delivery and Infrastructure	5 300		0	0	N/A
Corporate Services	19. Response time to resolve customer complaints	Improve the efficient running of and the governance of the Municipality	Municipal Transformation and Organisational Development	5days	[3_1_1.1_19] Director Corporate Services: N/A (December 2020)	4days	4days	G
Corporate Services	20. Staff Vacancy Rate	Improve the efficient running of and the governance of the Municipality	Municipal Transformation and Organisational Development	14.00%	[3_1_1.1_20] Director Corporate Services: In the next quarter moving forward the vacancy rate will be calculated	1.00%	1.00%	G

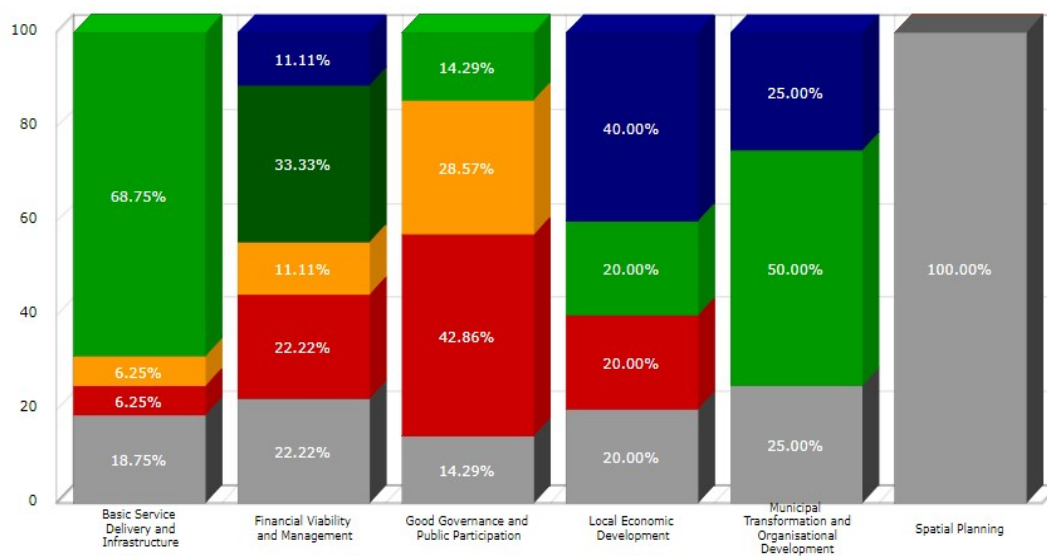
					based on the correct baseline which is 12.8% (December 2020)			
Corporate Services	21. The number of people from employment equity target groups employed in the entire organisation in compliance with the municipality's approved employment equity plan (Indians and Disabled)(Proxy Indicator)	Improve the efficient running of and the governance of the Municipality	Municipal Transformation and Organisational Development	0		0	0	N/A
Corporate Services	22. The percentage of a municipality's budget (OPEX) actually spent on implementing its workplace skills plan	Position the municipality as a learning hub of excellence	Municipal Transformation and Organisational Development	0.60%		0.00%	0.04%	B
Office of the Municipal Manager	23. Number of jobs created	Develop a vibrant, rapidly growing, tourism based, employment generating economy	Local Economic Development	230	[4_1.4_13_CPS] Director: Community Protection Services: If the PMS can allow us on a monthly basis rather than a quarterly basis (December 2020) [4_1_2_3_1.4_23] Municipal Manager: N/A - Over-achieved in Quarter 1 (December 2020)	402	1 319	B
Office of the Municipal Manager	24. Number of tourism initiatives supported	Develop and support adventure and extreme water sports	Local Economic Development	0		1	0	R
Office of the Municipal Manager	25. Number of heritage and cultural events/initiatives supported	Develop cultural heritage economy	Local Economic Development	1		0	0	N/A
Office of the Municipal Manager	26. Number of agricultural initiatives supported	Develop a vibrant, rapidly growing, agri-based employment generating	Local Economic Development	3		4	4	G

		economy						
Office of the Municipal Manager	27. Number of SMME's and Cooperatives supported	Develop a vibrant, rapidly growing, agri-based employment generating economy	Local Economic Development	5		6	9	B
Financial Services	28. Collection Rate	Improve financial viability of the municipality	Financial Viability and Management	70.00%		67.50%	83.75%	G2
Financial Services	29. Cash/Cost Coverage Ratio (excluding Unspent Conditional Grants)	Improve financial viability of the municipality	Financial Viability and Management	1	[5_2_2.1_19] Chief Financial Officer: Lobbying for funding to enable interest on the funding which can be invested, Monitoring and reducing unnecessary spending. (December 2020)	0.82	0.36	R
Financial Services	30. Percentage reduction of Irregular, Fruitless and Wasteful and Unauthorised Expenditure	Improve financial viability of the municipality	Financial Viability and Management	0.00%		0.00%	0.00%	N/A
Office of the Municipal Manager	31. Contracted Services % of Total Operating Expenditure	Improve financial viability of the municipality	Financial Viability and Management	15.70%	[5_3_2.1_31] Municipal Manager: We will make sure that we make use of the monies in the next financial year. (December 2020)	5.50%	15.89%	R
Financial Services	32. Percentage of budget provision allocated for asset repairs and maintenance	Improve financial viability of the municipality	Financial Viability and Management	7.00%	[5_3_2.1_32] Chief Financial Officer: Developing and Implementing a maintenance plan in line with the maintenance budget. (December 2020)	7.20%	6.70%	O
Financial Services	33. Debt coverage	Improve the financial viability of the municipality	Financial Viability and Management	102.36		0	0	N/A
Financial Services	34. Outstanding service debtors to revenue	Improve the financial viability of the	Financial Viability and Management	38.00%	[5_3_2.1_34] Chief Financial Officer: NO CORRECTIVE	47.00%	27.00%	B

		municipality			MEASURES AS TARGET HAS BEEN MET (December 2020)			
Financial Services	35. Current Ratio	Improve financial viability of the municipality	Financial Viability and Management	1.56		1.42	1.83	G2
Infrastructural Development	36. Percentage of capital budget spent	Improve the financial viability of the municipality	Financial Viability and Management	37.00%		85.00%	99.10%	G2
Office of the Municipal Manager	37. Audit Opinion	Improve the efficient running of and the governance of the Municipality	Good Governance and Public Participation	1		0	0	N/A
Corporate Services	38. Percentage of ward committees with 6 or more ward committee members (excluding the ward councillor)	Improve the efficient running of and the governance of the Municipality	Good Governance and Public Participation	90.00%	[6_1_1.1_38] Director Corporate Services: Ward 9 still has a vacancy. To be filled by the Office of the Speaker. (December 2020)	100.00%	90.00%	O
Corporate Services	39. Percentage of ward committees that are functional (meet four times a year, are quorate, and have an action plan)	Improve the efficient running of and the governance of the Municipality	Good Governance and Public Participation	90.00%	[6_1_1.1_39] Director Corporate Services: The Office of the Speaker will ensure that all Ward meetings quorate. (December 2020)	100.00%	70.00%	R
Office of the Municipal Manager	40. Number of alleged fraud and corruption cases reported	Improve the efficient running of and the governance of the Municipality	Good Governance and Public Participation	1	[6_1_1.1_40] Municipal Manager: Action Plan will continue to be monitored and issues addressed as and when possible (December 2020)	0	2	R
Office of the Municipal Manager	41. Number of active suspensions longer than three months	Improve the efficient running of and the governance of the Municipality	Good Governance and Public Participation	1		0	5	R
Office of the Municipal Manager	42. Number of Public Participation meetings and formal engagements held with the Local	Improve the efficient running of and the governance of the Municipality	Good Governance and Public Participation	4		2	2	G

	Communities							
Office of the Municipal Manager	43. Number of special programmes held	Improve the efficient running of and the governance of the Municipality	Good Governance and Public Participation	0		6	5	0

Municipal KPA



Part 2 GOVERNANCE AND INSTITUTIONAL ARRANGEMENT

Ndlambe Municipality's Internal Audit Unit is an in-house function

2.1 WEAKNESSES IN INTERNAL CONTROLS-

There are 4 key areas of weakness in internal controls which are;

Supply Chain Management – The municipality has a decentralised SCM making it prone to non-compliance. Irregular expenditure is not timeously detected and not reported to Council as required by legislation

Performance Management system – There has been a good progress made on the PMS thus far. The municipality is gradually improving on the matter. It is now moved from manual to electronically driven process. Assessments are conducted, however are not always on time (Relevancy).

Asset Management – it has been highlighted as area of concern by AGSA in the recent Audit.

Revenue – Completeness and validity of indigent beneficiaries. There is has been progress made to address the matter however the municipality lacks capacity to verify and validate beneficiaries as this needs IT expertise to verify over and above the applicant's declarations.

Audit Action plan was drawn and followed up throughout the year. The 4 qualifying items have been reasonably addressed being Property Plant and equipment, Revenue from non-exchange transactions, payables. There is a very little progress made on issue of Supply Chain management.

Functionality of MPAC and sufficient resourcing in terms of personnel

MPAC functionality is not effective. It does not meet for its meeting due to non-availability of committee members. The Committee is not resourced as it relies on IA Unit for its functioning. Ideally the Committee should have its own Co Coordinator to drive the committee's programs.

Status on Audit Committee sittings & oversight, at least 4 times a year and the implementation of resolutions;

The Audit Committee has convened 4 meetings in the first 6 months of the 2020/21 financial year.

The Audit Committee resolutions are crafted in the resolution matrix that is a standing item in the Audit Committee meetings agenda. As per the current matrix, majority of the resolutions have not been implemented.

Internal Audit Functionality

No	Top 10 audit findings from IA reports	2018/2019 IA finding impact on:				Endorsed Audit Action plan by AC& Management to address root cause	Status on the implementation of the Action plan	Action taken by the CAE and AO on the non-implementation of the Action plan
		Audit Outcomes	Service delivery	Cash flow	Compliance			
1.	Traffic department collections not banked on a daily basis.	✓		✓	✓	Management in agreement with the finding however the finding is not yet addressed.	Not addressed	IA finding reported to the AC.
2	Municipal leased property rentals not	✓		✓		Management in agreement with the finding	Not addressed	IA finding reported to the AC.

	market related					however the finding is not yet addressed.		
3	Poor record keeping due to decentralised procurement	✓		✓	✓	Management in agreement with the finding however the finding is not yet addressed.	Not Addressed	IA finding reported to the AC.
4.	No controls to identify Unauthorised Irregular and Fruitless expenditure.	✓		✓	✓	Management in agreement with the finding however the finding is not yet addressed.	Not addressed	IA finding reported to the AC.
5.	1. Bid adjudication committee meetings not properly constituted.	✓	✓		✓	Management in agreement with the finding however the finding is not yet addressed.	Partially addressed	IA finding reported to the AC.
6.	1.1 No loss control policy in place		✓	✓	✓	Management in agreement with the finding however the finding is not yet addressed.	Not addressed	IA finding reported to the AC.
7.	Procurement of goods and services was done without following proper SCM regulations and policy.	✓	✓	✓	✓	Management in agreement with the finding however the finding is not yet addressed.	Partially addressed	IA finding reported to the AC.
8.	Poor record keeping and Lack of review of tender files.	✓			✓	Management in agreement with the finding. A Contracts officer to administer tender register appointed.	Partially addressed	IA finding reported to the AC.
9.	Overtime granted to persons above the BCEA threshold.	✓	✓	✓	✓	Management in agreement with the finding however the finding is not yet addressed.	Not addressed	IA finding reported to the AC.
10.	Employees worked more than maximum permissible overtime period	✓	✓	✓	✓	Management in agreement with the finding however the finding is not yet addressed.	Not addressed.	IA finding reported to the AC.

2.2 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

To date Ndlambe's has not been able to fully identify, quantify and present a current year irregular expenditure to MPAC for investigation to determine what is recoverable or recommend a write-off of the irrecoverable expenditure, only irregular expenditure portion resulting from deviation procurement could be identified and quantified monthly.

An effort has been made to develop a system that will enable us to identify irregular expenditure other deviations irregular expenditure. The plan is to develop a "departmental based" irregular expenditure identification system whereby each transaction or requisition will be accompanied by an assessment form. The assessment form will be used to determine compliance of the requisition or documents to the four procurement categories as follows;

1. R 1 to R2000 (One quote)
2. R 2001 to R 30,000 (3Quotations)
3. R 30,001 to R 200,000 (7 day notice)
4. > R 200,000 (14 days and more depending on the value, Public participation process etc.)

For instance, where category 3, procurement is processed, the department should mark all applicable documents and indicate whether the transaction is irregular or not. The requisition book "authoriser" will check the document to ascertain compliance to the applicable category and verify the declaration made at the department level. Supply chain, during order capturing will capture the order "Indicator" in the system whether the order is classified as irregular or not.

Supply Chain will run a creditors payment report with a status "indicator" for each order. All irregular orders will be summarised and presented to MPAC for investigation. Our financial system is not yet set up to provide this report, we will be making a request to MunSoft to allow us to make use of an existing field in the order capturing screen.

For wasteful and fruitless expenditure, we have a running system to report this expenditure monthly but we have not presented anything to Council for current financial year for a write-off, the practice has been to quantify Unauthorised, Irregular and Fruitless and wasteful expenditure at year-end.

Unauthorised expenditure can only be quantified at year-end for the following reasons;

- a) It is determined by vote; therefor it is not possible to quantify it when you still have some funds in some line items within the vote.
- b) The adjustment budget affords an opportunity to shift funds around to cover for excess expenditure with available savings in other line items within the vote. Given this unauthorised expenditure is an exercise performed best at year-end.

Current financial year irregular expenditure is being quantified with the assistance of an external service provider. Fruitless and wasteful expenditure amount consisting being interest is R424.00, unauthorised expenditure amount will be finalised after all journals have been passed to reconcile our accounts.

To date the effort was put on dealing with historical balances of UIF. MPAC conducted a partial investigation of irregular expenditure and made a recommendation for a partial write-off of the R563m disclosed in the 2018/19 financial statements, on the other hand work on historical Fruitless and wasteful and unauthorised expenditure went as far as the identification and reconciliation of the balances to the amounts disclosed in the Annual Financial statements see

The MPAC investigations outcome of irregular, Fruitless and wasteful and unauthorised expenditure are determinants of whether a need arises for financial misconduct charges or not, such a need will be reflected in the MPAC recommendations and the Council resolution after consideration of the MPAC recommendations by Council.

2.3 IMPLEMENTATION OF MSCOA REFORMS

The table below outlines the Financial System's modules that are in use and live:

mScoa Compliance Implementation at ast 31 December 2020		
Modules	Y/N	Action plan
FAR Module Live and Used	N	Updating Opening Balances and Importing current year's additions to run the depreciation by 31 March 2021
Budget Module Live and Used	Y	
IDP Module Live and Used	Y	
SCM Module Live and Used	Y	
Payment Module Live and Used	Y	
Billing Module Live and Used	Y	
Revenue Module Live and Used	Y	
Payroll Module Live and Used	Y	
Bank Reconciliation Live and Used	N	The vendor Munsoft is currently analysing the data and importing the data into the module. Will be live by 30 June 2021

The financial information for A Schedule (Budget), Schedule B (adjusted Budget) and Schedule C (Section 71) is generated by Munsoft the municipality's financial system. The three Schedules (A, B, C) are reconciling to the mScoa data strings except the Cash Flow Statement that is currently reflecting variances in both Schedule B and Schedule C. The Schedule B Cash Flow Statement variances will be addressed during the adjustment budget process. The Schedule C Cash Flow Statement variances are due to incorrect use of segments during transacting and will be investigated and address by moving the amounts to the correct budgeted segments and the correcting of the setup of transactions.

Progress Report on 2021/2022 Budget Process

Covid-19 lockdown has put a lot of pressure on our municipal activities the budget planning process has been affected also.

Community meetings by the Mayor and Councillors were done differently, the interactions were done virtually by through debate sessions in community radio platforms to gather inputs for the budget and reporting back on previous year's budget.

The municipality has manage to have one budget steering committee meeting which sat in December 2020 to discuss the budget items to be considered on preparations and provide a template to be used to meet the submission due date

Budget inputs by the Directorates were submitted to Budget and Treasury office latest was the 31 December 2020

The Budget and Treasury Office is in the process of assessing and consolidating the submitted budget inputs before commencing the process of capturing the budget inputs to the system.

Working with the skeleton staff during the lockdown has reduced the amount of time available to perform the budget activities outlined on the budget process plan.

Although we have been operating under lockdown conditions, the key milestones had been achieved i.e. community engagements and submission of budget data by the directorates for budget compilation.

Part 3 QUALITY CERTIFICATE

I, **ROLLY DUMEZWENI** the Municipal Manager of Ndlambe Municipality hereby certify that;

- The monthly budget statements
- Mid – year budget and performance assessment

For the month of December of 2020 has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

ROLLY DUMEZWENI

Municipal Manager of Ndlambe Municipality

Signature

Date:.....