

**2011**

Nketoana  
Local  
Municipality

**FIRST QUARTER BUDGET  
ASSESSMENT**

# Nketoana Financial quarterly report

## 1. Background and purpose

This report has been prepared as part of the regular financial reporting in terms of section 72 of the Municipal Finance Management Act 2003.

## 2. Overview and financial performance

### INCOME STATEMENT FOR THE QUARTER ENDED 30 SEPTEMBER 2011

DESCRIPTION	ANNUAL BUDGET	ACTUAL YTD	% SPENDING
Property Rates Tax	8 189 000	3 728 331	46%
Electricity Services	20 304 000	2 059 737	10%
Water Services	21 357 000	2 291 237	11%
Sewer Services	9 995 000	1 170 186	12%
Refuse Services	11 377 000	1 239 648	11%
Grants	71 807 000	36 061 000	50%
Other	14 434 000	3 039 571	21%
<b>Total Revenue</b>	<b>147 467 000</b>	<b>49 589 710</b>	<b>34%</b>
<b>Expenditure</b>			
Employee Related Costs	49 502 000	12 283 611	25%
Bulk Purchases Electricity	22 916 000	17 312 172	76%
Bulk Purchases Water	1 260 000	63 499	50%
Depreciation and debt impairment	11 970 000		
Finance charges	890 000	336 040	38%
General and other expenses	33 798 000	19 470 429	58%
<b>Total Expenditure</b>	<b>120 336 000</b>	<b>49 465 751</b>	<b>41%</b>
<b>Surplus/Deficit</b>	<b>27 132 000</b>	<b>123 959</b>	

## 3. Revenue.

The total revenue raised to date is R49 million of which R36 061 is government grants. All utility services are expected to increase in the next quarter to 50% target. Our debtors age analysis has increase to R210 M, but there were write offs that were suppose to have been done, but due to the incorrect list that was provided, that was not done. We also have a R54M bad debts provision in terms of the new GRAP standard; we are planning an indigent campaign during October 2011, Equitable share was off-set by R610 000 due to the non expenditure in relation to DWARF of R500 000 and MSIG R110 000 that comes as far as 2005 till 2008. A report to National Treasury is being compiled to prove that the grants were spent and supporting documents will be provided.

## 4. Operating Expenditure

We had a surprising increase on the expenditure for bulk purchases and this is due to high bill we receive from Eskom due to increase in consumption by the consumers. During the beginning of the financial year 2011/12 a project of replacing electricity meter has started and we are expecting to see increase in the sale of electricity. Budgeted amount of R9 133M is not included

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in the general expenses. Treasury's new regulation is that Repair and Maintenance must be shown separately. Below is a summary of Repair and Maintenance

<b>Repairs &amp; Maintenance</b>			
Executive and Council	0	13 050	
Budget and Treasury Office(Finance )	0		
Corporate Governance ( Corporate services and admin)	0	2 500	
Community and public safety	0	46 165	
Economic and environmental services	1 474 000	396 241	25%
Trading services (Technical Services)	7 859 000	419 427	5%
<b>Total</b>	<b>9 333 000</b>	<b>877 383</b>	<b>9%</b>

The total average of repairs and maintenance is 9%

Executive and council comprises of the following: Mayor's office  
 Speaker's office  
 Municipal Manager's office  
 COO

Budget and Treasury Office : Finance

Corporate Governance : Human Resource  
 : Properties  
 : Corporate services

Community and public safety : Traffic  
 : Library  
 : Sports  
 : Youth  
 : Parks and Cemetery

Economic and Environmental services : Urban planning and housing development  
 : LED  
 : Roads

Trading services : Water  
 : Electricity  
 : Waste water  
 : Solid waste

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## 5. Budget and reporting

For this quarter we have reported and submitted to National and Provincial Treasury section 71 reports, though we did not report within the timeline as set out per MFMA time lines, this is due to the compilation of AFS 2011, also the changing of financial system .The reporting deadlines are also affected by the audit

### Expenditure

Directorate	Budgeted amount	Actual to date	%
Executive and Council	13 710 000	2 744 159	20%
Budget and Treasury Office(Finance )	11 493 000	3 637 565	32%
Corporate Governance ( Corporate services and admin)	11 230 000	2 561 163	23%
Community and public safety	5 260 000	1 942 653	37%
Economic and environmental services	15 858 000	2 147 965	14%
Trading services (Technical Services)	70 216 000	21 258 936	30%
<b>Total</b>	<b>129 466 000</b>		

The above table is the summary of expenditure and repairs and maintenance for the first quarter ending September 2011.

## 6. Municipal Infrastructure Grant Expenditure.

**Allocation: R28 044 000**

DATE	BUDGET ESTIMATED	AMOUNT RECEIVED	ACTUAL EXPENDITURE	BALANCE
July 11	10 187 000	10 187 000	4 151 524	6 035 475
August 11			397 208	5 638 268
Sept 11			1 388 233	4 250 035
<b>Total</b>	<b>10 187 000</b>	<b>10 187 000</b>	<b>5 936 965</b>	<b>4 250 035</b>

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## 7. Investments

Institution	Amount	Interest received	Deposit/Withdrawal	Total	Maturity date
Standard Bank	3,327,949.43	41,271.82	0	3,369,221.25	2014/11/02
Standard Bank	4,856,020.61	20,246.57	4,836,541.93	20,246.57	Call account
Standard Bank	10,000,000	50,192.42	10,048,657.48	1,537.72	Call account 29/08/11
Standard Bank	15,000,000	140,404.56	15,140,383.56	21.19	Call account 29/09/11
Absa	10,182.70	0	0	10,182.70	2012/03/26
Absa	439,259.53	76,069.66		1,772,356.24	Call account
<b>Total</b>				<b>5,173,623.23</b>	

## 8. Cash and Bank

INSTITUTION NAME	ACCOUNT NAME	AMOUNT
ABSA	Cheque	R14 058 502.82
ABSA	Banktel	R 52 405.94
FNB	Cheque	R 3 647 830
<b>Total</b>		<b>R17 758 738.76</b>

## ABSA FRAUD CASE IS STILL PENDNG

## 9. Cash flow forecast for 30 September 2011

Description	Six month forecast					
	'000	'000	'000	'000	'000	'000
Opening bal	Jul 7 446	Aug 15 424	Sept 526	Oct -2 696	Nov -12 126	Dec 19 139
Grants	36 671				28 569	
Services	11 467	3 037	19 401	5 734	5 734	5 734
Other	1 202	522	3 147	600	600	600
<b>Total Receipts</b>	<b>56 786</b>	<b>18 983</b>	<b>23 074</b>	<b>3 638</b>	<b>34 903</b>	<b>25 473</b>
Salary Cost	3 969	4 145	4 167	3 859	3 859	3 859
Capital Projects	4 151	397	4 250	6 721	6 721	6 721
Creditors	4 813	6 895	7 763			
Other	28 429	7 020	9 590	5 184	5 184	5 184
<b>Total Payments</b>	<b>41 362</b>	<b>18 457</b>	<b>25 770</b>	<b>15 764</b>	<b>15 764</b>	<b>15 764</b>
<b>Closing</b>	<b>15 424</b>	<b>526</b>	<b>-2 696</b>	<b>-12 126</b>	<b>19 139</b>	<b>9 709</b>

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<b>Balance</b>						
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Cash flow reflects a negative balance in this quarter, but that's not the true reflection. If you look at other payments for month of July, there was a R25 Million investment that was set aside this result into a negative balance . The municipality will be liquid for the next quarter.

## 10. Loans

Loans	Vote number	Opening Bal	Interest accrued	Repayment	Total
101390/1	0303/0082/0000	8,418,594	219,060.95	(290,492.53)	8,347,162
10390/2	0303/0081/0000	1,410,587	32,225.94	(45,510.10)	1,397,303
<b>Total</b>		<b>9,828,181</b>	<b>222,286.89</b>	<b>(84,482.09)</b>	<b>9,744,465</b>

Loans and investment registers are reconciled and reviewed every month and they are kept with the statements and the related journals, see attached schedules:

## 11. VAT

Vat 201 returns for this quarter were submitted on time, SARS owes us an amount of +- R1,8M The matter was raised with SARS, but they indicated that they've allocated that money as PAYE was not paid. The matter still needs to be resolved and supporting documents to be provided to SARS to get the refund

## 12. Fixed Assets

The initial Fixed Assets register 2011 that was disclosed on the AFS 2011 and submitted to AG was not in compliance with GRAP 17, there were challenges that we were faced, no depreciation values etc, but the Final Assets Register that was submitted to AG after further engagement was submitted, AG team is auditing the Fixed Assets register. Verification of Assets went extremely well except for the few moveable items that were not found at their location, this does not mean that they are lost, they were moved to either other towns or offices, but are located. This is due to miscommunication between the departments, and we feel that each HOD must take responsibility of the movements of assets of his/her department and report such as this is reported by AG a weakness in controlling our assets

We also are awaiting the response to upload our FAR on the new financial system.

## 13. Challenges

- lack of communication within the departments

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## 14. Recommendations

- That management meets and communicate and educate the importance of the AFR
- Meet our deadlines as per Budget time lines
- Implement what the AG has recommended

**Reviewed by:**  
**V.B. Mkhafa**  
**CHIEF FINANCIAL OFFICER**

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**Approved by:**  
**S. Thomas**  
**MUNICIPAL MANAGER**

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