



**SECTION 72**

**MID -YEAR ASSESSMENT**

**AND**

**PERFORMANCE REPORT**

**2016/2017**

**Submitted to Mayor : 25 January 2017**

**Tabled to Council : 30 January 2017**

# KAROO HOOGLAND LOCAL MUNICIPALITY

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# KAROO HOOGLAND LOCAL MUNICIPALITY

## INTRODUCTION

The Municipal Manager, as Accounting Officer of the Municipality is required by Section 72 of the Municipal Finance Management Act, 2003, to submit a report in the prescribed format to the Mayor by 25<sup>th</sup> January of each year, reviewing the financial performance of the municipality for the first six months of the financial year.

This mid-year report is a critical stage in the in-year reporting cycle. As part of the review, in terms of Section 72 (3), the Accounting Officer needs to make recommendations as to whether the SDBIP and the annual budget need to be adjusted.

Section 54(f) of the MFMA requires the Mayor to consider and submit the mid-year report to Council by 31 January.

This report includes, inter alia the following information:

- (a) The monthly statements referred to in Section 71 for the first half of the financial year.
- (b) The municipality's service delivery performance for the first half of the financial year.

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## COMMENTS FROM THE MUNICIPAL MANAGER

The financial information provides an overall position on the Capital and Operating Budget of the Municipality for the 6 months under review.

- The overall operating income according to the mid-year review is in line with the annual approved operating income budget. Although the income for the past six months are in line with the budget, management and the officials of the municipality must still stay focus on improving income levels by ensuring the strict enforcement of the income related policies.
- The overall operating expenditure for the past six months is in line with the annual approved budget operating expenditure budget. Notwithstanding that the past six months operating expenditure are in line with the annual budget management and the officials of the municipality must curtail expenses to the maximum to ensure that all expenses can be paid till year end and to provide savings on votes for possible unavoidable expenses that may occur.
- Efforts to avoid fruitless and wasteful expenditure are ongoing. All aspects of compliance are adhered to at all times to avoid fruitless and wasteful expenditure.
- While efforts have been made to manage debt and credit control through policies and procedures, the reality of the situation shows reasonable progress. Effectively, cut-offs are achieved, billings are checked for accuracy, payment arrangements are made.
- Midyear Performance Assessment was done but due to the absence of a performance management system certain information on the SDBIP can be inaccurate.

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**Mr. GW Von Mollendorf**

**Municipal Manager**

# KAROO HOOGLAND LOCAL MUNICIPALITY

## CAPITAL EXPENDITURE

CAPITAL PERFORMANCE 2016/2017									
000									
	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Total	Budget	YTD Budget
MIG	459	-	1 248	1 168	637		3 512	7 744	3 872
INEG			315				315	1 600	800
<b>TOTAL</b>	<b>459</b>	<b>-</b>	<b>1 563</b>	<b>1 168</b>	<b>637</b>	<b>-</b>	<b>3 827</b>	<b>9 344</b>	<b>4 672</b>
CAPITAL SOURCE OF FUNDING									
000									
	Budget	YTD Actual	Balance	% Spent	Funding Received	Type of funding			
MIG	7 744 000	3 512 390	4 231 610	45%	3 600 000	National Grant			
INEG	1 600 000	315 505	1 284 495	20%	1 600 000	National Grant			
<b>TOTAL</b>	<b>9 344 000</b>	<b>3 827 895</b>	<b>5 516 105</b>		<b>5 200 000</b>				

During the period under review the Municipality has embarked on projects funded from MIG and INEG

The table reflects that there is currently 45% of the total allocation spent from MIG funding. Also note that the Municipality did only received R 3.6 Mil and has spent R 3.5 Mil at 31 December 2016. The Municipal Manager and Director Technical Services in conjunction with the Contractors are currently addressing the issue to ensure that the total allocation of MIG funds to be spent at year-end.

As the MIG Funds are conditional the Municipality must spent the remaining R4.2 Mil before 30 June 2017 to ensure that National Treasury do not withheld funds in the current financial year.

The Municipality did receive R 1.60 Mil for the electrification of 15 Houses and the upgrading of the entire electricity network in Fraserburg. The completion of the 15 houses are in itself a challenge and hopefully will be completed before year-end. The Municipality will receive an amount each year till the entire network is upgraded. The funds for this year will be spend before year-end as the Municipality will acquire a new supply transformer.

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### OPERATING INCOME

The following table shows the actual operating income per source against the planned budget as at 31 December 2016. It should be noted that the figures relate to billed income and not cash collected.

The percentage billed should be as close to 50 % as possible for the six months actual levies.

Operating Income - Performance				
Revenue by source	Original Budget	YTD Budget	Levies to Date	% Received
Property Rates	6 302 000	3 151 000	5 411 625	86%
Property Rates Penalties	249 200	124 600	158 468	64%
Service Charges - Electricity	11 113 600	5 556 800	4 831 229	43%
Service Charges - Sanitation	3 480 000	1 740 000	1 808 857	52%
Service Charges - Water	3 773 000	1 886 500	1 855 034	49%
Service Charges - Refuse	2 962 000	1 481 000	1 479 026	50%
Service Charges - Other	11 500	5 750	3 789	33%
Rental of Facilities and Equipment	506 900	253 450	349 621	69%
Interest earned External Investments	231 000	115 500	148 066	64%
Interest earned Outstanding Debtors	855 800	427 900	578 864	68%
Fines	4 800	2 400	1 980	41%
Licences and Permits	23 900	11 950	14 976	63%
Agency services	261 400	130 700	123 198	47%
Transfers Operational	21 246 000	10 623 000	15 364 500	72%
Other revenue	673 400	336 700	361 330	54%
<b>Totals</b>	<b>51 694 500</b>	<b>25 847 250</b>	<b>32 490 563</b>	<b>63%</b>

#### The following are highlighted from the schedule above:

- The reason for the billed % of property rates to already be at 86 % is that most of the property rates are levied in July of each financial year.
- Electricity service charges is at 43 % and therefore lower than anticipated. Officials should pay special attention in the last few months of the financial year to ensure that the readings are correct before the final billing is done. The operating income budget of electricity services to be adjusted downwards with R 700 000.00

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- Water, sanitation and refuse services are in line with the budgeted amount and will therefore not be adjusted. Officials must ensure readings are correct for the next six months.
- Mainly all other revenue is above 50 % and that relates to an increase in levied income for the Municipality.
- The possible increase in operating revenue is only projected and not factual. It is unfortunately not from an additional funding source that was not anticipated in the annual budget and can therefore not be included in an Adjustment budget.
- Although the total income is at 63% of the budgeted amount it is mainly due to the operational grants income which is currently standing at 72%. If this is omitted from the total income percentage to date the percentage total income is at 55% which is in line with the original income budget.

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## OPERATING EXPENDITURE

The following table depicts the actual operating expenditure for each *directorate* against planned budget at 31 December 2016.

Operating Expenditure by vote				
Directorate	Budget	YTD Actual	Projected	% Spent
Mayor and Council	3 036 300	1 939 932	3 879 864	64%
Rates	1 299 400	-	-	0%
Budget and treasury office	10 889 800	5 590 946	11 181 892	51%
Municipal Manager	5 774 600	2 678 808	5 357 616	46%
Libraries and Archives	1 751 400	790 781	1 581 562	45%
Community halls and Facilities	377 700	73 806	147 612	20%
Cemeteries & Crematoriums	7 000	576	1 152	8%
Other Community	50 000	18 544	37 088	37%
Sport and recreation	826 800	360 619	721 238	44%
Roads and Transport	3 169 200	1 600 186	3 200 372	50%
Electricity Distribution	11 687 700	5 133 962	10 267 924	44%
Water Distribution	3 781 600	3 476 072	6 952 144	92%
Sewerage	5 302 500	2 036 201	4 072 402	38%
Refuse	3 681 400	1 246 066	2 492 132	34%
<b>Total</b>	<b>51 635 400</b>	<b>24 946 499</b>	<b>49 892 998</b>	<b>48%</b>

The Municipality is still facing challenges to ensure that expenditure is correctly accounted for between the different departments. For example the salaries of the library personnel are not correctly linked to the library department. These corrections journals will need to be passed before year end to ensure the correctness of the departmental expenditure and unauthorized expenditure.

The total expenditure trend to date is at 48% which is in line with the original budget.

Water distribution is already at 92% and that is due to the acquiring of the pre-paid water meters that were not originally budgeted for.

An amount of R 2.7 Mil will be added to the Adjustment Budget as surplus income from previous years for water meter expenses in the water department.



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The following table reflects the actual operating expenditure as per the *type* of expenditure against the planned budget as on 31 December 2016.

Operating Expenditure by type				
Expenditure by type	Budget	YTD Actual	Projected	% Spent
Employee related costs	18 715 600	9 921 493	19 842 986	53%
Remuneration of Councillors	2 400 000	1 058 822	2 117 644	44%
Debt impairment	2 514 200	-	-	0%
Depreciation	400 000	-	-	0%
Finance Charges	776 000	165 814	331 628	21%
Bulk purchases	8 405 000	3 741 883	7 483 766	45%
Other Materials	-	-	-	
Contracted services	1 184 800	361 197	722 394	30%
Transfers and grants	4 556 000	1 484 010	2 968 020	33%
Other expenditure	12 683 800	8 213 280	16 426 560	65%
<b>Total</b>	<b>51 635 400</b>	<b>24 946 499</b>	<b>49 892 998</b>	<b>48%</b>

Employee related costs is currently at 53% of the total budget but is due to the high salary cost for the month of December 2016 and that was due to the annual bonuses paid to officials and this expense will be within the allocated budget.

Debt impairment and depreciation is book entries and will be journalized at year-end therefore the 0% spent.

Bulk Purchases which relates to the purchasing of electricity from Eskom is in line with the original budget.

Contracted services to be adjusted downwards with R 300 000.00

Transfers and grants to be adjusted downwards with R 400 000.00

The downward adjustment for contracted services and transfers and grants is equal to the downward adjustment of electricity operating income of R 700 000.00

Other expenditure are currently inflated with R 2.7 Mil due to the purchasing of the pre-paid water meters and if eliminated from the calculation the amount of other expenditure is a R 6 Mil which is 50% of the original budget. Therefore no adjustment is needed.

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Travel, accommodation and subsistence expenses is already overspend with R 160 000.00 and will be adjusted form an original budget of R 303 000.00 to R 703 000.00. The remaining budget is R 240 000.00. The transfer and grants expenses will be adjusted downwards with R 400 000.00 to finance the travel, accommodation and subsistence additional budget. It is the responsibility of **all managers** to ensure that costs are cut to the utmost especially with reference to travel, accommodation and subsistence expenses. Proper internal controls over these expenditures needs to be implemented as soon as possible and must be effectively implemented and monitored on a regularly basis to ensure that these costs are in line with the annual approved operational budget. If the additional budget is exhausted you will have to finance these expenses from your own pockets. A recommendation in this regard can for example be that only half the amount of claims be paid from 1 March 2017.

### INVESTMENTS & LOANS

The following table includes the detailed investments as on 31 December 2016.

The main reason for all the investment accounts is to mainly ring-fence funds received as grants and subsidies and to ensure that the investment is only utilized for the purposes of the grant or subsidy.

The Municipality mainly makes use of short/medium term fixed deposits as investment instruments.

The closing balance of all investment accounts as on 31 December 2016 is R 7.9 Mil and consists mostly of conditional grants and cannot be spent on any other expenditure than the purpose of the grants.

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Investments			
Institution	Type	Account Use	Amount
Standard Bank	Current	Main account	2 235 497.64
Standard Bank	Current	Enatis	849 308.05
ABSA Bank	Current	Deposit	2 648 340.59
Standard Bank	Investment	FMG	449 872.00
Standard Bank	Investment	MSIG	1 000.00
Standard Bank	Investment	MIG	87 610.00
Standard Bank	Investment	EPWP	356 625.00
Standard Bank	Investment	Library	43 366.00
Standard Bank	Investment	INEP	1 284 495.00
<b>Total</b>			<b>7 956 114.28</b>

The following table consists of all loans as on 31 December 2016 and it excludes the finance leases of the municipality.

Loans Outstanding			
Institution	Type	Account Use	Amount
DBSA	Long Term Loans	Williston Electricity Network	2 364 151.50
<b>Total</b>			<b>2 364 151.50</b>

The loan is payable on a monthly basis with an annual interest rate of 5 %. The total monthly repayment is R 25,075 and the end date is December 2026. Therefore the period remaining is 10 years. The amount of interest for the remaining period is R 767,969. The outstanding capital amount is as reflected in the table.

The Municipality is currently honoring the repayment of the loan and no amount is in arrears.

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## GRANTS AND SUBSIDIES RECEIVED

The table below includes all the grants and subsidies that were allocated to the Municipality in terms of the DORA.

Grants and Subsidies received								
Grants	Budget	Adjustment Budget	Total	Type	Roll Over	Received to date	Expend to date	Balance
Equitable Share	16 678 000	(540 000)	16 138 000	Operational	N/A	11 968 500	11 968 500	4 169 500
FMG	1 825 000	-	1 825 000	Operational	N/A	1 825 000	1 375 128	449 872
MSIG	-	-	-	Operational	N/A	-	-	-
Library	1 743 000	-	1 743 000	Operational	N/A	871 500	828 134	914 866
MIG	7 744 000	-	7 744 000	Capital	None	3 600 000	3 512 390	4 231 610
RBIG	-	-	-	Capital	N/A	-	-	-
EPWP	1 000 000	-	1 000 000	Operational	N/A	700 000	343 375	656 625
INEG	1 600 000	-	1 600 000	Capital	N/A	1 600 000	315 505	1 284 495
<b>TOTAL</b>	<b>30 590 000</b>	<b>(540 000)</b>	<b>30 050 000</b>			<b>20 565 000</b>	<b>18 343 032</b>	<b>11 706 968</b>

The Municipality did receive the full complement of the FMG and INEG.

The Municipality claim from the Library Fund as soon as expenses were incurred. Payment from Dept Sports, Art and Culture to the value of R 871 500.00 is due in February 2017.

One allocation equal to 25 % of the equitable share will be paid to the Municipality in Feb/March 2017. An amount of **R 540 000.00** was deducted from the second tranche of the equitable share and the reason is the following:

The previous management expend R 540 000.00 on administration fees from the MIG allocation of 2013/2014 for a so called PMU within the technical Department.

No such unit was established nor registered with the MIG Offices and therefore National Treasury has seen this expense as illegal and deduct it from the equitable share second tranche in the 2016/2017 financial year.

Therefore the operational grants income to be adjusted downwards with R 540 000.00 and the transfer and grant expenses to be adjusted downwards with the same amount.

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From the R 20 Mil received R 18 Mil have already been spent

Management needs to ensure prompt expenditure on the MIG and INEG to eliminate the forfeiting of the MIG funds.

### PERSONNEL EXPENDITURE

At 31 December 2016, the personnel expenditure to date amounted to R9.9 Mil against the budgeted R 18.7Mil. Thus 53% of the budget has been spent.

As the salary bill thus far is within the original salary budget it will be recommended that vacancies not be filled except for emergency needs, to ensure that the municipality stays within its original personnel expenditure budget.

The following table reflects the salary expenditure of employees and councilors:

PERSONNEL EXPENDITURE '000										
	Jul	Aug	Sep	Oct	Nov	Dec	YTD Actuals	Year Budget	YTD Budget	% Spend
Remuneration of Councillors	169	178	178	178	178	178	1 059	2 400	1 200	44%
Employee related cost	1 210	1 509	1 558	1 515	1 552	2 577	9 921	18 716	9 358	53%
<b>TOTAL</b>	<b>1 379</b>	<b>1 687</b>	<b>1 736</b>	<b>1 693</b>	<b>1 730</b>	<b>2 755</b>	<b>10 980</b>	<b>21 116</b>	<b>10 558</b>	<b>52%</b>

### OUTSTANDING DEBTORS - AGE ANALYSIS

The table indicates that on the 31 December 2016 a total of R27, 911, 080 was outstanding for debtors with R 24,706,240 outstanding for over 90 days which refers to 89 % of the total outstanding debtors. This will result in cash flow constrains as well as the possibility of writing off a large portion of debtors.

The Municipality should enforce more strict credit control measures to ensure consumers do pay for services, received.

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OUTSTANDING DEBTORS						
Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 Days	Total -	Impairment Bad Debts i.t.o Council Policy
Water	275 824	101 894	93 121	3 346 551	3 817 390	1 807 748
Electricity	842 129	57 487	(98 568)	363 907	1 164 955	473 524
Property Rates	365 502	151 507	48 156	3 491 417	4 056 582	2 450 382
Waste Water Management	210 229	83 622	78 191	3 058 182	3 430 224	1 575 750
Waste Management	131 270	81 252	80 757	3 224 036	3 517 315	1 767 000
Property Rental Debtors	83 492	22 616	(16 615)	183 236	272 729	-
Interest on arrear debtor accounts	333 977	92 528	30 693	2 550 857	3 008 055	-
Other	97 464	40 835	17 477	1 941 998	2 097 774	1 921 754
Old Balances Feb 2007					6 546 056	6 546 056
<b>Total by Income Source</b>	<b>2 339 887</b>	<b>631 741</b>	<b>233 212</b>	<b>18 160 184</b>	<b>27 911 080</b>	<b>16 542 214</b>
Organs of State	145 102	(80 061)	(89 405)	1 050 395	1 026 031	-
Commercial	559 944	80 431	40 545	748 205	1 429 125	-
Households	1 634 841	631 371	282 072	16 361 584	18 909 868	9 996 158
Old Balances					6 546 056	6 546 056
<b>Total by Customer Group</b>	<b>2 339 887</b>	<b>631 741</b>	<b>233 212</b>	<b>18 160 184</b>	<b>27 911 080</b>	<b>16 542 214</b>

From Jul 2015 the Municipality did embark on a debt collection process as entailed in the credit control and debt collection policy. There was a reasonable improvement but the targets that were set have not been reached as yet. Monthly credit control meetings are held and where all relevant officials is given feedback on the challenges and progress made. Therefore the Municipality call on all its officials and on the Political Office Bearers to assist the Municipality in this regard as this will determine the Municipality as a “Going Concern” or not.

### OUTSTANDING CREDITORS

The total outstanding creditors as on 31 December 2016 amount to R 5.6 Mil.

The main creditor is the Office of the Auditor- General to the value of R 4 Mil.

These expenses incurred when 3 years audit was conducted in one financial year

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Unfortunately there was no provision made in the previous financial years for audit fees that did not realize in that financial year and resulted in the huge amount that is payable to the office of the Auditor General. Currently the municipality did arrange a down payment of R 180 000 per month and the arrears will therefore only be settled in full, in 2 years' time. Management reviewed this arrangement and negotiate the write-off of all interested charged if the arrangement is honored. The interest charged will also be classified as fruitless and waste-full expenditure and will be included in the 2016/2017 audit report.

Eskom outstanding is only the current month and was settled early in January 2017.

OUTSTANDING CREDITORS						
Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - >	Total -
Trade Creditors	-	147 384	-	-	650 350	797 734
Auditor General		-	2 489 658	-	1 556 565	4 046 223
Eskom	706 746	-	-	-	-	706 746
<b>Total</b>	706 746	147 384	2 489 658	-	2 206 915	<b>5 550 703</b>

### SUPPLY CHAIN MANAGEMENT REPORT

Supply Chain Management unit is functional. The Supply Chain Management Policy has been updated.

The Policy was aligned to the regulation on procurement.

There are still issues of non-compliance with the Supply Chain Management Policy and Regulations.

The table below reflects all payments where a deviation to the SCM regulations was necessary and which Council needs to condone in terms of the Karoo Hoogland Local Municipalities' SCM Policy. The amount of the irregular expenditure for the period 1 July 2016 to 31 December 2016 is R 1 231 003.70

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<i>July 2016 - December 2016</i>						
<i>CREDITOR</i>	<i>TOTAL AMOUNT</i>	<i>ORDER NR</i>	<i>SECTION 36(1)(a)(i) ) Emergency</i>	<i>SECTION 36(1)(a)(ii) ) Sole Provider</i>	<i>SECTION 36(1)(a)(v)Im practical</i>	<i>REF: PA NR</i>
1	DORPSHUIS	600.00	25176		✓	PA 6
2	LOXTON HERSELDIENSTE	693.06	25177	✓		PA 15
3	JWL MOTORS	1 464.90	25097		✓	PA 17
4	SUTHERLAND VERBRUIKERS	1 808.70	25125,25141		✓	PA 18
5	WILLISTON VLEISKOOPERASIE	4 458.59	25103,25111 25120,25126 25128,25133 25134,25163 25166,	✓		PA 20
6	WILLISTON VLEISKOOPERASIE H/H	5 999.40	25112,25113 25114,25115, 25116,25127, 25131,24985, 25143,25152, 25153,25159, 25165,		✓	PA 21
7	SILVER BULL GUESTHOUSE	1 380.00	25184		✓	PA 22
8	FRASERBURG LANDBOUKOOOPERASIE	6 152.53	25106,25105, 25130,25129, 25149,25148, 25147,25156,	✓		PA 29
9	STRAKO SOLAR	959.68	24405	✓		PA 30
10	R & S KAROO	1 262.50	25204		✓	PA 40



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11	NASHUA	3 372.70	25212		✓		PA 45
12	WALTONS	19 799.35	25145,25146 25073			✓	PA 58
13	WALTONS	7337.95	25073			✓	PA 59
14	KB ELEKTRIES VERKOELING	1 980.00	25233		✓		PA 63
15	IKAIA RIVER LODGE	7 000.00	25208		✓		PA 64
16	LOXTON HERSELDIENSTE	4 331.32	25230	✓			PA 65
17	UTI SUN COURIERS	1 735.32	25234,25052			✓	PA 68
18	NOORDWES KOERANTE GEMSBOK	5 236.02	25243		✓		PA 8
19	WILLISTON VLEISKOOP	7 527.80	25175,25174 25173,25183, 25186,25185, 25206,25207, 25210,25211, 25219,25225	✓			PA 20
20	WILLISTON VLEISKOOP	6 887.30	24985,25197 25196,25194 25195,25213, 25214		✓		PA 22
21	FRASERBURG KAFEE	247.00	25247		✓		PA 23
22	PATHCARE	4 158.30	25182		✓		PA 27
23	KAROUX	3 805.38	25232	✓			PA 30
24	SUTHERLAND LANDBOUKOOPE	12 107.29	25190,25202 25222,25221 25229,25227 25228,25215, 25220,	✓			PA 31
25	FRASERBURG LANDBOUKOOPE	5 583.53	25179,25187 25188,25189, 25200,25201 25209,25217 25216,25235	✓			PA 33
26	JWL MOTORS	1 538.51	25191,25203 25231,25168,	✓			PA 39

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27	SUITHERLAND VERBRUIKERS	485.80	25205	✓			PA 40
28	NASHUA	1 522.10	25198			✓	PA 43
29	ANNIE'S INN	945.00	25199			✓	PA 44
30	DIE NOORDWESTER	1 889.66	25192		✓		PA 45
31	NASHUA ZESTIROX	3 271.90	25267			✓	PA 49
32	LOXTON HERSTELDIENSTE	13 395.00	25178	✓			PA 51
33	MAANS MOTORS	852.00	25256,25257, 25258	✓			PA 54
34	WALTONS	14 986.66	25193	✓			PA 60
35	OUTENIQUA PLASTICS	111 999.45	25253		✓		PA 64
36	HARDIE CONSTRUCTION	8 650.00	25226	✓			PA 67
37	ZERO TRANSPORT	570.00	25292	✓			PA 119
38	THINUS LOUW	6 999.60	25261		✓		PA 123
39	LOXTON HERSTELWERK	6 996.90	25304,25306	✓			PA 26
40	WILLISTON VLEISKOPERASIE	18 371.10	25296,25279, 25291,25263 25274,25251 25244,25245 25278,	✓			PA 39
41	LOXTON HERSTELWERK	21 793.61	25327,25303	✓			PA 42
42	SUTHERLAND VERBRUIKERS	191.90	25285	✓			PA 44
43	JWL MOTORS	2 284.83	25270,25287 25288	✓			PA 45
44	WESKUS ELEKTRIS	15 918.95	25262	✓			PA 48
45	WILLISTON VLEISKOPERASIE	3 120.70	25275,25254 25238,25280 25239,25271 25301,25298		✓		PA 49
46	THINUS LOUW	42 990.77	25319	✓			PA 52
47	ROGGEVELD	173.80	25236	✓			PA 56
48	SCOTIA INN HOTEL	7 425.00	25333			✓	PA 62
49	NOORDWESTER UITGAWES	2 830.83	25264,25290	✓			PA 67
50	SUTHERLAND LANDBOUKOOP	2167.22	25240,25293, 25272,25250 25242,25241	✓			PA 68
51	NASHUA	1 573.60	25349			✓	PA 83
52	HARDIE CONSTRUCTION	59 000.00	25246		✓		PA 86
53	SALA	3 000.00	25368		✓		PA 97
54	LOXTON HERSTELWERK	5 180.39	25366		✓		PA 109
55	LOXTON HERSTELWERK	11 785.35	25363,25364		✓		PA 148
56	FRASERBURG LANDBOUKOOP	10 153.82	25248,25259 25283,25282 25284,25294	✓			PA 153

## KAROO HOOGLAND LOCAL MUNICIPALITY

57	WHITEHOUSE INN	700.00	25380	✓			PA 2
58	KAROUX	9962.03	25297,25180	✓			PA 4
59	LOXTON HERSTELWERKE	5711.40	25386	✓			PA 9
60	SUTHERLAND VERBRUIKERS	539.05	25286,25322	✓	✓		PA 13
61	KLIPHUIS RESTAURANT	900.00	25381		✓		PA 15
62	J.W.L. MOTORS	16393.20	25347	✓			PA 20
63	SEBATA	41268.00	25295			✓	PA 23
64	WILLISTON VLEISKOPERASIE	22518.08	25369,25370 25373,25357 25356,25169 25342,25316 25348	✓			PA 30
65	WILLISTON VLEISKOPERASIE H/H	6280.1	25300,25345, 25309,25324 25323,25335 25336,25354 25353,25355 25358		✓		PA 31
66	STRAKO SOLAR	18317.52	25375	✓			PA 35
67	MEDIA	9228.53	25289			✓	PA 36
68	LOXTON HERSTELWERKE	2907.00	25326	✓			PA 43
69	KAROUX	17470.50	25384	✓			PA 50
70	SUTHERLAND LANDBOU KOOP	3043.44	25339,25338 25329,25328 25312,25313 25305	✓			PA 51
71	MANS MOTORS	5180	25400	✓			PA 56
72	FRASERBURG LANBOUKOOPER	16412.51	25318,25317 25314,25331 25330,25340 25351,25352 25359,25360 25362		✓		PA 57
73	LOXTON HERSTELWERKE	2633.40	25379	✓			PA 59
74	HALSTED AND COMPANY (PTY)	25675.65	25350			✓	PA 60
75	WESKUS ELEKTRIES BK	11248.6	25262		✓		PA 61
76	DIE NOORDWESTER UITGEWERS	1590.51	25307,25332 25341		✓		PA 66
77	LOXTON HERSTELWERKE	433.2	25413	✓			PA 69
78	DORPSHUIS	385.00	25433			✓	PA 72
79	PATHCARE	4158.30	25310		✓		PA 79
80	KB ELEKTRIES	3408.00	25444	✓			PA 138
81	BRAND NISSAN	5 006.22	25387		✓		PA 4

## KAROO HOOGLAND LOCAL MUNICIPALITY

82	SUTHERLAND LANDBOUKOOPEER	8 671.71	25396,25397 25401,25407 25408,25412 25427,25435 25436,25462	✓		PA 11
83	J.W.L. MOTORS	598.57	25415,25414, 25403	✓		PA 13
84	BIDVEST WALTONS	21 852.60	25440,25416	✓		PA 16
85	SUTHERLAND VERBRUIKERS	643.55	25391,25428 25434	✓		PA 17
86	THINUS LOUW ELEKTRIES	3 317.89	25321	✓		PA 19
87	LOXTON HERSTELDIENSTE	30 153.00	25385	✓		PA 27
88	LOXTON HERSTELDIENSTE	2 633.40	25378	✓		PA 28
89	WILLISTON VLEISKOOPERASIE	16 238.33	25395,25374 25392,25394 25393,25383 25404,25422 25420,25421 25419,25441 25446,25445 25438,25447 25448,25449 25457,25450	✓		PA 44
90	THINUS LOUW ELEKTRIES	10 324.00	25481	✓		PA 48
91						
92	NOORDWESTER UITGEWERS	9 936.55	25442,25405 25432	✓		PA 49
93	PATHCARE	4 158.30	25406	✓		PA 51
94	TOSAS	139 215.26	25418	✓		PA 52
95	TOSAS	142 237.40	25418	✓		PA 53
96	THINUS LOUW ELEKTRIES	18 288.98	25500,25480	✓		PA 60
97	FRASERBURG LANBOUKOOP	7 547.82	25382,25398 25409,25410 25411,25423 25424,25425 25431,25437 25443,25458 25461,25463	✓		PA 62
98	LOXTON HERSTELDIENSTE	3 806.15	25488,25501	✓		PA 63
99	A.C.SECURITY	1 134.30	25377	✓		PA 83
100	KB ELEKTRIES	2 460.00	25528	✓		PA 102
101	ELKUWERU GASTE HUIS	1 250.00	25533		✓	PA 105
102	WILLISTON VLEISKOOPERASIE	5 068.00	25389,25429 25430,25454 25388,25372	✓		PA 146
103	BIDVEST WALTONS	5 551.74	25519		✓	PA 10
104	J.W.L. MOTORS BK	205.20	25477	✓		PA 19

## KAROO HOOGLAND LOCAL MUNICIPALITY

105	EDK	3 756.30	25486		✓		PA 23
106	ASSET FIN FINANCIAL SOLUTIONS	4 725.30	25538		✓		PA 24
107	KAROUX	570.00	25558		✓		PA 26
108	SUTHERLAND VERBUIKERS	730.65	25496,25470 25512			✓	PA 35
109	FRASERBURG LANDBOUKOOOP	6 037.81	25476,25474 25473,35483 25485,25487 25510,25524 25523,25522 25527,25539 25546	✓			PA 39
110	SUTHERLAND LANDBOUKOOOP	25 359.29	25465,25464 25469,25482 25484,25489 25490,25468 25497,25504 25513,25514 25514,25518 25529,25531 25534,25543 25544,25545 25535			✓	PA 40
111	WILISTON VLEISKOOPERASIE	11 261.10	25467,25472 25479,25478 25471,25491 25503,25550 25551	✓			PA 55
112	PATHCARE	4 128.30	24598		✓		PA 60
113	SHANTEC	3 506.64	25526			✓	PA 72
114	DIE NOORDWESTER	992.25	25492		✓		PA 81
115	KB ELEKTRIES	1 440.00	25594,25593	✓			PA 86
116	DORPSHUIS	380.00	25572			✓	PA87
117	GOVERNMENT PRINTING WORKS	3 500.00	25456		✓		PA 94

**1 231 003.70**

### INTERNAL AUDIT AND AUDIT COMMITTEE

Section 165(1) of the Municipal Finance Management Act of 2003 requires municipalities to have an internal audit unit. The Municipality is currently making use of a shared service with Namakwa District Municipality. However

## **KAROO HOOGLAND LOCAL MUNICIPALITY**

management observed that the unit is basically dysfunctional for the 2016/2017 financial year and need to look at other alternatives for example to include such a position on the organogram and appoint a permanent official.

Section 166(1) of the Municipal Finance Management Act of 2003 requires municipalities to have an audit committee. The Municipality is currently using the audit committee of Hantam Local Municipality. The latest sitting has taken place on 8 December 2016 where the audit report and AFS 2016 was presented.

### **CONCLUSION**

- The purpose of the mid-year review is to guide the municipality, whether the annual budget needs to be adjusted or not.
- By analyzing the current financial performance (operating income and expenses) it was found that adjustments to the current approved annual budget would be done where it was referred to in this report
- Management, officials and political office bearers should apply themselves hereto and take note and action to assist in upholding the current approved annual budget and the adjusted budget.

# KAROO HOOGLAND LOCAL MUNICIPALITY

## RECOMMENDATIONS

These recommendations are linked to the responsibilities of the Mayor under Section 54 of the MFMA.

- (a) The operating income budget of electricity services to be adjusted downwards with R 700 000.00
- (b) Contracted services to be adjusted downwards with R 300 000.00. These savings will balance the shortfall of electricity operating income.
- (c) Transfers and grants to be adjusted downwards with R 400 000.00. These savings will balance the shortfall of electricity operating income.
- (d) An amount of R 2.7 Mil will be added to the Adjustment Budget as surplus income from previous years.
- (e) Water meter expenses in the water department to be adjusted upwards with R 2.7 Mil to cater for the water meters purchased.
- (f) The transfer and grants expenses will be adjusted downwards with an additional R 400 000.00.
- (g) Travel, accommodation and subsistence to be adjusted upwards with R 400 000.00 and financed from the saving on transfers and grants.(See (f))
- (h) The operational grants income (equitable share) to be adjusted downwards with R 540 000.00.
- (i) Transfer and grants to be adjusted downwards with R 540 000.00 to balance the loss of income on the Equitable share.

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**Honourable Mayor: Me V Wentzel**

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**Date:**