



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Enq: Mulenga S

Date: 06 October 2009

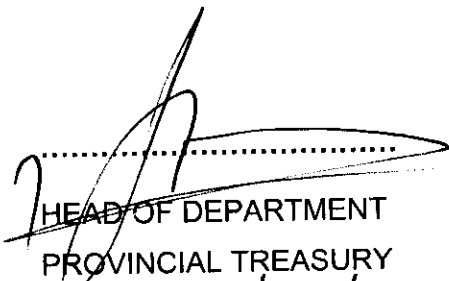
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Attention: Mr. J. Hattingh

MUNICIPAL FINANCE MANAGEMENT ACT (ACT 56 OF 2003)(MFMA): IN-YEAR-MONITORING: SECTION 71 (6) REPORTING: AUGUST 2009

1. In terms of section 71(6) of the MFMA the Provincial Treasury must by no later than 22 working days after the end of each month submit to the National Treasury a consolidated statement in the prescribed format on the state of the municipalities' budgets, per municipality and per municipal entity.
2. Attached please find the Limpopo Provincial Treasury's MFMA section 71(6) consolidated statements and a related narrative report as at 31 August 2009.


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HEAD OF DEPARTMENT
PROVINCIAL TREASURY
DATE: 09/10/2009

LIMPOPO PROVINCIAL TREASURY
Municipal Budget Performance
Consolidated Statement as at 31 August 2009

INTRODUCTION

This consolidated budget statement and report covers the financial performance of municipalities for the period ending 31 August 2009.

The consolidated statement assesses the in-year financial performance of municipalities' against their budgeted revenue and expenditure. The assessment of the in-year financial performance will be based on the s71 returns which include capital and operating budgets as well as debtors, creditors and cash flow that were submitted by the municipalities. The focus of this assessment is on the credible implementation of municipal budgets in relation to the IDP and SDBIP.

The report for this month will not include accounting and Reporting as well as Compliance and Capacity Building issues. The month of July being the first month of the year implies that not much has been done in terms of the two units in relation to performance; however coverage of these respective reports will be included in the first quarter report.

LEGISLATIVE FRAMEWORK

In terms of section 71(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003, the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasuries a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

- a) Actual revenue, per revenue source;
- b) Actual borrowings;
- c) Actual operating expenditure, per vote;
- d) Actual capital expenditure, per vote;
- e) The amount of any allocation received;
- f) Actual expenditure on those allocations, excluding expenditure on –
 - i. Its share of the local government equitable share; and
 - ii. Allocations exempted by the annual Division of Revenue Act from compliance with this paragraph and;
- g) When necessary, an explanation of –
 - iii. Any material variance from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
 - iv. Any material variance from the service delivery and budget implementation plan; and

- v. Any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remains within the municipality's approved budget.

Furthermore, according to section 71(6) the Provincial Treasury must by no later than 22 working days after the end of each month submit to the National Treasury a consolidated statement in the prescribed format on the state of the Municipalities' budget.

OVERVIEW OF THE PROVINCE

COMPLIANCE WITH SUBMISSION OF RETURNS, AND TO TIMEFRAMES

The table below shows the break down of the reporting format for the submission of the s71 financial reports. The format of the s71 report was changed and was expected of municipalities to migrate to the new format by the 1st of July 2008. The province has not experienced a problem in this area as all the 30 municipalities migrated to new on the due date. The Act requires the report to be submitted in both electronic and hard copy on the 10th working day after close of the relevant month. It can be noticed from the table that no municipality submitted a hard copy which is a huge challenge.

Documents sent indicates that municipalities are required to send a minimum of five returns being the CAA- capital expenditure, OSA- operating revenue and expenditure, AD- debtors age list, AC- Creditors age list and CFA- cash flow. The table clearly indicates the returns submitted by each municipality. It can be noticed that some municipalities are not complying with the Act, and there are general challenges of municipalities submitting previous returns in the current month, sometimes submitting blank returns for compliance purposes and others not submitting a single return.

Submission of anything less than the stipulated minimum returns cannot be condoned be a submission. There is reason for the Act to require a minimum set of returns to be submitted, since there is an interrelationship among these returns. This would assist the analyst to provide informed and value adding feedback for improvement in the implementation of the budget and ultimately improve service delivery.

Summary of returns submitted for August 2009

Municipality	Jul-09				Aug-09			
	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent
		Electronic	Hard copy			Electronic	Hard copy	
DC 35 - CAPRICORN	New	27-08-09		OSA,CFA,CAA,AD,AC				
LIM 351 - BLOUBERG	New	25-08-09		OSA,CFA,CAA,AD,AC				
LIM 352 - AGANANG	New	14-08-09		AC,AD,CAA,CFA,OSA				
LIM 353 - MOLEMOLE	New	26-08-09		OSA,CFA,CAA,AD,AC				
LIM 354 - POLOKWANE	New	7/8/2009		AD,CAA				
LIM 355 - LEPALLE-NKUMPI	New	18-08-90		AC,AD,CFA,CAA,OSA				
DC - 47 - GREATER SEKHUKHUNE	New	19-08-09		AC				
LIM 471 - MARBLE HALL	New	20-08-09		OSA,CFA,CAA,AC,AD				
LIM 472 - ELIAS MOTSOLEDI	New	21-08-09		OSA,CAA,AC,AD				
LIM 473 - MAKHUDUTHAMAGA	New	14-08-09		AC,AD,CAA,CFA				
LIM 474 - FETAKGOMO	New	28-08-09		OSA				
LIM 475 - GREATER TUBATSE	New	17-08-09		AC,AD				
DC 33 - MOPANI	New	26-08-09		OSA,CFA,CAA,AC,AD				
LIM 331 - GREATER GIYANI								
LIM 332 - GREATER LETABA	New	26-08-09		OSA,CFA,CAA,AC,AD				
LIM 333 - GREATER TZANEEN	New	14-08-09		AC,AD,CAA,CFA,OSA				
LIM 334 - BA- PHALABORWA	New	14-08-09		AC,AD,CFA,OSA				
LIM 335 - MARULENG								
DC 36 - WATERBERG	New	17-08-09		AC,AD,CAA,CFA,OSA				
LIM 361 - THABAZIMBI								
LIM 362 - LEPHALALE	New	14-08-09		AC,AD,CAA,CFA,OSA				
LIM 364 - MOOKGOPONG	New	21-08-09		OSA,CFA,CAA,AC,AD				
LIM 365 - MODIMOLLE	New	17-08-09		AC,AD,CAA,CFA,OSA				
LIM 366 - BELA-BELA	New	18-08-09		AC,AD,CAA,OSA				
LIM 367 - MOGALAKWENA	New	18-08-09		AC,AD,CAA,OSA				
DC 34 - VHEMBE	New	27-08-09		OSA,CFA,CAA,AD				
LIM 341 - MUSINA	New	17-08-09		AC,AD,CAA,CFA,OSA				
LIM 342 - MUTALE								
LIM 343 - THULAMELA	New	17-08-09		AC,CAA,CFA,OSA,AD				
LIM 344 - MAKHADO	New	26-08-09		OSA,CFA,CAA,AC,AD				

IMPLEMENTATION OF MUNICIPAL BUDGETS

Financial Performance

This section of the report focuses on the financial health of the municipality as reflected in the monthly budget statement submitted. Information regarding revenue collection and expenditure is detailed in this section.

Capital Revenue: Sources of Finance

Capital revenue represents the sources of finances utilised to fund capital expenditure. There are a number of sources from which capital revenue is sourced; the major source of capital financing is from Government Grants and Subsidies since most municipalities have very small own revenue bases or sources.

Code	Municipality	Capital expenditure			
		Total sources of Funding			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget
R million					
NP03a2	Makhuduthamaga	50	3	3	6%
NP03a3	Fetakgomo	16	-	-	
NP03a4	Greater marble Hall	-	-	-	
NP03a5	Greater Tubatse	49	-	-	
NP03a6	Elias Motsoaledi	82	1	1	1%
DC47	Greater Sekhukhune	329	-	-	
Sekhukhune		526	4	4	1%
NP331	Greater Giyani	32	-	-	
NP332	Greater Letaba	50	4	4	7%
NP333	Greater Tzaneen	155	3	3	2%
NP334	Ba-Phalaborwa	41	-	-	
NP335	Maruleng	34	-	-	
DC33	Mopani District	286	9	9	3%
Mopani District		598	15	15	3%
NP341	Musina	32	1	1	3%
NP342	Mutale	27	-	-	
NP343	Thulamela	214	4	4	2%
NP344	Makhado	111	-	-	
DC34	Vhembe District	789	-	-	
Vhembe		1,173	5	5	0%
NP351	Blouberg	38	-	-	
NP352	Aganang	38	-	-	
NP353	Molemole	20	-	-	
NP354	Polokwane	-	94	154	#DIV/0!
NP355	Lepelle-Nkumpi	124	-	-	
DC35	Capricorn District	0	-	-	
Capricorn		220	94	154	70%
NP361	Thabazimbi				
NP362	Lephalale	32			
NP363	Mookgophong	40	2	2	5%
NP364	Modimolle	56	1	3	6%
NP365	Bela-Bela	20			
NP366	Mogalakwena	149	(6)	(8)	-5%
DC36	Waterberg District	29	1	1	3%
Waterberg		325	(2)	(2)	-1%

For the month under review, the performance per district was;

Sekhukhune District: R4.0 million or 1 per cent of the total district budget of R526 million was received by the district municipalities

Mopani District: The district received R15 million or 3 per cent of the total capital revenue of R598 million

Vhembe District: Received R5 million of the total capital budget of R1.173 million or an equivalent of zero in percentage terms. The district is showing a disturbing trend of poor performance month on month.

Capricorn Districts: have shown poor performance in capital receipts generally. The district shows a 70 per cent receipt as a result of the City of Polokwane receiving the bulk of its conditional grant funding.

Waterberg District: Received R2 million or minus 1 percent of the total budget of R325 million. This is not a true reflection of the performance mainly due to Mogalakwena reflecting a negative figure in its report. This negative figure is causing the under counting when in fact the opposite is true. Under normal circumstances, the receipts should be reflected as R10 million or 3 per cent of the total budget of R325 million

The individual sources of finance reflected the following current month performance:

- i. **External loans** reflect 0 per cent of total budget; this implies that municipalities have not gone out to acquire external financing.
- ii. **Surplus cash** showed a 1 per cent availability
- iii. **Grants and Subsidies** reflect R90 million from the month under review and R151 million or 7 per cent has been received for the year to date. The performance in this item is obvious as it is the direct funding from the National Treasury
- iv. **Other Sources** reflect no performance.

Operating Revenue

The operating revenue performance for the month of August reflects that municipalities generated an amount of R1.520 billion or 22 per cent of the total operating revenue budget of R6, 814 billion.

Code	Municipality	Financial Performance			
		Total Revenue			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget
R million					
NP03a2	Makhuduthamaga	137	50	50	36%
NP03a3	Fetakgomo	43	0	0	0%
NP03a4	Greater marble Hall	–	8	8	#DIV/0!
NP03a5	Greater Tubatse	62	7	7	11%
NP03a6	Elias Motsoaledi	230	45	45	20%
DC47	Greater Sekhukhune	491	–	–	
Sekhukhune		965	109	109	11%
NP331	Greater Giyani	120	–	–	
NP332	Greater Letaba	98	48	84	85%
NP333	Greater Tzaneen	587	35	132	22%
NP334	Ba-Phalaborwa	344	19	45	13%
NP335	Maruleng	61	–	–	
DC33	Mopani District	665	16	169	25%
Mopani District		1,875	119	429	23%
NP341	Musina	129	9	9	7%
NP342	Mutale	92	–	–	
NP343	Thulamela	373	12	98	26%
NP344	Makhado	462	23	23	5%
DC34	Vhembe District	1,036	150	150	14%
Vhembe		2,092	195	280	13%
NP351	Blouberg	107	26	26	25%
NP352	Aganang	47	3	27	58%
NP353	Molemole	58	4	25	44%
NP354	Polokwane	–	79	112	#DIV/0!
NP355	Lepelle-Nkumpi	261	6	54	21%
DC35	Capricorn District	190	0	239	126%
Capricorn		663	119	484	73%
NP361	Thabazimbi	–	–	–	
NP362	Lephalale	205	36	36	18%
NP363	Mookgophong	80	2	15	19%
NP364	Modimolle	157	11	33	21%
NP365	Bela-Bela	140	12	12	8%
NP366	Mogalakwena	537	0	85	16%
DC36	Waterberg District	99	3	36	36%
Waterberg		1,218	64	217	18%
Total		6,814	606	1,520	22%

District performance shows that of the R1.520 billion generated, Sekhukhune and Vhembe districts have collected below the straight norm of 16 per cent after two months of the financial year. As has always been the case, the poor performance is a result of municipalities' not submitting reports.

While the other three districts show a better performance, Waterberg district is reflecting a relatively correct trend of spending. Capricorn district 73 per cent collection seems to be a bit exaggerated as it is too high considering that the biggest budget is from Polokwane municipality and Capricorn as a district municipality can not be reflecting a 126 per cent collection after two months.

The performance of the individual items is as follows:

- **Property Rates:** The total budget amounts to R414 million, while the year to date revenue generated amounts to R45 million or 11.0 per cent of the budget.
- **Service Charges:** The total budget amounts to R1, 450 billion, the year to date revenue generated amounts to R153 million or 11. 0 per cent of the budget.
- **Investment revenue:** The total budget amounts to R215 million, the current month revenue generated amounts to R7 million and the year to date receipts stands at R12 million or 5 per cent of the budget.
- **Transfers recognised:** The total budget amounts to R4, 034 billion, while the current revenue generated amounts to R1.108 billion or 27, 0 per cent of the budget. The current month collection of R405 million is a reflection of the fact that this funding sourced from the National Treasury as part of the equitable share portion
- **Other Revenue:** The total budget amounts to R744 million, while the year to date receipts amounts to R92 million or 12 per cent of the budget.

Capital Expenditure

For the year to date, the performance is at R180 million translating into 6 per cent of the total capital budget of R2.612 billion.

Code	Municipality	Capital Expenditure			
		Total Capital Expenditure			
		Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
R million					
NP03a2	Makhuduthamaga	50	2	3	6
NP03a3	Fetakgomo	16	-	-	
NP03a4	Greater marble Hall	182	-	1	0
NP03a5	Greater Tubatse	48	(2)	(2)	4
NP03a6	Elias Motsoaledi	-	3	3	#DIV/0!
DC47	Greater Sekhukhune	329	-	-	
Sekhukhune		625	2	5	1
NP331	Greater Giyani	32	-	-	
NP332	Greater Letaba	50	4	5	10
NP333	Greater Tzaneen	155	3	4	3
NP334	Ba-Phalaborwa	41	-	-	
NP335	Maruleng	34	-	-	
DC33	Mopani District	286	9	10	0
Mopani District		598	15	19	3
NP341	Musina	32	1	1	3
NP342	Mutale	27	-	-	
NP343	Thulamela	155	4	4	3
NP344	Makhado	111	-	-	
DC34	Vhembe District	-	-	-	
Vhembe		325	5	5	2
NP351	Blouberg	38	1	4	11
NP352	Aganang	38	1	1	0
NP353	Molemole	20	3	5	25
NP354	Polokwane	-	94	154	#DIV/0!
NP355	Lepelle-Nkumpi	124	2	5	4
DC35	Capricorn District	479	0	0	0
Capricorn		699	94	154	22
NP361	Thabazimbi	-	-	-	
NP362	Lephalale	178	2	2	1
NP363	Mookgophong	40	2	4	10
NP364	Modimolle	97	1	3	3
NP365	Bela-Bela	19	-	-	
NP366	Mogalakwena	183	(6)	(13)	(7)
DC36	Waterberg District	29	1	1	3
Waterberg		547	(1)	(4)	(1)
Total		2,794	116	180	6

Performance per District:

Sekhukhune District: Overall expenditure stands R5.0 million or 1 per cent of the total budget. The challenge in this district is non compliance with legislation by the municipalities generally.

Mopani District: The district has reflected a year to date spending of 3 per cent or R19.0 million of the R598 million total capital budgets. Compliance by the municipalities has been a challenge causing the under performance.

Vhembe District: Expenditure for the year to date stands at R5.0 million or 2 per cent of the R325 million total capital budgets

Capricorn District: Expenditure for the two months stands at 22 per cent or R154.0 million. This good performance is attributed to the grant funding for Polokwane being a host city for the 2010 soccer tournament. On average, performance for the district is below the normal.

Waterberg District: The district expenditure for the year to date stands at R22 million or 4 per cent of the total capital budget of R2.794 million. It can be observed that Mogalakwena is reflecting negative figures as a result reducing the expenditure.

The performances of the individual items are as follows:

- **Infrastructure:** reflects a budget of R2, 052 billion and a year to date performance of R59.0 million or 3 per cent.
- **Community:** reflects a budget of R266, 0 million and a July performance of R120.0 million or 45 per cent.
- **Investment properties:** reflects a budget of R81, 0 million and a year to date performance of R3.0 million or 4 per cent.
- **Other assets:** reflects a budget of R212, million and a year to date performance of R5.0 million or 2 per cent.

Operating Expenditure

The year to date performance amounts to R318.0 million or 6,0 per cent of the total operating expenditure budget of R5,244 billion.

Code	Municipality	Financial Performance			
		Total Expenditure			
R million		Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP03a2	Makhuduthamaga	50	2	3	6%
NP03a3	Fetakgomo	16	-	-	
NP03a4	Greater marble Hall	182	-	1	1%
NP03a5	Greater Tubatse	48	(2)	(2)	-4%
NP03a6	Elias Motsoaledi	148	7	7	5%
DC47	Greater Sekhukhune	329	-	-	
Sekhukhune		916	(4)	(5)	-1%
NP331	Greater Giyani	126	-	-	
NP332	Greater Letaba	141	11	15	11%
NP333	Greater Tzaneen	495	45	72	15%
NP334	Ba-Phalaborwa	384	27	39	10%
NP335	Maruleng	82	-	-	
DC33	Mopani District	378	16	29	8%
Mopani District		1,606	99	156	10%
NP341	Musina	109	6	11	10%
NP342	Mutale	65	-	-	
NP343	Thulamela	190	(17)	(27)	-14%
NP344	Makhado	464	22	22	5%
DC34	Vhembe District	355	24	24	7%
Vhembe		1,183	35	29	2%
NP351	Blouberg	83	(5)	(5)	-6%
NP352	Aganang	37	3	6	15%
NP353	Molemole	57	(3)	(0)	-0%
NP354	Polokwane	-	78	81	#DIV/0!
NP355	Lepelle-Nkumpi	136	6	10	7%
DC35	Capricorn District	190	-	16	8%
Capricorn		504	79	107	21%
NP361	Thabazimbi	-	-	-	
NP362	Lephalale	205	13	13	6%
NP363	Mookgophong	80	6	12	15%
NP364	Modimolle	133	10	16	12%
NP365	Bela-Bela	135	6	6	5%
NP366	Mogalakwena	409	(1)	(23)	-6%
DC36	Waterberg District	71	4	7	10%
Waterberg		1,034	38	31	3%
Total		5,244	247	318	6%

Performance per District:

Sekhukhune District: Overall operating expenditure stands R13.0 million or 1 per cent of the total budget. The negative figures reflected are caused by the system configuration of Greater Tubatse municipality which records expenditure as negative.

Mopani District: The district has reflected a year to date spending of 10 per cent with Maruleng and greater Giyani not submitting the report for the period.

Vhembe District: Expenditure for the year to date stands at 2 per cent while it should be showing 7 per cent. The dismal performance can be attributed to the negative figures reflected by Thulamela. However, even 7 per cent expenditure is still below the normal after two months.

Capricorn District: Expenditure for the two months stands at 21 per cent. Negative figures are causing a distortion of the actual performance.

Waterberg District: The district operating expenditure for the year to date stands at 3 per cent of the total capital budget of R1.034 million. It can be observed that Mogalakwena is reflecting negative figures as a result reducing the expenditure, while Thabazimbi has a challenge of not submitting the reports.

The performances of the individual items are as follows:

- **Employee Related Costs:** The budget amounts to R1, 791 billion, while the expenditure to date amounts to R123. 0 million or 7. 0 per cent of the budget.
- **Remuneration of Councilors:** The budget amounts to R235,0 million, while the expenditure to date amounts to R10.0 million or 4.0 per cent of the budget
- **Debt impairment:** The budget amounts to R163 million, while the year to date expenditure amounts to nil
- **Depreciation or amortisation:** The budget amounts to R187,0 million, while the year to date expenditure amounts to R2.0 million or 1,0 per cent of the budget
- **Finance charges:** The budget amounts to R29 million, while the year to date expenditure amounts to nil

- **Materials and bulk Purchases:** The budget amounts to R1,083 billion, while the expenditure to date amounts to R88.0 million or 8.0 per cent of the budget

- **Other expenditure:** The budget amounts to R1,819 billion, while the year to date expenditure amounts to R48.0 million or 3.0 per cent of the budget

Debtors

The total outstanding debtor's book, which includes current debtors for the municipalities in the Province as at 31 August 2009, amounts to R1.336 billion.

Debtors per district	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Debtors Age analysis								
Sekhukhune	18	6	3	36	5	-	-	68
Mopani	11	43	23	11	166	37	103	393
Vhembe	9	19	24	13	37	85	87	274
Capricorn	60	18	15	27	203	-	3	326
Waterberg	9	19	24	13	37	85	87	274
	107	105	90	101	447	207	279	1,336

Debtors owing between 31- 60 days constitute R107 million or 8 per cent of total debtors. Debtors owing between 61 – 90 days constitute R105 million or 7.8 per cent of total debtors. Debtors owing between 91 – 120 constitute R101 million or 7.6 per cent of total debtors, whilst debtors over 120 days are the most significant with R447 million or 33 per cent, while the debt owed falling into the category over 150 and 181 days to a year constitute R207 and R279 million respectively.

Creditors

The total accounts payable as at 31 August 2009 owed by municipalities' amount to R111.0 million.

Creditors per district	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Creditors Age analysis								
Sekhukhune	1	0	0	0	-	-	-	1
Mopani	37	-	-	-	-	-	-	37
Vhembe	2	0	1	0	0	-	-	3
Capricorn	47	-	0	0	-	-	-	47
Waterberg	22	-	-	-	-	-	-	22
	110	0	1	0	0	-	-	111

The current debt owed by municipalities collectively is R111 million of which the biggest amount is in the category 0-30 days. Municipalities seem to be applying the principle of paying creditors within 30 days after receipt of the invoice. However, it should be noted that non-compliance with submission of returns is also a major factor in the good performance shown above.

Cash-flows

Cash flows	July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Opening Cash Balance	263	1,004	1,058	825	744	799	704	625	605	580	640	491
Sub-Total (Receipts)	1,504	601	168	584	462	238	406	311	325	420	242	296
Sub-Total (Payments)	764	546	402	665	407	334	(158)	332	350	359	390	395
Closing Balance	1,004	1,058	825	744	799	704	625	605	580	640	491	393

Not all municipalities in the province completed the cash flow statement for the month of August 2009. Analysis of the cash flow return has revealed that municipalities are not completing this document correctly.

Mopani District Municipalities – Consolidated Input

The table below shows the financing of capital revenue and capital expenditure for Mopani District as at 31 August 2009.

Code	Municipality	Capital expenditure							
		Total sources of Funding				Total Capital Expenditure			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP331	Greater Giyani	32	–	–		32	–	–	
NP332	Greater Letaba	50	4	4	7%	50	4	5	10
NP333	Greater Tzaneen	155	3	3	2%	155	3	4	2
NP334	Ba-Phalaborwa	41	–	–		41	–	–	
NP335	Maruleng	34	–	–		34	–	–	
DC33	Mopani District	286	9	9	3%	286	9	10	3
Mopani District		598	15	15	3%	598	15	19	3

Capital Revenue: Sources of Finance

A revenue and expenditure comparison shows that Mopani District received an amount of R15.0 million in August 2009 or 3 per cent of the projected budget. The position depicted in the table needs greater monitoring, since this is mostly constituted of Grants and subsidies which is a confirmed revenue source. Some municipalities are not accounting on these public funds as required by law.

Capital expenditure

The capital expenditure for Mopani District municipality stands at R19 million or 3 per cent.

Mopani: The Accounting officer is encouraged to ensure compliance with MFMA S74 (2). The municipality has recorded an operating deficit to the value of R15 million for the August month; however, the operating YTD surplus of R125 million has been noted. Provincial Treasury appreciates the efforts put to ensure reliable and credible reporting; we are however looking forward to the submission of complete return forms in the following months.

Tzaneen: Analysis not performed due to late submission

Letaba: The municipality did not submit the s71 report

Giyani Municipality: The municipality did not submit the s71 report

Ba-Phalaborwa: Compliance with S71 (1) (g) and (4) of the MFMA still remain a challenge for the municipality. The Accounting officer is encouraged to ensure compliance in this regard and/or to comply with MFMA S74 (2). The municipality has recorded and operating deficit to the value of R10 million for the August month. The municipality is advised to ensure that spending on its capital budget is accelerated as planned. Since the CAA return form is not submitted by the municipality, PT is not aware

of the progress made in this regard. Your attention is drawn to MFMA Circular 48 for more information.

Operating Budget

Summary of District Budget as at 31 August 2009: Budget vs Actual

Code	Municipality	Financial Performance							
		Total Revenue				Total Expenditure			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP331	Greater Giyani	120	-	-		126	-	-	
NP332	Greater Letaba	98	48	84	85%	141	11	15	11%
NP333	Greater Tzaneen	587	35	132	22%	495	45	72	15%
NP334	Ba-Phalaborwa	344	19	45	13%	384	27	39	10%
NP335	Maruleng	61	-	-		82	-	-	
DC33	Mopani District	665	16	169	25%	378	16	29	8%
Mopani District		1,875	119	429	23%	1,606	99	156	10%

Operating Revenue

August performance shows that Mopani District receipted an amount of R429.0 million. Performance from some of the municipalities that submitted reports is as follows:

Mopani: The municipality has for the first two months of the financial year underperformed as far as average operating revenue collection is concerned. The average collection for the period under review currently stands at 23%. This is regarded as average performance because 99.6% of this year to date (YTD) percentage is grant revenue, leaving only 0.4 as own revenue. These line items will not be discussed separately, since all items have underperformed (with the exception of grant revenue). The underperformance in the few own revenue sources poses a challenge which might lead to the district municipality being 100% grant dependent.

Tzaneen: Due to late submission, no analysis could be performed

Ba-Phalaborwa: The actual revenue collection for the month under review currently stands at R16 million, while the year to date (YTD) collection is R42 million (excluding capital grants). The municipality is commended for its ability to collect own revenue. The CFB return form reveals the monthly budgeted revenue collection of R27 million, which leaves the municipality with a shortfall of R11 million, the collection made for the month is noted, however, the municipality has not for the first two months of the financial year reached its targeted revenue. It is believed that the revenue collection muscle will be strengthened and the shortfall recovered during the financial year in order to ensure that the variance in this regard is minimized.

Looking at the budgeted revenue collection for the first two months; which is R74 million against the actual collection of R42 million (12%), it is evident that the municipality is under performing. Though it is anticipated that improvements in revenue collection during the year will be made, it is crucial to ensure that monthly targets are met, and if not, variances be motivated for when submitting the monthly budget statements.

Letaba: No submission

Giyani Municipality: No submission

Operating expenditure

Mopani:

Though operating expenditure has a very low average performance (8%), a few line items have taken a step towards expending some of the resources allocated to them. Items like employee related costs, remuneration of councillors and repairs & maintenance have spent 10%, 14% and 9% respectively. Employee related costs and repairs and maintenance have on average under spent while remuneration of councillors has a reasonable performance. It is advised however that the municipality takes the necessary steps to expend its allocations according to its plans.

An item like finance charges has a zero percent expenditure, it is however assumed that these costs are paid on a term basis (e.g. quarterly). Future monthly expenditure amounts on this item will therefore be monitored to determine the payment trend in this regard.

The line item other expenditure recorded a very low expenditure of 4%. This is on average a low expenditure percentage considering that it is for a two months period which is approximately 16% of the financial year period. It is again encouraged that spending of operating budget should accelerate as planned.

The expenditure incurred on contracted services against a zero budget was discussed with the municipality and it is expected that proper processes are in place to correct the situation. Discussions on it will therefore be deferred until such actions are undertaken.

Tzaneen: Due to late submission, no analysis was performed.

Ba-Phalaborwa: Though performance in this regard is still low [10% of the operating expenditure budget]; there has been an improvement by 7% compared to the previous month. The average performance is still low; however the move towards expending the operating budget is welcomed.

1.1.1 Depreciation and Asset Impairment

Expenditure allocation for this item stands at 0%. Though this is a non-cash item, it is expected that proper accounting principles be followed and the "expenditure/cost" in this item be correctly allocated. It should be noted that non-allocation in this item affects the total expenditure percentage and impacts negatively on the performance of the municipality on a month to month basis.

1.1.2 Bulk Purchases, Repairs & maintenance and Other Expenditure

All three line items aforementioned recorded very low expenditure percentages for the first two months of the financial year. The YTD percentages stand at 9%, 1% and 5% respectively. While at least there has been an expenditure on the Bulk Purchases and other expenses; performance in the repairs & maintenance item is extremely low. This suggests that the municipality is not adequately maintaining the infrastructure of the municipality. Should proper maintenance be taking place, the question is from which item are such payments being made? It is strongly recommended that this item be scrutinised and proper corrective measures be instituted by the Accounting Officer.

1.1.3 Contracted Services

A concern regarding the possibility to over spend the budget in this item was mentioned in the previous month's report. No clarity and /or response were issued in this regard. This item currently has a YTD expenditure of R2.3 million (87%) out of the budget of R2.7 million. It is assumed that the municipality is aware of this expenditure percentage and that such expenditure is as per plans.

Giyani Municipality: No submission

Debtors

The total outstanding debtors, which include current debtors for the municipalities in the District as at 31 August 2009, amount to R393.0 million.

Debtors age analysis for the district

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Debtors Age Analysis								
Mopani	-	-	-	-	-	-	-	-
Ba-phalaborwa	9	6	7	5	162	-	-	189
Giyani	-	-	-	-	-	-	0	0
Tzannen	-	31	15	5	4	4	103	161
Letaba	2	6	1	1	1	33	-	43
Maruleng	-	-	-	-	-	-	0	0
Total	11	43	23	11	166	37	103	393

The 121 – 150 days category shows the biggest debt at R167 million or 44 per cent of the total debt.

Mopani: Based on the discussions held with the municipality; comments on this item will be deferred until the due processes of writing off this debt are in place.

Tzaneen: The 2008/09 M12 feedback analysis report raised a concern regarding the movement of debt amounts from one category to the other. There is no improvement in this regard since the movement from the 2008/09 M12 report to the 2009/10 M01 report is still unclear. Further discussions on this matter will be held with the municipality on a date to be agreed upon

Letaba: The municipality's debtors' book was a great challenge in prior years. It is expected that the municipality will improve its performance regarding the collection of debts owed to the municipality in this financial year. It is also encouraged that the

municipality put processes in place to ensure that reporting under this return form is done per function instead of the current practice of clubbing the whole debt amount under the line item other.

Creditors

The table shows the creditors age analysis as at 31 August 2009.

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Creditors Age Analysis								
Mopani	-	-	-	-	-	-	-	-
Ba-phalaborwa	-	-	-	-	-	-	-	-
Giyani	-	-	-	-	-	-	-	-
Tzannen	27	-	-	-	-	-	-	27
Letaba	10	-	-	-	-	-	-	10
Maruleng	-	-	-	-	-	-	-	-
Total	37	-	-	-	-	-	-	37

Mopani District: The 2008/09 feedback reports expressed concerns over the municipalities submitting nil creditors' reports. It can be observed from the table above that there is not much improvement in the submission of the return. Non-submission impacts on the quality of advice provided by the Provincial Treasury.

Cash Flow

Cash flows	July	August	September	October	November	December	January	February	March	April	May	June
Opening Cash Balance	39	241	244	188	183	249	194	191	154	173	165	113
Sub-Total (Receipts)	327	111	19	69	146	23	73	40	93	80	27	34
Sub-Total (Payments)	124	108	74	73	80	77	77	77	75	87	80	76
Closing Balance	241	244	188	183	249	194	191	154	173	165	113	71

The District municipalities have so far incorrectly completed this return form. This comment was made in the 2008/09 monthly budget statement reports issued, and not many improvements have been made.

Again, looking at the future projections as reflected in this return form, it is evident that the financial position of most of the municipalities is deteriorating on a month to month basis. It is recommended that proper reconciliation should take place on a month to month basis in order to ensure that the closing balance is a true reflection of the municipality's financial affairs at month end.

Sekhukhune District

The table below shows the financing of capital revenue and capital expenditure for the District as at 31 August 2009.

Code	Municipality	Capital expenditure							
		Total sources of Funding				Total Capital Expenditure			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP03a2	Makhuduthamaga	50	3	3	6%	50	2	3	0
NP03a3	Fetakgomo	16	-	-		16	-	-	
NP03a4	Greater marble Hall	-	-	-		182	-	1	0
NP03a5	Greater Tubatse	49	-	-		48	(2)	(2)	(0)
NP03a6	Elias Motsoaledi	82	1	1	1%	-	3	3	#DIV/0!
DC47	Greater Sekhukhune	329	-	-		329	-	-	
Sekhukhune		526	4	4	1%	625	2	5	0

Capital Expenditure

Makhuduthamaga: The total capital expenditure budget for 2009/10 financial year is R50 million. The current performance rate as per July 2009 IYM reports, indicates that the municipality is likely to spend its original capital budget of R50 million since the expenditure for the current month indicates that the municipality spends R3 million which is 6% of the annual budget for the year. Based on a linear projection, the municipality should have spends R4 million or 8 per cent of the annual budget for capital projects. The municipality is advised to spend its budget accordingly taking in to consideration the SDBIP and IDP of the Municipality.

Operating Revenue

The table below shows the financing of operating revenue and expenditure for the Sekhukhune District as at 31 August 2009.

Code	Municipality	Financial Performance							
		Total Revenue				Total Expenditure			
		Original/ad justed budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget	Original/adju sted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
R million									
NP03a2	Makhuduthamaga	137	50	50	36%	50	2	3	6%
NP03a3	Fetakgomo	43	0	0	0%	16	-	-	
NP03a4	Greater marble Hall	-	8	8	#DIV/0!	182	-	1	1%
NP03a5	Greater Tubatse	62	7	7	11%	48	(2)	(2)	-4%
NP03a6	Elias Motsoaledi	230	45	45	20%	148	7	7	5%
DC47	Greater Sekhukhune	491	-	-		329	-	-	
Sekhukhune		965	109	109	11%	916	(4)	(5)	-1%

Makhuduthamaga: The total operating revenue budget for 2009/10 is R137.4 million divided in to R111.1 million for grants and subsidies, R26, 3 million for own income. The IYM report at the end of July 2009 which is the first month of 2009/10 financial year indicates that the municipality has collected R49, 6 million which is 36 per cent its original budget. The actual performance for this month divided into R49, 3 million for grants and subsidies while R0, 2 million is from its debtors and other customers. Based on a linear projection the municipality should have collected at least 12 per cent of the projected income for the year but this has been done with grants and subsidies except own income. However, the collection rate of the municipality in terms of the own income is very slow, the municipality collected R0.2 million for the month while the municipality should have collected R2.2 million of the original income of R26, 3million. Based on the current performance the municipality seems not to be doing well in this area.

Operating Expenditure

Makhuduthamaga: The total operating expenditure budget for 2009/10 financial year is R136, 9 million which is less than the total income budget of R137, 4million by R0, 547 million. According to the IYM report for July 2009 the municipality spent R10 million which is 8 per cent of its original budget. The current performance rate indicates that the municipality is unlikely to spend its projected capital budget of R137 million. The total budget for salaries, wages and allowances is R39 million. At the end of July 2009 the municipality has spent R2 million which is 18.5 per cent of the annual budget for salaries. In terms of the linear projection the municipality should have spent R3 million. The municipality advised to spend accordingly taking in to consideration the SDBIP for the year.

Debtors

The total outstanding balance amounts to R54 million for the month ended 31 August 2009.

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Debtors Age Analysis								
Elias Motsaedi	5	2	1	0	5	-	-	13
Fetakgomo	5	-	-	-	-	-	-	5
Sekhukhune	-	-	-	-	-	-	-	-
Makhuduthamaga	-	-	-	-	-	-	-	-
Marble Hall	4	1	1	1	-	-	-	6
Tubatse	4	3	2	35	-	-	-	45
Total	18	6	3	36	5	-	-	68

Makhuduthamaga: The return indicates that the municipality did not have debtors in arrears over 30 or 120 days as at the end of July 2009 since it submitted a blank return form. However if there are any reasons for deviations, the municipality is advised to provide provincial treasury with such information.

Tubatse: The return as per July 2009 IYM reports, reveals that the municipality has debtors in arrears to the amount of R35 million under the category of 91-120 days. The current information indicates that the municipality's collection is a challenge. In case there are reasons for deviations, the municipality is advised to provide provincial treasury with such information. The municipality is further required to give explanation of what lead to such a high amount of debtors in arrears and indicate what corrective measures the municipality plan to implement to ensure acceleration in its collection pattern for the next remaining months of the year.

Creditors

The table shows the creditors age analysis at 31 August 2009.

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Creditors Age Analysis								
Elias Motsaedi	-	-	-	-	-	-	-	-
Fetakgomo	-	-	-	-	-	-	-	-
Sekhukhune	-	-	-	-	-	-	-	-
Makhuduthamaga	-	-	-	-	-	-	-	-
Marble Hall	-	-	-	-	-	-	-	-
Tubatse	1	0	0	0	-	-	-	1
Total	1	0	0	0	-	-	-	1

Makhuduthamaga: We have noted that the return is blank and it is not clear whether the municipality paid the creditors within 30 days or not, there is no information on the return that indicates 10 paid creditors by name that is normally used when systems are not in place.

Tubatse: We have noted that the municipality owes the suppliers an amount of R0, 828 million under the category of 0-30 days and this indicates that the municipality is adhering to the spirit of paying its creditors within 30 working days. Delay in paying creditors promptly contravenes section 66(2)(e) of the MFMA, which requires the municipality to pay their creditors within the period not exceeding 30 days of receiving the relevant invoice or statement unless prescribed otherwise for certain categories of expenditure.

The Provincial Treasury encourages the municipality to pay their creditors within such a specified period to avoid charges. It is advisable that, the lack of conformity to section 65 of the MFMA can lead to financial implications and thereby derailing the service delivery.

Cash Flow

Cash flows	July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Opening Cash Balance	20	143	128	125	123	146	140	137	134	151	149	146
Sub-Total (Receipts)	165	41	13	13	40	13	13	13	33	13	13	13
Sub-Total (Payments)	42	56	16	16	16	20	16	16	16	16	16	16
Closing Balance	143	128	125	123	146	140	137	134	151	149	146	143

Makhuduthamaga: The cash flow actual (CFA) should be based on the cash flow budget (CFB) returns. The CFB is a once off return form, which is submitted together with the final budget, while the CFA is a monthly return. The return is incorrectly captured, the return shows only actual for the current month; the figures are not completed for the whole 12 months. It is therefore recommended for the municipality to complete and submit such return and this will assist in realizing whether the municipality's revenue and expenditure are as projected. Therefore, provincial treasury is unable to make analysis of such return (CFA) due to non submission of cash flow statement. (CFB)

Tubatse: The municipality did not send such monthly return (CFA). It is therefore recommended for the municipality to complete and submit such return and this will assist in realizing whether the municipality's revenue and expenditure as projected. Therefore, provincial treasury is unable to make analysis of such return (CFA) due to non submission of cash flow actual for July 2009 and cash flow statement (CFB) for 2009/10 financial year.

Vhembe District

Capital Budget

The table shows the financing of capital revenue and expenditure for the Vhembe District as at 31 August 2009.

Code	Municipality	Capital expenditure							
		Total sources of Funding				Total Capital Expenditure			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP341	Musina	32	1	1	3%	32	1	1	0
NP342	Mutale	27	-	-		27	-	-	
NP343	Thulamela	214	4	4	2%	155	4	4	0
NP344	Makhado	111	-	-		111	-	-	
DC34	Vhembe District	789	-	-		-	-	-	
Vhembe		1,173	5	5	0%	325	5	5	0

Capital Expenditure

Vhembe District Municipality: The municipality submitted a nil return report form, therefore this office will like to be clarified as to whether the municipality did not receive any revenue, and hence there was no spending.

Thulamela: The municipality's return form reveals that the municipality accumulated revenue amounting to R338 million which was received from grants and subsidies. The municipality has used the amount on the sport fields and this left the municipality with no surplus/deficit.

Operating Revenue

The table below shows the financing of operating revenue and expenditure for Vhembe District as at 31 August 2009.

Code	Municipality	Financial Performance							
		Total Revenue				Total Expenditure			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP341	Musina	129	9	9	7%	109	6	11	10%
NP342	Mutale	92	-	-		65	-	-	
NP343	Thulamela	373	12	98	26%	190	(17)	(27)	-14%
NP344	Makhado	462	23	23	5%	464	22	22	5%
DC34	Vhembe District	1,036	150	150	14%	355	24	24	7%
Vhembe		2,092	195	280	13%	1,183	35	29	2%

Makhado: The return form reveals that the municipality received revenue amounting to R23, 4 million. The municipality's revenue comes from four items that contributed as follows:

- Service Charges = R18, 2 million (76%)
- Property Rates = R2, 6 million (11%)
- Other Revenue = R1, 2 million (5%)

The previous explanation concludes that the most contributing items to the revenue during this month (July 2009) is services charges and property rates. It is encouraging to realize that the municipality does not rely on grants and subsidies in managing its operational issues. The municipality is encouraged to continue with its revenue collection strategy.

Vhembe District Municipality: The return form reveals that the municipality received revenue amounting to R150 million. The municipality's revenue comes from four that contributed as follows:

- Grants and Subsidies (for operating) = R0, 989 million (66%)
- Grants and Subsidies (for capital) = R53 million (35%)
- Interest Earned from External Investments = R0, 206 million (0.13%)
- Other Revenue = R0, 311 million (0.002%)

The previous explanation concludes that the most contributing items to the revenue during this month (July 2009) is grants and subsidies. Flowing from the above information, the municipality is reminded that all avenues available that will make own revenue to be collected be used.

Musina: The return form reveals that the municipality received revenue amounting to R13 million. There are four items that contributed to the month of July 2009 revenue of the municipality, and they are as follows:

- Other Revenue (for operating) = R7, 5 million (58%)
- Grants and Subsidies (for capital) = R4, 7 million (37%)
- Licenses and Permits = R0, 639 (5%)

- Fines = R0, 983 million (0.08%)

The previous explanation concludes that the most contributing items to the revenue during this month (July 2009) is other revenue which excites to realize that the municipality does not rely to grants and subsidies in managing their operational issues. Flowing from the above information, the municipality is reminded that all avenues available that will make own revenue to be collected be used.

Thulamela: The return form reveals that the municipality received revenue amounting to R86 million. There are four main items that contributed to the month of July 2009 revenue, and they are as follows:

- Grants and Subsidies (for operating) =R76 million (89%)
- Grants and Subsidies (for capital) = R4, 0 million (5%)
- Other Revenue = R2, 6 million (3%)
- Service Charges = R1, 4 million (1.7%)
- Licenses and Permits = R1, 3 million (1.5%)

The previous explanation concludes that the most contributing items to the revenue during this month (July 2009) are grants and subsidies. The municipality is reminded that all avenues available that will make own revenue to be collected be used.

Operating Expenditure

Makhado: The total amount spent by the municipality during this month (July 2009) is R22 million. Only five items were catered for in this spending month. The items were catered for as follows:

- Employee Related Costs – Wages and Salaries = R10, 5 million (48%)
- Bulk Services = R8, 1 million (37%)
- Repairs and maintenance = R 1, 4 million (6%)
- General Expenses = R0, 977 million (5%)
- Remuneration for Councilors = R0, 876 million (4%)

The above information reveals that the municipality has a surplus amounting to R1, 6 million. It is hoped that in future the municipality will spend its revenue to other items budgeted for as well as indicated in the budget document and the SDBIP.

Vhembe District Municipality: The total amount spent by the municipality during this month (July 2009) is R24 million. Only five items were catered for during the month. The items were catered as follows:

- Employee Related Costs – Wages and Salaries = R19, 1 million (83%)
- General Expenses – other = 2 290 million (8%)
- Employee Related Costs – Social Contributions = R1, 4 million (6%)
- Remuneration for Councilors = R0, 459 million (2%)
- Repairs and maintenance = R 0, 219 million (1%)

The above information reveals that the municipality has a surplus amounting to R126, 0 million. It is hoped that in future the municipality will spend its revenue to other items budgeted for as well as indicated in the budget document and the SDBIP.

Musina: The total amount spent by the municipality during this month (July 2009) is R 9 million. Only six items were catered for during the month's expenditure, and they are as follows:

- General Expenses – other = R3, 4 million (40%)
- Employee Related Costs–Wages and Salaries = R2, 4 million (28%)
- Bulk Purchases = R1, 9 million (23%)
- Contracted Services = R0, 354 (4%)
- Remuneration for Councilors = R0, 202 (2%)
- Repairs and maintenance = R 0, 201 (2%)

The above information reveals that the municipality has a surplus amounting to R4 459 million. It is hoped that in future the municipality will as well spend its revenue to other items budgeted for as indicated in the budget document and the SDBIP.

Thulamela: The total amount spent by the municipality during this month (July 2009) is R R12 million. Only five items were catered during the month's expenditure, and they are as follows:

- Employee Related Costs–Wages and Salaries = R7, 2 million (61%)
- General Expenses – other = R2, 1 million (18%)
- Employee Related Costs – Social Contributions = R1, 2 million (10%)
- Remuneration for Councilors = R1, 1 million (9%)
- Repairs and maintenance = R0, 205 million (2%)

The above information reveals that the municipality has a surplus amounting to R73, 9 million. It is hoped that in future the municipality will as well spend its revenue to other items budgeted for as indicated in the budget document and the SDBIP.

Debtors

The table below shows the debtors age analysis as at 31 August 2009.

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Debtors Age Analysis								
Makhado	(0)	12	5	6	4	80	-	107
Musina	1	1	1	1	19	-	-	23
Mutale	-	-	-	-	-	-	-	-
Thulamela	7	6	17	6	5	5	87	132
Vhembe	1	1	1	1	8	-	-	11
	-	-	-	-	-	-	-	-
	9	19	24	13	37	85	87	274

Makhado: The analysis reveals that out of the total amount of R107 million that is owed by customers, R80, 4 million (75%) falls within the category of 151 to 180 days. This type of practice has a tendency of becoming bad debts; therefore, the municipality is reminded to develop a strategy that will help the consumers to realize the significance of paying debts.

Vhembe District Municipality: The analysis reveals that out of the total amount of R11, 4 million that is owed by customers, R7, 7 million (68%) falls within the category of 121 to 150 days. This type of practice of not settling debts promptly has a tendency of becoming bad debts.

Musina: The analysis reveals that out of the total amount of R23 million that is owed by customers, R6 million (28%) falls within the category of 121 to 150 days while 63% falls within the category of 31-120 days. The municipality is reminded to develop a strategy that will help the consumers to realize the significance of paying debts.

Creditors

The table shows the creditors age analysis as at 31 August 2009.

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Creditors Age Analysis								
Makhado	2	0	0	0	0	-	-	2
Musina	1	0	1	0	-	-	-	2
Mutale	-	-	-	-	-	-	-	-
Thulamela	-	-	-	-	-	-	-	-
Vhembe	-	-	-	-	-	-	-	-
	2	0	1	0	0	-	-	3

Makhado: The analysis of the above report reveals that municipality owes its suppliers R1, 6 million. Out of the total amount owed by the municipality; R0, 427 million (0.3%) of it fall within a category of 121-150 days which is a breach of section 65(e) of the Public Finance Management Act (Act no.56 Of 2003). The other remaining amounts fall between 0-30 and 91-120 days. This concludes that there is a serious challenge faced by the municipality in terms of making payment. It is expected of the municipality state the challenges faced with as well as to address issues with the suppliers

Musina: The analysis of the above report reveals that municipality owes its suppliers R1, 2 million. Out of the total amount owed by the municipality; R0, 232 million (19%) of it fall within a category of 61-90 days which is a breach of section 65(e) of the Public Finance Management Act (Act no.56 Of 2003). This concludes that there is a serious challenge faced by the municipality in terms of making payment. It is expected of the municipality state the challenges faced with as well as to address issues with the suppliers. The other remaining amounts fall between 0-30 and 31-60days.

Thulamela: The analysis of the above report reveals that municipality owes its suppliers R2, 5 million. This amount falls under category 0-30 days. It gives courage to realize that the municipality complies with section 65(e); we therefore recommend the municipality to continue with such spirit.

Cash Flow

Cash flows	July	August	September	October	November	December	January	February	March	April	May	June
Opening Cash Balance	7	214	254	239	228	212	255	248	238	226	241	227
Sub-Total (Receipts)	306	108	27	31	30	89	48	31	30	56	31	32
Sub-Total (Payments)	98	67	42	43	45	46	55	41	42	42	44	43
Closing Balance	214	254	239	228	212	255	248	238	226	241	227	217

Makhado: The return form reveals that the opening cash balance of R13, 3 million and closing balance is R0, 510 million for the month of July 2009. The total receipts amount to R29, 2 million during July. On the other hand, the report reveals that the municipality has a closing balance of R0, 510 million. According to our calculations, the municipality has a deficit amounting to R0, 683 million.

Vhembe District Municipality: The return form received reveals that it has been incorrectly completed; the cash flow statement for the municipality only contains amounts for (July) M01 which is incorrect. The correct completion of the Cash Flow Budget will ensure that the Cash flow actual is correctly filled, which will lead to correct analysis of the returns.

Musina: The return form received reveals that it has been correctly completed; with opening cash balance of R1, 1 million and closing balance of R4 million for month 1 July 2009. The total receipts amount to R13 million during this month. On the other hand, out of the total receipts, R9 million was spent. The most contributing item on expenditure is cash and creditors payment with a share of R4 million (49%), followed by employee related cost with a share of R 3 million (36%), while other payments contributed R0, 974 million (11%).

Thulamela: The return form received reveals that it has been incorrectly completed, in this regards, the municipality is advised to recomplete the form indicating actual figures for 12 month. The cash flow statement for the municipality only contains amounts for July which is incorrect. The correct completion of the Cash Flow Budget will ensure that the Cash flow actual is correctly filled, which will lead to correct analysis of the returns.

Capricorn District Municipalities

The table below shows the financing of capital revenue and capital expenditure for Capricorn District as at 31 Augst 2009

Code	Municipality	Capital expenditure							
		Total sources of Funding				Total Capital Expenditure			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP351	Blouberg	38	-	-		38	1	4	0
NP352	Aganang	38	-	-		38	1	1	0
NP353	Molemole	20	-	-		20	3	5	0
NP354	Polokwane	-	94	154	#DIV/0!	-	94	154	#DIV/0!
NP355	Lepelle-Nkumpi	124	-	-		124	2	5	0
DC35	Capricorn District	0	-	-		479	0	0	0
Capricorn		220	94	154	70%	699	94	154	0

Sources of Finance

For the month under review, the performance shows zero spending. The challenges experienced within this district are those municipalities who have not completed the s71 returns in full. Many returns were submitted blank and therefore no analysis could be performed.

Capital Expenditure

City of Polokwane Municipality: The Item Roads, pavement, Bridges and storm water for July is R 1, 347 million according to the return submitted to Provincial Treasury while Sport fields is R57 383 million and it is difficult to give a thorough analysis because we don't have the final copy of the adopted 2009/10 budget. It is also not clear as to how much was budgeted for on the above mentioned items and therefore no linkage of spending to budgeted amount could be established.

Molemole Municipality: The total capital expenditure budget for 2009/10 financial year is R 19 million and according to the IYM report submitted the total capital expenditure for the month of July is R 2 million. the budgeted amount on Roads, pavements, bridges and storm water is R 12 million which shows a positive movement due to the fact that it is the start of the financial year.

Capricorn District Municipality: The total capital expenditure budget for 2009/10 financial year is R 478 736 million and according to the IYM report submitted the total capital expenditure for the month of July is R0. 26 million on office equipment and this gives a clear indication that acquiring of capital asset is slow.

Blouberg Municipality: The total capital expenditure budget for 2009/10 financial year is R 37 million and according to the IYM report , total capital expenditure for the month of July is R 2 million which is 17,5 per cent of the total capital expenditure. The budgeted amount on infrastructure is R 35 million and the amount used for the month of July on infrastructure is R 1 million which left the municipality with R 34 million for infrastructure for the financial year 2009/10. The budgeted amount on other assets is R 2 million and the amount used for the month of July on other assets is R 0 460 million.

Lepelle-Nkumpi: The total capital expenditure budget for 2009/10 financial year is R 124 million and according to the IYM report , the total capital expenditure for the month of July is R 2 million broken down by R 1 million for roads and pavement, car parks, bus terminals at R 1 million, while the budgeted amount on Roads, pavements, bridges and storm water is R 7 million and on car parks and bus terminals is R 4 million which shows a positive movement due to the fact that it is the start of the financial year.

Operating revenue

The table below shows the financing of operating revenue and expenditure for the District as at 31 August 2009.

Code	Municipality	Financial Performance							
		Total Revenue				Total Expenditure			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP351	Blouberg	107	26	26	25%	83	(5)	(5)	-6%
NP352	Aganang	47	3	27	58%	37	3	6	15%
NP353	Molemole	58	4	25	44%	57	(3)	(0)	-0%
NP354	Polokwane	-	79	112	#DIV/0!	-	78	81	#DIV/0!
NP355	Lepelle-Nkumpi	261	6	54	21%	136	6	10	7%
DC35	Capricorn District	190	0	239	126%	190	-	16	8%
Capricorn		663	119	484	73%	504	79	107	21%

Blouberg: The total operating revenue budget for 2009/10 is R107, 3 million. According to the IYM report submitted to Provincial Treasury for July, the municipality's total operating revenue is R0, 164 million. However the collection rate of the municipality is very slow.

Capricorn District Municipality: The total operating revenue budget for 2009/10 is R 210, 4 million. According to the IYM report submitted to Provincial Treasury for July, the municipality's total operating revenue is R 238, 6 million. The municipality's return shows that the budgeted amount is less than the amount on the monthly return. However the collection rate of the municipality is based on the grants received.

Lepelle-Nkumpi: The total operating revenue budget for 2009/10 is R 260, 9 million. According to the IYM report submitted to Provincial Treasury for July, the municipality's total operating revenue is R 48, 2 million. However the collection rate of the municipality is based on the grants receivables. Therefore shows that collection rate on own revenue more especially on outstanding debtors is very slow or low.

Molemole: The total operating revenue budget for 2009/10 is R 77, 6 million. According to the IYM report submitted to Provincial Treasury for July the municipality's total operating revenue is R 21, 1 million. However the collection rate of the municipality is based on the grants receivables which imply that own revenue collection is very low.

Operating expenditure

Blouberg: The total operating expenditure budget for 2009/10 financial year is 83, 1 million. According to the IYM report submitted by the municipality for the month of July the total operating expenditure is R 6, 8 million. The total budget for salaries, wages and allowances is R41 million and for the month of July the municipality has spent R 4 million which is 9, 3 per cent of the annual budget for salaries.

Capricorn District Municipality: The total operating expenditure budget for 2009/10 financial year is R190, 1 million. According to the IYM report submitted by the

municipality for the month of July the total operating expenditure is R 27, 3 million. The total budget for salaries, wages and allowances is R 125, 4 million and for the month of July the municipality has spent R 7 million the spending on salaries, wages and allowance is high.

Lepelle-Nkumpi: The total operating expenditure budget for 2009/10 financial year is R136, 5 million. According to the IYM report submitted by the municipality for the month of July, the total operating expenditure is R 3, 8 million. The total budget for salaries, wages and allowances is R 35 million and for the month of July the municipality has spent R 1 million the spending on salaries, wages and allowance is high.

Molemole: The total operating expenditure budget for 2009/10 financial year is R77, 4 million. According to the IYM report submitted by the municipality for the month of July the total operating expenditure is negative R3, 1 million. The total budget for salaries, wages and allowances is R 36 million and for the month of July the municipality has spent R 1 million the spending on salaries, wages and allowance is high.

Debtors

The table below shows the debtors age analysis as at 31 August 2009.

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Debtors Age Analysis								
Aganang	0	1	1	0	-	-	3	6
Blouberg	0	0	-	1	-	-	-	1
Capricorn	-	-	-	-	-	-	-	-
Lepelle-Nkumpi	6	5	4	4	83	-	-	103
Molomole	1	1	0	14	-	-	0	16
Polokwane	53	11	9	9	120	-	-	201
Total	60	18	15	27	203	-	3	326

The total outstanding debtors, which include current debtors for the municipalities in the Capricorn District as at 31 July 2009, amounts to R120,0 million.

City of Polokwane: It is noted that the municipality does not provide the whole information under debtors age analysis by Income Source, the municipality only allocate the whole lump sum amount under the item Other. Provincial Treasury would like to get clarity on the breakdown of the item "Other". The debt of the municipality is recurring and it is questionable as to how effective is the debt collection and credit control system. The municipality should reassure that the credit control and debt collection policies are operational and implemented in order to reduce the debt of the municipality.

Blouberg Municipality: The debt of the municipality is increasing and it is now at 120 days. The municipality has a high amount on electricity tariffs n 120 days and also on Rates (Property Rates) which is also on 120 days.

Capricorn District: RSC levies are in arrears for over one year with a total amount of R 58, 1 million the municipality should reassure that the credit control and debt collection policies are operational and implemented in order to reduce the debt of the municipality.

Lepelle-Nkumpi: The debt of the municipality is increasing and it is now at 150 days with the total amount of R 98, 5 million. The following customer group is at a maximum level of debts which are Government at R 9 million, Business at R 10 million and R75 million on Households which clearly prove that debtors are not paying their debts.

Molemole: The debt of the municipality is increasing and it is now at 120 days with the total amount of R 15, 3 million. The property rates is high with a total amount of R 3, 1 million while on other as an item it has R 5, 3 million and water tariffs is standing at R 2 ,7 million for the month of July.

Creditors

The table shows the creditors age analysis as at 31 August 2009.

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Creditors Age Analysis								
Aganang	1	-	-	-	-	-	-	1
Blouberg	-	-	-	-	-	-	-	-
Capricorn	(3)	-	-	-	-	-	-	(3)
Lepelle-Nkumpi	-	-	-	-	-	-	-	-
Molomole	0	-	-	-	-	-	-	0
Polokwane	48	-	0	0	-	-	-	49
Total	47	-	0	0	-	-	-	47

City of Polokwane: The return is not submitted and no analysis was done.

Blouberg: The first section of this return looks at creditors amounts still to be paid grouped by common expenditure type as this can show that payments for bulk electricity are not being made according to terms or the municipality is behind in paying the Auditor General but the municipality opted to fill the information on the top 10 creditors and the municipality's top 10 creditors should only be completed if systems are not in place to collect the information required for the first section therefore it is advisable for the municipality to put systems in place in order to complete the first section of the return. According to the municipality's July report the payments of the creditors are done within 30 days and it is according to section 65 (2) (e) of MFMA which states that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement ,unless prescribed otherwise for certain categories of expenditure.

Capricorn District Municipality: The first section of this return looks at creditors amounts still to be paid grouped by common expenditure type as this can show that payments for bulk electricity are not being made according to terms or the municipality is behind in paying the Auditor General and the municipality's top 10 creditors should only be completed if systems are not in place to collect the information required for the first section. According to the municipality's July report the payments of the creditors are done within 30 days and it is according to section 65 (2) (e) of MFMA which states that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement ,unless prescribed otherwise for certain categories of expenditure.

Lepelle-Nkumpi: The first section of this return looks at creditors amounts still to be paid grouped by common expenditure type as this can show that payments for bulk electricity are not being made according to terms or the municipality is behind in paying the Auditor General and the municipality's top 10 creditors should only be completed if systems are not in place to collect the information required for the first section therefore it is advisable for the municipality to put systems in place in order to complete the first section of the return. According to the municipality's July report the payments of the creditors are done within 30 days and it is according to section 65 (2) (e) of MFMA which states that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement ,unless prescribed otherwise for certain categories of expenditure.

Molemole: The first section of this return looks at creditors amounts still to be paid grouped by common expenditure type as this can show that payments for bulk electricity are not being made according to terms or the municipality is behind in paying the Auditor General and the municipality's top 10 creditors should only be completed if systems are not in place to collect the information required for the first section therefore it is advisable for the municipality to put systems in place in order to complete the first section of the return. According to the municipality's July report the payments of the creditors are done within 30 days and it is according to section 65 (2) (e) of MFMA which states that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

Cash Flow

Cash flows	July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Opening Cash Balance	166	304	334	189	130	90	28	(31)	(5)	(64)	5	(57)
Sub-Total (Receipts)	561	304	98	448	199	102	259	204	129	258	160	205
Sub-Total (Payments)	424	274	243	507	239	165	(326)	178	188	188	223	240
Closing Balance	304	334	189	130	90	28	(31)	(5)	(64)	5	(57)	(92)

City of Polokwane: The return is not submitted and no analysis was done

Blouberg: The cash flow actual (CFA) should be based on the cash flow budget (CFB) returns. The CFB is a once off return form, which is submitted together with the final budget, while the CFA is a monthly return. The return submitted indicate the total receipts as R 0.16 million which is less than the total payment of R 9, 3 million and it leaves the closing balance at a negative R 9, 2 million and this is a clear indication that the municipality does not receive much of revenue the municipality but rely on grants, under grants and subsidies for July it shows a nil amount.

Capricorn District Municipality: The return submitted indicate the total receipts of R R175, 6 million which shows Grants and Subsidies with an amount of R 161, 0 million and this shows a clear indication that the municipality is fully depending on grants and subsidies. On payments side, salaries, wages and allowances is high with R7 million and other payments is also high at R 8 million.

Lepelle-Nkumpi: The cash flow actual (CFA) should be based on the cash flow budget (CFB) returns. The CFB is a once off return form, which is submitted together with the final budget, while the CFA is a monthly return. The return submitted indicate the total receipts of R 51, 7 million which shows Grants and Subsidies with an amount of R 41 ,9 million and revenue and receipts only has R 6 million, investment redeemed is R 3 million and this shows a clear indication that the municipality is fully depending on grants and subsidies. On payments side salaries, wages and allowances is high with R2 million, capital payments is also at R2 million and Investment made for the month is R 30 million. Payments made for the month totals to R 37 million.

Molemole: The return submitted indicate the total receipts of R 21,1 million which is made up of R 19, 8 million received from Grant and subsidies and on the item "other" it has the total amount of R 1, 2 million and this shows a clear indication that the municipality is fully depending on grants and subsidies. On payments side capital payments is at R 2, 60 million which means the payments on capital payments is effective, suppliers are paid within the timeframe of the MFMA. Salaries, wages and allowance also is high with an amount of R 1, 6 million.

Waterberg District Municipalities

The table below shows the financing of capital revenue and operating revenue for Waterberg District as at 31 August 2009.

Code	Municipality	Capital expenditure							
		Total sources of Funding				Total Capital Expenditure			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP361	Thabazimbi					-	-	-	
NP362	Lephalale	32				178	2	2	0
NP363	Mookgophong	40	2	2	5%	40	2	4	0
NP364	Modimolle	56	1	3	6%	97	1	3	0
NP365	Bela-Bela	20				19	-	-	
NP366	Mogalakwena	149	(6)	(8)	-5%	183	(6)	(13)	(0)
DC36	Waterberg District	29	1	1	3%	29	1	1	0
Waterberg		325	(2)	(2)	-1%	547	(1)	(4)	(0)

Capital Expenditure

Mogalakwena: The municipality has for the first month of the financial year spent 5% (R7.5 million) of its R148.8 million budget. Though on a linear projection there is a shortfall of 3%, progress made thus far is commended believing that more work will be done in months to come. You are reminded of MFMA Circular 48, which regulates the treatment of unspent conditional grants. It is imperative for the municipality to ensure that spending takes place as planned to avoid reverting funds to the National Revenue Fund

Lephalale: The municipality's return form reveals there is no revenue collected, on the other hand, R1,8 million was spent in the item "Other". Based on the findings of this information, this office therefore would like to get clarity with regards to expenditure on other items. Does this mean that the municipality has spent money that is not available to the municipality?

Modimolle: The municipality's return form reveals that the municipality accumulated revenue amounting to R2, 3 million. The amount comes from grants and subsidies. The municipality has used the amount sewerage purification and reticulation (on new capital projects) while the other item catered for is roads, pavements, bridges and storm water. The municipality does not have surplus/deficit. The municipality is commended on such a good work because such acts give an impression that the community is being catered in terms of the municipality's projects

Waterberg District Municipality: The municipality's return form reveals that the municipality accumulated revenue amounting to R0, 524 million. The revenue comes from grants and subsidies. The municipality has used the amount on other expenditure items. It will be appreciated if the money can also be used to address other issue that affect the community as well.

Operating Revenue

Summary of District Budget as at 31 August 2009: Budget vs Actual

Code	Municipality	Financial Performance							
		Total Revenue				Total Expenditure			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP361	Thabazimbi	-	-	-	-	-	-	-	-
NP362	Lephalale	205	36	36	18%	205	13	13	6%
NP363	Mookgophong	80	2	15	19%	80	6	12	15%
NP364	Modimolle	157	11	33	21%	133	10	16	12%
NP365	Bela-Bela	140	9	9	7%	135	6	6	5%
NP366	Mogalakwena	537	0	85	16%	409	(1)	(23)	-6%
DC36	Waterberg District	99	3	36	36%	71	4	7	10%
Waterberg		1,218	62	215	18%	1,034	38	31	3%

Mogalakwena: From the total operating revenue budget of R536 million, the municipality has collected R84 million (16%) of its 2009/10 budgeted revenue. The municipality has thus far not submitted its cash flow budget (CFB), however, it is evident that the municipality's bulk revenue is from grants and subsidies, which collected 20% (R63 million) of its R320 million budget, followed by interest earned on outstanding debtors which stands at 61% (R1 million) out of the budget of R2 million.

Mookgophong: From the total revenue of R79.8 million, the municipality collected R12.9 million (16%) of its 2009/10 budgeted revenue (excluding grants & subsidies – capital). This is on average an acceptable performance for the first month of the year. The municipality has not submitted the cash flow budget (CFB) return form; this will therefore impede proper analysis. None the less, all line items performed well with the exception of property rates and fines both of which collected 6% and 5% respectively; on a linear projection, these items recognized a shortfall of 2% and 3% respectively.

Lephalale: The return form reveals that the municipality received revenue amounting to R36.2 million. There are four items that contributed the most in the month of July revenue generations, and they are as follows:

- Grants and subsidies (operating) = R 25, 4 million (70%)
- Service Charges = R5, 5 million (15%)
- Licenses and Permits = R3, 2 million (9%)
- Property Rates =R1, 4 million (4%)

The analysis above concludes that the most contributing items to the revenue during this month are grants and subsidies. Flowing from the above information, the municipality is reminded that all avenues available that will make own revenue to be collected be used.

Modimolle: The return form reveals that the municipality received revenue amounting to R22, 0 million. There are three main items that contributed to the revenue collected, and they are as follows:

- Grants and Subsidies (for operating) =R14, 7 million (67%)

- Service Charges = R5, 6 million (25%)
- Property Rates = R1, 1 million (5%)

Flowing from the above information, the municipality is reminded that all avenues available that will make own revenue to be collected be used. However, It gives courage to realize that own revenue is part of collection, therefore, the spirit should be continued.

Waterberg District Municipality: The return form reveals that the municipality received revenue amounting to R33, 6 million. The municipality's revenue comes from five items that contributed as follows:

- Grants and Subsidies = R32, 8 million (97%)
- Interest Earned – Internal Investments = R0, 767 million (2%)
- Service Charges = R0, 468 million (0.1%)
- Other Revenue = R0, 403 million (0.1%)
- Interest Earned – Outstanding Debts = R0, 316 million (0.009%)

The previous explanation concludes that the most contributing items to the revenue during this month 1 (July 2009) is grants and subsidies. Flowing from the above information, the municipality is reminded that all avenues available that will make own revenue to be collected be used.

Operating Expenditure

Mogalakwena: From the total budgeted operating expenditure of R409 million, the municipality spent R21.8 million (5%), on a linear projection; the municipality has under spent by 3%.

Employee related costs & Remuneration of councilors

The items mentioned above have a reasonable performance for the month which is 6% and 8% respectively. Though on a linear projection, employee related costs seem to have a 2% shortfall, it is difficult to say with certainty whether this item has performed according to plan or not; since we do not have the budgeted monthly cash flow amounts at our disposal.

Bulk Purchases

For the July month, expenditure on this item stands at 7.7% of the R90 million budget. This is on average a good performance. It is encouraged that this good performance be maintained throughout the year.

Repairs & Maintenance and Other expenditure

Both these line item have for the first month of the financial year spent 5% and 6% respectively. Though there is a shortfall of 3% and 2% on both, progress made in this regard is acknowledged, believing that more work will be done to ensure that expenditure takes place as planned. It is again imperative to note that for the municipal infrastructure to be adequately maintained, the repairs and maintenance budget must be spent accordingly.

Depreciation and Debt impairment

Expenditure allocation for these items stands at 0%. Though these are non-cash items, it is expected that proper accounting principles be followed and the “expenditure/cost” in these items correctly allocated. It should be noted that non-allocation in these items affects the total expenditure percentage and impacts negatively on the performance of the municipality on a month to month basis.

Grants & subsidies paid

This monthly budget statement reveals that expenditure to the value of R0.2 million was made against a zero budget. The municipality is advised to ensure that a budget be allocated for this line item during the adjustment budget preparation process. The budget to be allocated should cover all intended outflows to be made under this item.

Mookgophong: From the total expenditure budget of R79.8 million, the municipality spent R6 million (8%), this is on average an acceptable performance, however, each line item will be separately discussed. Since the CFB return form has not been submitted, analysis will be based on linear projections.

Lephalale: The total expenditure for July 2009 is R12, 6 million. There are four items that received a bigger share, and they are catered as follows:-

- Employee Related Costs – Wages and Salaries = R5, 4 million (43%)
- Bulk Purchases = R3, 2 million (26%)
- General Expenses – other = R1, 9 million (15%)
- Repairs and maintenance = R 1, 4 million (11%)

The above information reveals that the municipality has a surplus amounting to R23, 6 million. It is hoped that in future the municipality will spend its revenue to other items budgeted for as well as indicated in the budget document and the SDBIP.

Modimolle: The total amount spent by the municipality during July 2009 is R R7, 5 million. Only six items were catered for during July, and they are as follows:

- General Expenses – Other = R3, 2 million (43%)
- Employee Related Costs–Wages and Salaries = R2, 5 million (34%)
- Employee Related Costs – Social Contributions = R0, 710 million (10%)
- Repairs and maintenance = R0, 451 million (6%)
- Bulk Purchases = R319 983 (4%)
- Remuneration for Councilors = R0, 293 million (4%)

The above information reveals that the municipality has a surplus amounting to R14, 6 million. It is hoped that in future the municipality will as well spend its revenue in other items budgeted for as indicated in the budget document and the SDBIP.

Waterberg District Municipality: The total amount spent by the municipality during July 2009 is R3, 7 million. Only six items were spent on during July 2009. The items catered for are as follows:

- Employee Related Costs – Wages and Salaries = R1, 6 million (45%)
- Employee Related Costs- Social Contributions = R0, 917 million (25%)

- General Expenses = R0, 778 million (2%)
- Remuneration for Councilors = R0, 301 million (0.9%)
- Contracted Services = R0, 164 million (0.04%)
- Repairs and maintenance = R0, 139 million (0.04%)

The above information reveals that the municipality has a surplus amounting to R29, 9 million. It is hoped that in future the municipality will spend its revenue in other items budgeted for as well as indicated in the budget document and the SDBIP.

Debtors

The table below shows the debtors age analysis as at 31 August 2009.

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Debtors Age Analysis								
Bela-Bela	-	-	-	-	-	-	-	-
Lephalale	-	-	-	-	-	-	-	-
Modimole	-	-	-	-	-	-	-	-
Mogalakwena	32	5	5	151	-	-	-	193
Mookgopong	6	5	2	13	-	-	-	27
Thabazimbi	-	-	-	-	-	-	-	-
Waterberg	0	0	0	0	0	-	-	0
Total	38	10	8	164	0	-	-	220

Mogalakwena: The municipality is not performing well in this regard. The total debt as at 31 July 2009 stands at R190 million, while R147 million (78%) of this debt is aged between 91 – 120 days. It should be borne in mind that the longer the debt; the more likely that it will not be paid. You are encouraged therefore to put all processes in place to collect long outstanding debts bearing in mind the cost/benefit analysis to be applied in this regard.

Mookgophong: The municipality is not performing well in this regard. The total debt as at 31 July 2009 stands at R26.6 million, while R11.8 million (45%) of this debt is aged between 91 – 120 days. This suggests that most non payments in the other categories are housed in this category. It should be borne in mind that the longer the debt, the more likely that it will not be paid. You are encouraged therefore to put all processes in place to collect long outstanding debts bearing in mind the cost/benefit analysis to be applied in this regard.

Lephalale: The return for has been correctly completed. The analysis thereafter reveals that out of the total amount of R39, 1 million that is owed by customers, R23, 6 million (60%) falls within the category of 121 to 150 days. This type of practice has a potential of becoming bad debts; therefore, the municipality is reminded to develop a strategy that will help the consumers to realize the significance of paying debts.

Modimolle: The return form has been correctly completed. The analysis thereafter reveals that out of the total amount of R28, 4 million that is owed by customers, R27, 3 million (96%) falls within the category of 121 to 150 days while R1, 0 million (63%) falls within the category of 31-120 days. This type of practice has a potential of becoming bad debts; therefore, the municipality is reminded to develop a strategy that will help the consumers to realize the significance of paying debts.

Waterberg District Municipality: The return form has been correctly completed. The analysis thereafter reveals that out of the total amount of R0, 385 million that is owed by customers, R0, 83 million (22%) falls within the category of over one year. This type of practice has a potential of becoming bad debts; therefore, the municipality is reminded to develop a strategy that will help the consumers to realize the significance of paying debts.

Creditors

The table below shows the creditors age analysis as at 31 August 2009.

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
<u>Creditors Age Analysis</u>								
Bela-Bela	5	-	-	-	-	-	-	5
Lephalale	1	-	-	-	-	-	-	1
Modimole	4	-	-	-	-	-	-	4
Mogalakwena	12	-	-	-	-	-	-	12
Mookgopong	-	-	-	-	-	-	-	-
Thabazimbi	-	-	-	-	-	-	-	-
Waterberg	0	-	-	-	-	-	-	0
Total	22	-	-	-	-	-	-	22

Mogalakwena: The municipality is in compliance with MFMA Circular 49 and MFMA section 65 (2) (e), however, more work still needs to be done to ensure proper reporting. The preparation of this return form is in such a manner that it allows a municipality to report the creditors' age analysis by name or top ten creditors only and only if it is currently not possible to report for such by function. It should be noted that the municipality is expected to put processes in place to ensure that it is able to prepare such a report by function and not by top ten as is the case now.

Mookgophong: The municipality is in compliance with MFMA Circular 49 and MFMA section 65 (2) (e), however, more work still needs to be done to ensure proper reporting. The preparation of this return form is in such a manner that it allows a municipality to report the creditors' age analysis by name or top ten creditors only and only if it is currently not possible to report for such by function. It should be noted that the municipality is expected to put processes in place to ensure that it is able to prepare such a report by function and not by top ten as is the case now.

Lephalale: The return form is not submitted, therefore, no analysis was done. The municipality is reminded to submit such information in future, even if it means nil return.

Modimolle: The analysis of the above report reveals that municipality owes its suppliers R0, 320 million. The amount owed is for bulk electricity and water. This amount falls under category 0-30 days. It gives courage to realize that the municipality complies with section 65(e); we therefore recommend the municipality to continue with such spirit.

Waterberg District Municipality: The analysis of the above report reveals that the municipality owes its suppliers R0, 124 million, which fall between 0-30 days. The municipality is encouraged to continue with the spirit of paying its suppliers on time as required by Municipal Finance Management Act (Act no. 56 Of 2003) section 65(e).

Cash Flow

<u>Cash flows</u>	July	August	September	October	November	December	January	February	March	April	May	June
Opening Cash Balance	32	102	98	83	80	102	87	80	83	93	80	63
Sub-Total (Receipts)	145	37	11	23	49	11	13	23	39	12	11	10
Sub-Total (Payments)	75	41	26	25	27	26	19	20	29	26	27	19
Closing Balance	102	98	83	80	102	87	80	83	93	80	63	54

Mogalakwena: The municipality has not complied with MFMA S71 (1) in terms of contents of a monthly budget statement. The CFA return form has not been submitted. It is advised that the municipality should put processes in place to ensure that all return forms are completed and sent to both treasuries. It is also critical to ensure that proper reconciliations take place on a monthly basis in order to ensure that the CFA return form reflects the true status of the financial affairs of the municipality.

Mookgophong: The return form CFA has been completed incorrectly (i.e. only actual figures were captured and no projections for the remainder of the financial year. Please note that this return form is an early warning system and should be completed with reference to the CFB. A CFB is a cash flow budget which is an annual submission. The CFB sets out the cash flow for each month by receipts and payment classification. This therefore suggests that the municipality must make a yearly projection of its receipts and payments by completing the CFB

Lephalale: The return form received reveals that it has been incorrectly completed, in this regard; the municipality is advised to recomplete the form indicating actual figures for 12 months. The cash flow statement for the municipality only contains amounts for July which is incorrect. The correct completion of the Cash Flow Budget will ensure that the Cash flow actual is correctly filled, which will lead to correct analysis of the returns.

Modimolle: The return form received reveals that it has been correctly completed, with opening cash balance of negative R1, 2 million and positive closing balance of R18, 8 million for July 2009. The total receipts amount to R31, 5 million during July. On the other hand, out of the total receipts, R11, 4 million was spent. The most contributing item on expenditure is other payments with a share of R5, 3 million (46%), followed by salaries wages and allowances with a share of R 3, 5 million (31%), capital payment with R2,3 million (20%) while cash and creditors payment contributed R0, 320 million (3%).

Waterberg District Municipality: The return form received reveals that it has been correctly completed, with opening cash balance of R2, 7 million and closing balance of

R1, 3 million for the month of July 2009. The total receipts amount to R37, 3 million during July. The report reveals that R2, 8 million was spent on employee related cost. On the other hand, the statement of financial performance indicates that R1, 6 million was utilised on employee related costs.

CONCLUSION

Municipalities have reported on the performance of their budgets for the month of July not without challenges though. July is the first month of the municipal financial year and already we are facing challenges just like in the previous year. While it is appreciated that municipalities have reported on their performance in terms of section 71 of the MFMA, it should be remembered that most municipalities reported for compliance. Compliance reporting is the biggest challenge that has been faced overtime and basically defeats the objective of the spirit of good financial governance in the institutions charged with managing public funds in accordance with the contract entered into between communities and administrators.

In some municipalities, there are concerns that are genuine and require external interventions such as from provincial government etc. This then does not imply that a municipality is exempted from accounting for their responsibilities according to what the Act requires. There are municipalities that did not submit their IYM for July, others submitted incomplete reports and other still submitted blank returns. Please refer to the table “summary of returns submitted” above. The picture on face value looks glossy, while the reality is that most of those returns are blank, incorrectly completed or are the previous month’s returns.

Provincial Treasury and other stakeholders are willing to provide assistance to all municipalities to ensue that the situation is improved. The reporting will only have an impact on anything if it is going to be credible and achieve the objective of good financial governance. Working together we can definitely achieve more and better for the precious province we live in and the people we serve. We sincerely hope that our monthly feedback to municipalities will assist to improve the way municipalities have been reporting.