



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Enq: Ngoepe NA

Ref: 12/1/6/8/2/1

Date: 27 October 2012

Director-General: National Treasury

Private Bag x115

PRETORIA

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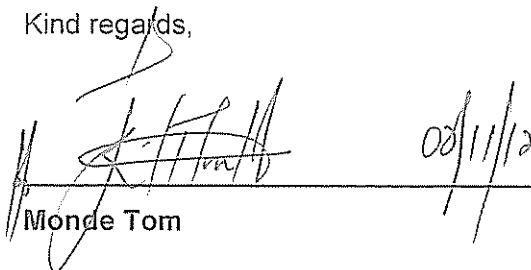
Attention: Mr. J. Hattingh

**MUNICIPAL FINANCE MANAGEMENT ACT NO. 56 OF 2003: IN-YEAR-MONITORING:
SECTION 71 (6) REPORTING: AUGUST 2012**

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.

Attached please find the Limpopo Provincial Treasury's MFMA section 71(6) consolidated statements and narratives as at 30 August 2012.

Kind regards,


Monde Tom

Administrator: Provincial Treasury,

Limpopo Government Section 100(1)(b) Constitution, Intervention.

Int: Cell: +27(78) 893 2170, Office: +27(15) 291 5366

Date:

LIMPOPO PROVINCIAL TREASURY

Report on Consolidated MFMA S71 (Monthly Budget Statements)

As at 31 August 2012

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List of acronyms

1.	AO	Accounting Officer
2.	CFO	Chief Financial Officer
3.	HoD	Head of Department
4.	IYM	In year monitoring
5.	LPT	Limpopo Provincial Treasury
6.	MBRR	Municipal Budget & Reporting Regulations
7.	MEC	Member of Executive Council
8.	MFMA	Municipal Finance Management Act No 56 of 2003
9.	MM	Municipal Manager
10.	MTREF	Medium Term Revenue & Expenditure Framework
11.	NT	National Treasury
12.	PPE	Property, Plant and Equipments
13.	SMME's	Small Micro & Medium Enterprises
14.	YTD	Year to date

1. Purpose

To provide consolidated monthly financial statements for 30 municipalities in Limpopo Province as at 31 August 2012.

2. Background

In terms of section 71(1) of the MFMA, 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 treasury 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 –
 - i. Any material variance from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
 - ii. Any material variance from the service delivery and budget implementation plan; and
 - iii. Any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remains within the municipality's approved budget.

According to 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' budget, per municipality and per municipal entity.

3. Methodology / Assessment Technique

The consolidated monthly budget statement is compiled in terms of Section 71(6) of the Municipal Finance Management Act (No. 56 of 2003). The year-to date budget amounts reflected in statements are compared with the year-to date actual amounts and variances are identified.

4. MFMA S71 Compliance Checklist

Table 1: MFMA S71 Compliance Checklist

Municipality	Jul-12	Aug-12
	Date of submission	Date of submission
	Electronic	Electronic
DC 35 - CAPRICORN	15.08.2012	14.09.2012
LIM 351 - BLOUBERG	20.08.2012	14.09.2012
LIM 352 - AGANANG	14.08.2012	13.09.2012
LIM 353 - MOLEMOLE	15.08.2012	14.09.2012
LIM 354 - POLOKWANE	15.08.2012	10.09.2012
LIM 355 - LEPALLE-NKUMPI	08.08.2012	13.09.2012
DC - 47 - GREATER SEKHUKHUNE	14.08.2012	14.09.2012
LIM 471 - EPHRAIM MOGALE	15.08.2012	
LIM 472 - ELIAS MOTSOLEDI	14.08.2012	14.09.2012
LIM 473 - MAKHUDUTHAMAGA	28.09.2012	27.09.2012
LIM 474 - FETAKGOMO	15.08.2012	14.09.2012
LIM 475 - GREATER TUBATSE		
DC 33 - MOPANI	10.09.2012	14.09.2012
LIM 331 - GREATER GIYANI	20.08.2012	20.08.2012
LIM 332 - GREATER LETABA	15.08.2012	14.09.2012
LIM 333 - GREATER TZANEEN	15.08.2012	14.09.2012
LIM 334 - BA- PHALABORWA	15.08.2012	14.09.2012
LIM 335 - MARULENG	15.08.2012	14.09.2012
DC 36 - WATERBERG	15.08.2012	14.09.2012
LIM 361 - THABAZIMBI	20.08.2012	
LIM 362 - LEPHALALE	14.08.2012	14.09.2012
LIM 364 - MOOKGOPONG	15.08.2012	14.09.2012
LIM 365 - MODIMOLLE	15.08.2012	14.09.2012
LIM 366 - BELA-BELA	14.08.2012	14.09.2012
LIM 367 - MOGALAKWENA	15.08.2012	14.09.2012
DC 34 - VHEMBE		14.09.2012
LIM 341- MUSINA	15.08.2012	14.09.2012
LIM 342 - MUTALE	30.08.2012	14.09.2012
LIM 343 - THULAMELA	15.08.2012	14.09.2012
LIM 344 - MAKHADO	17.08.2012	14.09.2012

Source: In-year-monitoring database

Table 1 indicates that for the month of August 2012, twenty-seven (27) out of thirty (30) municipalities' submitted MFMA S71 Schedule C reports. Out of the twenty-seven (27) submissions, two (2) municipalities submitted their reports after the due date prescribed by the MFMA furthermore of all three municipalities that didn't submit only Thabazimbi

indicated that the municipality has challenges in relation to the financial system meanwhile none of two municipalities complied with MFMA S74 (2). Non-compliance letters were sent to Mayors requiring Accounting Officers' accountability in this regard.

5. Municipal Budget Implementation

This section of the report focuses on progress made by municipalities in budget implementation. It covers financial performance ending 31 August 2012.

5.1 Financial Performance

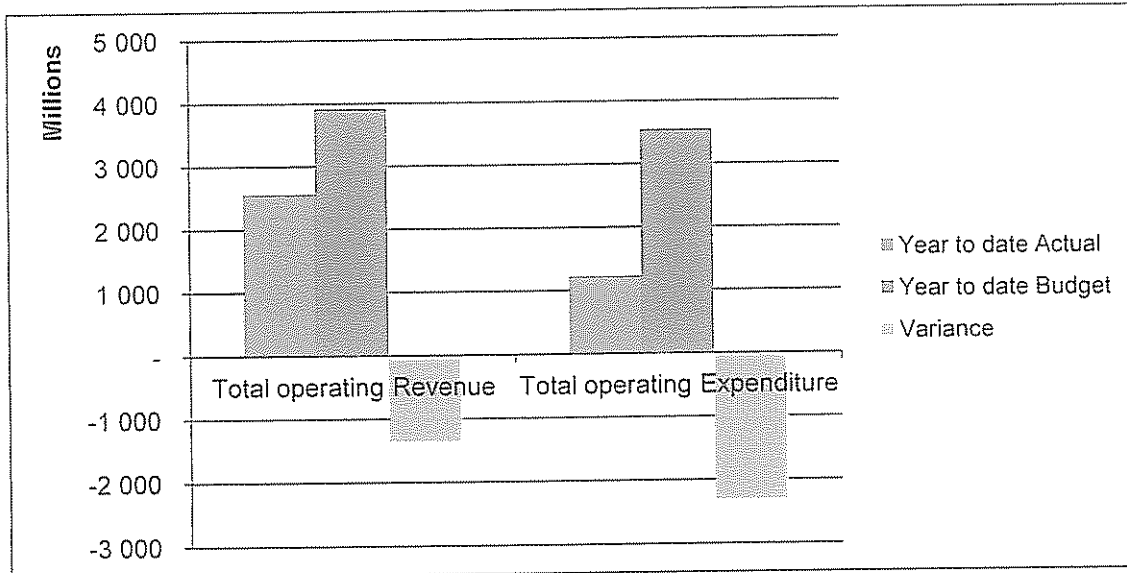
Financial performance statements show operating revenue and expenditure for the year to date. The variances between the budget and actual expenditure are reflected in these statements.

Table 2: Financial performance

	2011/12	Budget Year 2012/13							Full Year Forecast
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands									
Financial Performance									
Property rates	359 081	749 207	329 625	59 718	136 339	156 904	(20 565)	-13%	710 482
Service charges	1 427 104	2 836 025	1 434 824	212 572	431 187	695 376	(254 189)	-37%	2 698 090
Investment revenue	114 627	257 410	38 489	21 591	35 553	58 597	(23 044)	-38%	278 806
Transfers recognised - operational	2 128 139	4 566 154	766 728	327 397	1 793 653	1 793 131	522	0%	4 342 587
Other own revenue	332 859	1 827 697	220 742	44 174	162 942	1 215 681	(1 052 739)	-87%	926 843
Total Revenue (excluding capital transfers and contributions)	4 371 820	10 235 493	2 779 408	665 453	2 559 674	3 909 689	(1 350 015)	-35%	8 956 807
Employee costs	1 425 233	3 201 236	639 947	242 352	453 806	1 151 235	(697 429)	-61%	2 956 579
Remuneration of Councillors	111 881	293 376	50 703	23 785	42 523	71 641	(29 118)	-41%	274 437
Depreciation & asset impairment	74 105	1 327 646	301 258	16 894	18 311	785 666	(767 355)	-98%	852 359
Finance charges	35 760	79 851	56 260	377	869	10 200	(9 331)	-91%	71 961
Materials and bulk purchases	1 003 667	2 095 839	941 933	251 527	372 055	535 250	(163 194)	-30%	2 008 462
Transfers and grants	98 176	68 461	33 639	3 831	8 185	5 321	2 864	54%	64 853
Other expenditure	1 332 263	3 173 809	661 289	183 434	330 449	978 148	(647 899)	-66%	3 027 895
Total Expenditure	4 081 885	10 245 217	2 685 034	722 290	1 226 199	3 537 461	(2 311 262)	-65%	9 266 606
Surplus/(Deficit)	290 735	(9 725)	94 374	(56 747)	1 333 475	372 228	961 247	256%	(309 799)

Source: In-year-monitoring database

Figure 1: Financial Performance



Source: In-year-monitoring database

The financial performance results to date reveal that municipalities underperformed below above the year-to-date budget for items such as property rates, service charges, investment revenue and other own revenue except operating grants. Operating revenue recorded an average under collection of 35% in August.

All items on the operating expenditure underperformed against the year-to-date budget except line item transfers and grants which over performed by 54% which implies that underperformance on the operating expenditure budget remains a challenge. The average rate for the province is negative 65 percent. The poor performance on these items is assumed to be as a result of improper budgeting principles.

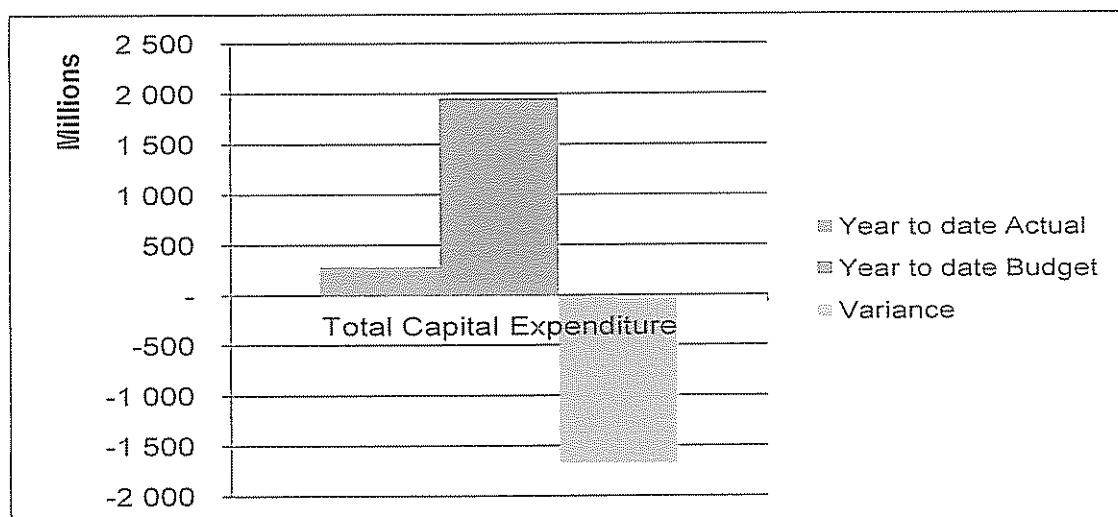
5.2 Capital Expenditure

Table 3: Capital Expenditure and Sources of funds

R thousands	2011/12	Budget Year 2012/13							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Capital expenditure & funds sources									
Capital expenditure	3 237 455	4 219 616	1 001 658	175 878	280 057	1 954 504	(1 674 448)	-86%	2 985 763
Capital transfers recognised	907 182	3 499 168	599 335	129 033	137 655	1 599 535	(1 461 880)	-91%	2 262 026
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	55 000	30 000	-	-	397	(397)	-100%	45 000
Internally generated funds	229 679	315 489	382 323	50 552	69 703	(109 289)	178 992	-164%	256 370
Total sources of capital funds	1 136 861	3 869 657	1 001 658	179 585	207 358	1 490 644	(1 283 286)	-86%	2 573 396

Source: In-year-monitoring database

Figure 2: Capital Expenditure



Source: In-year-monitoring database

For the of August capital expenditure budget records under spending by eighty-six (86%) percent. Municipalities continue to disclose unsatisfactory capacity to spend on grant funded projects; the same applies to projects funded from borrowings and internally generated revenue (surplus funds) which recorded underperformance of 100% and 164% respectively. Capital projects funded from internally generated funds underperform due to the budget not being cash backed or the collection rate from the current year's billing being unrealistic. This is still assumed to be as a result of improper budgeting principles for borrowings and internally generated funds.

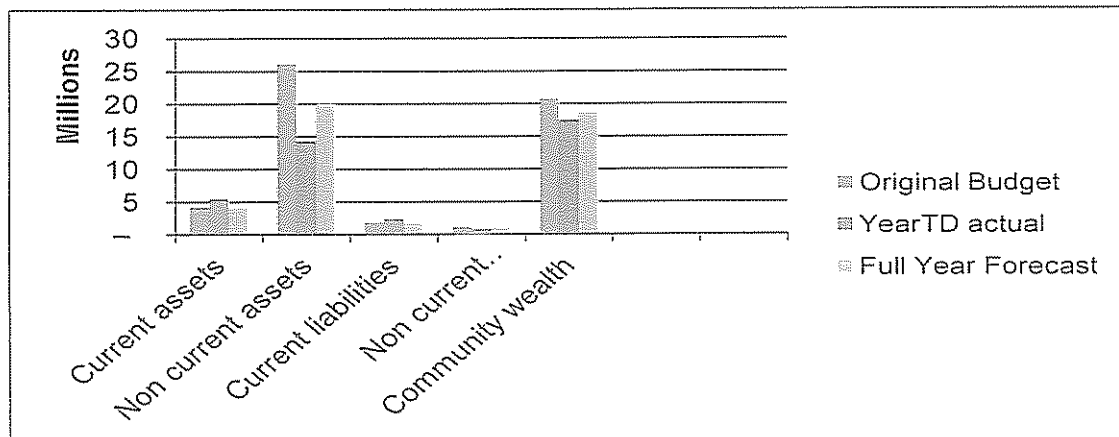
5.3 Financial Position

Table 4: Financial positions

	2011/12	Budget Year 2012/13			
	Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands					
Financial position					
Total current assets	2 111 395	4 139 512	1 297 632	5 370 287	4 013 092
Total non current assets	10 697 872	26 011 290	9 632 986	14 254 891	20 042 421
Total current liabilities	1 244 234	1 761 631	932 155	2 319 220	1 712 096
Total non current liabilities	248 301	1 016 566	704 677	763 584	976 953
Community wealth/Equity	7 687 307	20 673 845	9 355 908	17 378 155	18 685 484

Source: In-year-monitoring database

Figure 3: Financial positions



Source: In-year-monitoring database

This table reveals gross breach of budgeting principles. A horizontal comparison of each line item reveals that this information is not credible, the year-to date actual for some of the items such as total current assets and total current liabilities have already exceeded the original budget amounts for items such as non current assets and non current liabilities. Due to this reason, no reliance should be placed on these results.

5.4 Cash Flow Statement

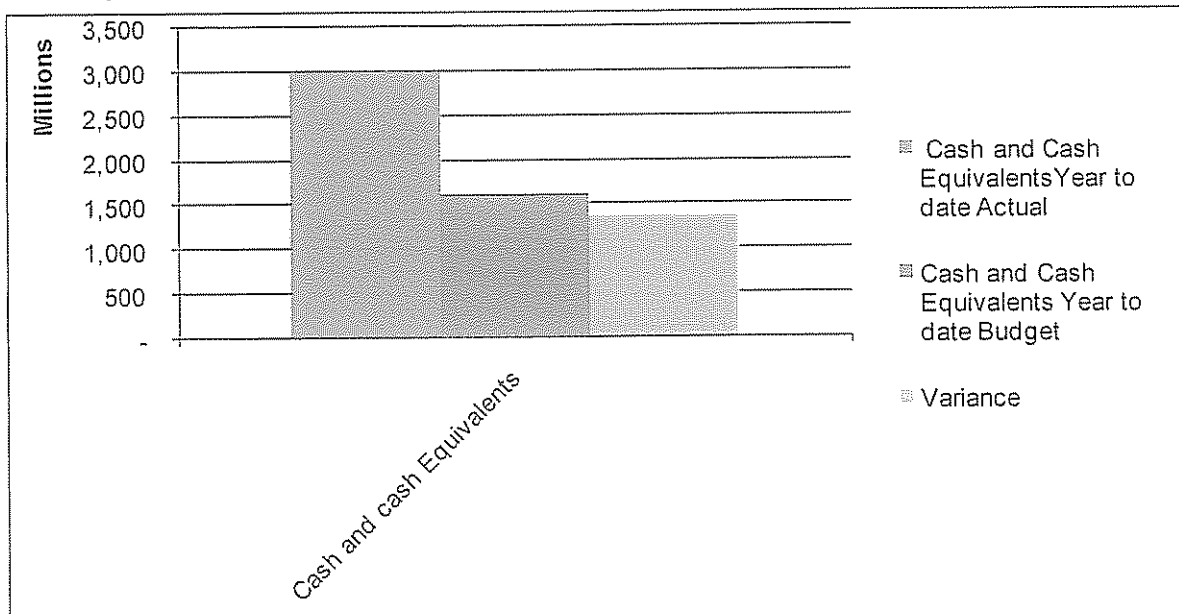
Table 5: Statement of Cash Flow

R thousands	2011/12	Budget Year 2012/13							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Cash flows									
Net cash from (used) operating	2 291 804	4 696 692	768 668	90 454	2 218 393	1 977 659	240 525	12%	4 160 791
Net cash from (used) investing	(1 851 322)	(4 141 624)	(640 846)	(144 645)	(1 555 990)	(1 216 366)	(339 624)	28%	(3 779 154)
Net cash from (used) financing	51 209	(16 544)	(3 747)	921	(103 389)	(3 886)	(99 504)	2661%	(35 208)
Cash/cash equivalents at the month/year end	924 095	1 825 928	156 509	-	1 782 850	1 844 820	(61 969)	-3%	1 570 267

Source: In-year-monitoring database

Figure 4: Statement of Cash Flow

Source: In-year-monitoring database



Due to the current challenges regarding the credibility of the cash flow statement of municipalities (cash projection/ forecasting), reliance on these financial results should be exercised with caution.

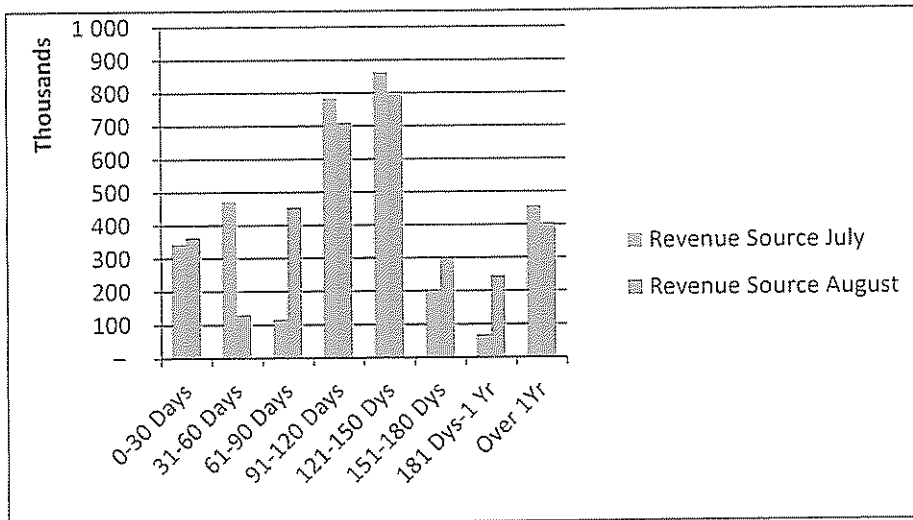
5.5 Debtors and Creditors Ageing

Table 6: Debtors Ageing

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Revenue Source July	343 711	471 737	116 350	781 982	851 488	205 030	68 079	456 618	3 304 995
Revenue Source August	352 398	130 332	453 453	708 631	603 354	298 507	245 585	403 737	3 405 997

Source: In-year-monitoring database

Figure 5: Debtors Ageing



Source: In-year-monitoring database

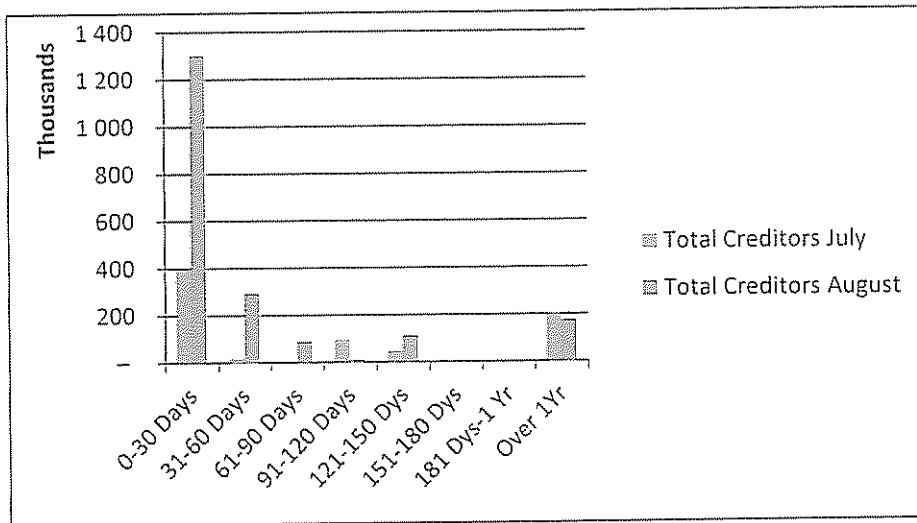
The table above reflects regression in terms of collection of revenue due to the municipalities. Some of the debt categories recorded higher closing balances with the exception of the category 31-60 days which recorded a decrease of 341 million (72% percent). However, the total debt increased by 3 percent between July and August 2012.

Table 7: Creditors Ageing

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Total Creditors July	397 709	18 104	4 617	97 114	46 435	1 130	4 347	195 102	765 558
Total Creditors August	1 299 758	291 116	88 314	11 768	111 810	81	81	176 023	1 978 952

Source: In-year-monitoring database

Figure 6: Creditors Ageing



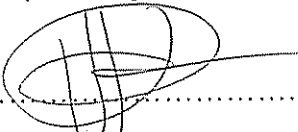
Source: In-year-monitoring database

The creditors' book also recorded an increase in the total owed by municipalities, the total increase between July and August 2012 amounts to R1, 2 billion (158 percent). The increase in this book is a serious challenge as it continues to disclose serious non compliance with MFMA S65 and MFMA Circular 49 by having monies owed for more than thirty days.

6. Conclusion

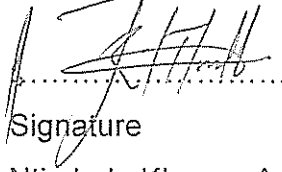
The average performance to date reveal serious challenges related to revenue collection, expenditure/contract/supply chain management and cash flow projection. The poor performance on the capital projects and the low collection rate on outstanding debtors pose serious challenges on the sustainability of municipalities. This is an indication that municipalities in the Province don't plan properly with regard to implementation of projects which may impact negatively on service delivery.

Prepared by:

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 Signature

Ngoepe N.A: MFMA Coordinator

Reviewed by:



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Signature

Ntimbela Khaya : Acting Senior General Manager Programme 2