



Table of Content

1. Introduction
2. Financial Status of Mun-NW
3. State of Budget process- NW
4. Challenges
5. Support Programmes
6. Closure

2

Introduction

- Challenges ranges from: Financial, Policies, Systems, Skills, Political instability and infrastructure backlogs.
- Support was not done holistically.
- Support over past 4 years not effective because symptoms were treated and not the cause of the problem.
- MFMA Unit has limited resources and capacity to monitor and support municipalities.
- Needed proper diagnosis to provide correct support.
- Need a targeted approach to ensure measurable results.
- Need to build in house capacity to meet the needs / demands of municipalities
- Need for continuous feedback to Mun Managers and councillors.

Financial Status of Mun's (1)

- 26 Mun's (local and District), ranging from very poor to financially viable mun's.
- Majority of mun's in rural areas with limited or no revenue base.
- High levels of unemployment and limited economic activity in some areas.
- High levels of indigent consumers, impact on revenue raising abilities.
- Poor financial and administrative systems.

Financial Status of Mun's (2)

- Mun's grouped into financial viable, stable and struggling.
- Financial "Viable" Mun's: Rustenburg, Matlosana, Merafong, Potch, Moses Kotane, District Mun's, Taung,
- Financial "Stable" Mun's: Kgetleng Rivier, Madibeng, Kagisano, Mafikeng, Maquassi Hills, Ratlou, Zeerust, Ditsobotla
- Financial "Struggling" Mun's: Mamusa, Naledi, Ventersdorp, Tswaing, Molopo, Lekwa Teemane, Ratlou.
- NT Classification (H,M,L) was based on financial reporting ability (survey done in 2004)

Financial Status of Mun's (3)

- Central District (as at March 2007)
 - Spend 44% of Capex and 49% of Opex
- Bophirima District (as at March 2007)
 - Spend 70% of Capex and 64% of Opex
- Outstanding Debtors as at March 2007 is estimated at R1.8bn (NW)
- Outstanding creditors above 90 days is escalating
- Some mun's 100% grant depend.

MUNICIPALITY Equitable Share	2003/4	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Diff. between	% growth
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	2003-2010	over the per.
Moretele	16,566	24,696	39,425	47,984	53,530	62,085	80,315	63,729	384%
Madibeng	49,483	61,973	76,129	88,000	103,200	119,941	155,708	106,225	215%
Rustenburg	49,098	58,978	76,937	87,839	97,332	113,623	148,585	99,487	203%
Kgetlengrivier	6,994	8,495	10,927	13,363	15,241	17,700	22,950	15,956	228%
Moses Kotane	35,174	43,764	59,896	72,634	83,164	96,477	124,857	89,683	255%
Mafikeng	19,653	26,209	32,435	37,640	44,315	51,514	66,908	47,255	240%
Disobokwa	11,854	14,322	19,941	24,546	26,984	31,369	40,737	28,883	244%
Central District Mun.	46,408	51,813	71,991	151,124	107,535	124,787	162,211	115,803	250%
Kagisano	14,112	18,712	15,795	18,837	19,126	22,185	28,706	14,594	103%
Naledi	5,459	6,849	8,832	11,034	12,142	14,132	18,390	12,931	237%
Mamusa	6,689	8,100	8,308	10,052	10,975	12,751	16,542	9,853	147%
Lekwa-Teemane	4,971	5,980	7,371	8,945	9,772	11,367	14,777	9,806	197%
Bophirima District Mun.	32,362	37,699	46,842	72,694	69,635	80,754	104,591	72,229	223%
Ventersdorp	8,170	9,710	12,045	14,585	16,623	19,291	24,982	16,812	206%
Potchefstroom	13,035	15,126	23,469	28,189	34,003	39,717	52,001	38,966	299%
Merafong City				68,825	65,298	76,619	101,209	101,209	147%
Southern District Mun.	1,541	1,244	1,190	72,047	8,238	9,307	12,924	11,383	739%
TOTAL	460,034	553,694	709,438	1,202,687	1,055,898	1,228,007	1,599,450	1,139,416	248%

Financial Status (4)

- The analysis of the municipal equitable share allocations from 2003 to 2009, are as follow:
 - Highest increase : 739%
 - Average increase : 200%
 - Lowest increase : 103%
- Total increase for the NW Province: 248%
- Increases in E/Share can't be linked to increased service delivery
- Mun's still spend in more on salaries, bonuses, and bulk purchases

GRANTS: MUNICIPAL INFRASTRUCTURE GRANT (MIG) ALLOCATIONS								
MUNICIPALITY	2003/04 R'000	2004/05 R'000	2005/06 R'000	2006/07 R'000	2007/08 R'000	2008/09 R'000	2009/10 R'000	Diff. between 2003-2010
Moretele	17,535	21,393	23,860	35,232	40,663	49,111	40,592	23,057
Madibeng	15,179	18,404	20,456	69,815	80,575	97,316	80,434	65,255
Rustenburg				71,144	82,109	99,169	81,965	81,965
Kgetsvivier				6,124	5,401	6,523	5,392	5,392
Moses Kotane				42,458	49,001	59,182	48,916	48,916
Bojanala Platinum Dist.	18,894	23,147	25,873					-18,894
Ratlou				5,331	6,153	7,431	6,142	6,142
Tswaing				6,611	7,630	9,219	7,616	7,616
Mafikeng				12,982	14,983	18,096	14,957	14,957
Disobotte				8,567	9,888	11,942	9,870	9,870
Zeevust				7,327	8,456	10,213	8,442	8,442
Central District Mun.	29,410	35,424	39,296	71,372	81,304	99,487	82,228	52,818
Kagisano				4,580	5,286	6,384	5,277	5,277
Naledi				2,650	3,068	3,694	3,053	3,053
Mamusa				3,442	3,972	4,797	3,965	3,965
Greater Taung				9,266	10,695	12,917	10,676	10,676
Molopo					1,135	1,371	1,133	1,133
Lekwa-Teemane				3,168	3,656	4,416	3,650	3,650
Bophirima District Mun.	20,502	24,977	27,900	38,812	63,649	52,730	43,582	23,080
Venterdorp				6,203	7,339	8,847	7,147	7,147
Potchefstroom	4,845	6,183	7,093	12,456	14,376	17,363	14,351	9,506
Klerksdorp	10,789	13,101	14,639	70,556	112,423	58,201	48,179	37,380
Maquassi Hills				23,284	53,409	13,804	11,410	11,410
Merafong City				28,580	31,871	33,957	28,075	28,075
Southern District Mun.	3,723	4,833	5,578					-3,723
TOTAL	120,877	147,462	164,695	539,960	707,032	686,066	567,052	446,175

THE MTREF BUDGET PROCESS

- Allows for tabling of budget 31 March
- Public hearings in April / May
- Review, finalize and adopt in 31 May
- Service Delivery and budget Implementation plan (SDBIP) & Performance Agreement
- Adjustment budget in January / February

Municipality	Tabled on/before 31 March 2007 Yes or No	If Yes date tabled	If not tabled on/before 31 March 2007 alternative date	Draft budgets submission	Proposed date of adoption of 07/08 Budget
Moretele	Yes	30/03/07		Submitted	31/05/07
Madibeng	Yes	27/03/07		Submitted	29/05/07
Kgetlengrivier	No	11/04/07		Submitted	31/05/07
Moses Kotane	Yes	30/03/07		Submitted	31/05/07
Bojanala Platinum	Yes	29/03/07		Submitted	29/05/07
Ratlou	No		02/04/07	Submitted	29/05/07
Tswaing	No		04/05/07	Submitted	29/05/07
Ditsobotla	Yes	28/03/07		Submitted	29/05/07
Zeerust	No		05/04/07	Submitted	28/05/07
Central District	Yes	29/03/07		Submitted	31/05/07

Municipality	Tabled on/before 31 March 2007 Yes or No	If Yes date tabled	If not tabled on/before 31 March 2007 alternative date	Draft budgets submission	Proposed date of adoption of 07/08 Budget
Ventersdorp	No		02/04/07	Submitted	29/05/07
Maquassi Hills	Yes	27/03/07		Submitted	31/05/07
Merafong City	Yes	30/03/07		Submitted	31/05/07
Southern District	Yes	29/03/07		Submitted	31/05/07
NON DELEGATED					
Rustenburg	Yes	27/03/07			29/05/07
Mafikeng	Yes	30/03/07		Submitted	28/05/07

Municipality	Tabled on/before 31 March 2007 Yes or No	If Yes date tabled	If not tabled on/before 31 March 2007 alternative date	Draft budgets submission	Proposed date of adoption of 07/08 Budget
Kagisano	Yes	30/03/07		Submitted	30/05/07
Naledi (NW)			16/05/07	Submitted	06/06/07
Mamusa	No		28/05/07	Not submitted	28/06/07
Greater Taung	Yes	28/03/07		Submitted	30/05/07
Molopo	Yes	28/03/07		Submitted	31/05/07
Lekwa-Teemane	No		07/05/07	Submitted	31/05/07
Bophirima District	Yes	29/03/07		Submitted	24/05/07

Budget Process

- 8 of 25 mun's tabled draft budgets by 31 March
- 12 of 25 adopted budgets before 31 May 2007
- 10 of 25 adopt on 31 May 2007.
- Ventersdorp Mun to adopt 06 June 2007.
- Mamusa to adopt by mid June 2007- support given to ensure adoption.
- Budget Assessments done on budgets submitted to PT.
- Feedback provided to mun's based on the assessments

Budget Assessment Report

1. Senior management not financial orientated, CFO compiles budget – historic problem
2. Credibility of revenue sources
3. Sustainability of capital investments
4. Financial sustainability
5. Budget documents not user friendly
6. Consultation processes needs serious attention.
7. Budget process timelines not adhered to.
8. Budgets not related to IDP objectives / Strat Plan – done in isolation.

15

Challenges

1. Incremental budgeting still used. (lack of planning)
2. Budget compiled in "old" format, then converted to Circular 28.- distort information.
3. Cash flow management and collection of debt.
4. Linking budget with the IDP, just theoretical.
5. Unrealistic budgets and repeated annually.
6. External borrowing not confirmed, and no credit ratings done by mun's
7. Budget not used as a strategic tool, operational focused.

16

Other Challenges

- LT debt not problem – mainly High capacity.
- ST debt a problem, its 18 month time frames (overdrafts)
- Validity and comparing of monthly data submitted
- Slow processes of procurement – NT /PT provides training
- Timeframes with AFS submission and quality of info.
- Skills in AFS new formats, lack capacity on GRAP- GAMAP
- PT and Acc general not having capacity to assist mun's
- Establish audit committee – shared service with district.
- Cross cutting problems – needs strategic approach
- Targeted capacity building for cllrs when needed : eg budget process.
- Mun managers also need support and capacity building.
- Sharing of best practices, knowledge – mun's

Strategy

- Status Quo Assessments - Strategies
- Support Programmes- specific KPA's
- Compliance Programmes.

Objectives:

- **Incremental approach**
- **Measurable**
- **Realistic**
- **Buy in from all stakeholders**

Support Programmes

- Budget assessments – feedback
- Monthly reporting – section 71.
- Hands-on training on formats and processes
- Training on roles and responsibilities
- Support in GAMAP / GRAP conversions
- Support on reporting formats and tools
- Support Revenue Enhancement Initiatives

19

Team/Resources

- Building In house capacity to:
 - Analyse information / data
 - Make sense out of it.
 - Design strategies, support from it.
 - Give feedback to mun's for improvement.
 - Measurable improvement, eg: audit reports, quality of budgeting and reporting
 - Share information with all stakeholders

Select Committee on Finance

1 June 2007

Budget Process of Municipalities

in the North West Province

① 070606 SC Finance

Province of the North West
Die Provinsie van die Noord-Wes
Porofense ya Bokone Bophirima



DEPARTMENT OF FINANCE

Private Bag X2060
MMABATHO
2735

The Chairperson: Select Committee on Finance
Parliament of the Republic of South Africa
P.O.Box. 15
Cape Town
8000

Dear Mr. T. Ralane

Report on the Financial Performance and Budget Process of Municipalities in the North West Province

Your invitation dated 24 May 2007, bears reference.

Please find attached the report from the NW Provincial Treasury covering the following:

1. The financial performance of municipalities for the period January to March 2007
2. The report on the municipal budget process for period up to 31 May 2007.
3. The report from the Office of the Audit general on the opinions for the period 2003 to 2006.

The information in the above mentioned reports has been incorporated into our presentation to the committee.

Yours sincerely.

MEC. Maureen Modiselle.
MEC FINANCE
31 May 2007.

10. Kgetlengrivier Local Municipality

Capital Expenditure

The municipality has budgeted an amount of R32m for Capital Expenditure and expenditure to date is R33 641 262m, which is 105.2% spent at 31 March 2007.

Operating Expenditure

The operating expenditure is R38m. The report from municipality indicates that expenditure to date is R37m, which is 97.4% at 31 March 2007.

Aged Debtors Analysis

The municipality has outstanding debtors. The actual debt to date is R47m.

GRANTS

Total grant funding amount to R45.8m, which amount to 65.2% of their total budget.

11. Bojanala District Municipality

No information provide despite follow ups made with staff in the Finance Department.

12. Southern District Municipality

No submission of reports for the 3rd quarter, matter was taken up with the Chief Financial Officer where commitment was made to address the problem.

13. Lekwa-Teemane Local Municipality

Capital Expenditure

The capital budget for the financial year is R14 m with expenditure to date of R6m. The total expenditure as at 31 March 2007 is 43% and should have been 75% for the 3rd quarter.

Operating Expenditure

The operating budget is R72 m and expenditure to date is R39 m or 54% at 31 March 2007.

Aged Debtors Analysis

The outstanding consumer debtors over 90 days amount to R88m.

Aged Creditors Analysis

The outstanding creditors of over 90 days amount to R24m.

Grants

Total grant funding amounts to R14 m, which amounts to 16% of their total budget.

14. Mamusa Local Municipality

No information submitted. Meeting was held with the acting Municipal Manager and CFO, without any success.

15. Merafong City Local Municipality

Capital Expenditure

The capital budget for the financial year is R188.9 m and expenditure to date is R82.9m. The total expenditure as at 31 March 2007 is 43.8% and should have been 75% of the total budget for the 3rd quarter.

Operating Expenditure

The operating budget is R347 m and expenditure to date is R102.8m or 30% at 31 March 2007, which should have been 75% by now.

Aged Debtors Analysis

No information.

Aged Creditors Analysis

No information.

Grants

No information.

16. Maquassi Hills Local Municipality

Capital Expenditure

The capital budget for the financial year is R76.7 m with expenditure to date of R1.9 m at 31 March 2007. The total expenditure is 2.4% for the 3rd quarter.

Operating Expenditure

The operating budget is R92.5 m and expenditure to date is R53.7 m at 31 March 2007 which is 58% spent for the quarter.

Aged Debtors Analysis

The outstanding consumer debtors over 90 days amount to R48m.

Aged Creditors Analysis

The outstanding creditors for 60 days amount to R2.2 m.

Grants

Total grant funding amounts to R-86 m which amounts to 50.9% of their total budget.

17. Ventersdorp Local Municipality

Capital Expenditure

The capital budget for the financial year is R31m, with expenditure to date of R10.6m at 31 March 2007. The total expenditure is 34% for the 3rd quarter.

Operating Expenditure

The operating budget is R56.8 m, and expenditure to date is R46m at 31 March 2007 which is 90% spent for the 3rd quarter.

Aged Debtors Analysis

The outstanding consumer debtors over 90 days amount to R26.2m.

Aged Creditors Analysis

The outstanding creditors for 30 days amount to R3.9 m.

Grants

Total grant funding amounts to R9.6 m which amounts to 11% of their total budget.

18. Madibeng Local Municipality

No information submitted, the municipality is converting to a new financial and IT system, which would be functional by June 2007?

19. City of Matlosana**Capital Expenditure**

The capital budget for the financial year is R178m, with expenditure to date of R2.3m at 31 March 2007. The total expenditure is 1.3% for the 3rd quarter.

Operating Expenditure

The operating budget is R760 m, and expenditure to date is R239m at 31 March 2007 which is 31% spent for the 3rd quarter.

Aged Debtors Analysis

The outstanding consumer debtors over 90 days amount to R442m.

Aged Creditors Analysis

The outstanding creditors for 30 days amount to R77 m.

Grants

No information on grant funding.

20. Potchefstroom**Capital Expenditure**

The capital budget for the financial year is R39.6m, with expenditure to date of 19m at 31 March 2007. The total expenditure is 50% for the 3rd quarter.

Operating Expenditure

The operating budget is R367 m, and expenditure to date is R235m at 31 March 2007 which is 64% spent for the 3rd quarter.

Aged Debtors Analysis

The outstanding consumer debtors for 90 days amount to R71m.

Aged Creditors Analysis

The outstanding creditors for 30 days amount to R25 m.

Grants

No information on grant funding.

21. Bophirima District Municipality

Capital Expenditure

The capital budget for the financial year is R108m, with expenditure to date of R75m. The total expenditure as at 31 March 2007 is 69.8% which should have been 75% for that period.

Operating Expenditure

The operating budget for the financial year is R168m, with expenditure to date of R107m. The total expenditure as at 31 March 2007 was 64% which should have been 75% for that period.

Aged Debtors and Creditors Analysis

The municipality has debtors for 31-60 days an amounted to R172 910.00 and the creditors not for more than 30 days that amounts to R6.309.00 and is the council's policy to pay creditors within 30 days.

Grants

Total grant funding amounts to R152 m which amounts to 55% of their total budget.

22. Greater Taung Local Municipality

Capital Expenditure

The capital budget for the financial year is R13 m with expenditure to date of R300 000. The total expenditure as at 30 September 2006 is 2.3% which should have been 25% for the quarter.

Operating Expenditure

The operating budget is R37 m and expenditure to date is R84 m or 226% at 30 September 2006 which should have been only 25% for the 1st quarter.

Aged Debtors Analysis

The outstanding consumer debtors over 90 days amount to R12.9 m, which represents more then 34% of the operating budget.

Creditors Analysis

The municipality did not supply us with any information on their creditors.

Grants

Total grant funding amounts to R38.4 m which amounts to 76% of their total budget.

23. Kagisano Local Municipality

Capital Expenditure

The capital for the financial year is R44 m with expenditure to date of R11m. The total expenditure as at 28 February 2007 was 25.7% which should have been 60% for that period.

Operating Expenditure

The operating budget is R65 m with the expenditure to date of R27m. The total expenditure as at 28 February 2007 was 42.1% which should have been 60% for that period.

Aged Debtors Analysis

The municipality has no debtors, since the municipality is 100% rural and electricity is provided directly by Eskom.

Creditors Analysis

The creditors to date amount to R2 m and in terms of information the creditors is for 0 to 30 days.

Grants

Total grant funding amounts to R62.7 m which amounts to 57% of their total budget.

24. Molopo Local Municipality**Capital Expenditure**

The capital budget for the financial year is R4m, with expenditure to date of R667 285. The total expenditure as at 31 March 2007 is 16.2% which should have been 75% for that period.

Operating Expenditure

The operating budget for the financial year is R7.2m, with expenditure to date of R4m. The total expenditure as at 31 March 2007 was 66.6% which should have been 75% for that period.

Aged Debtors and Creditors Analysis

The municipality is 100% rural and electricity is provided directly by eskom, and creditors are paid within 30 days.

Grants

Total grant funding amounts to R6 m which amounts to 54% of their total budget.

25. Moshaweng Local Municipality (last report, municipality reports to Northern Cape)**Capital Expenditure**

The capital budget for the financial year is R52m with expenditure to date of R23m at 31 March 2007. The total expenditure is 45.2% which should have been 75% for that period.

Operating Expenditure

The operating budget is R21.5 m and expenditure to date is R15m at 31 March 2007 which is 69% which should have been 75% for that period.

Aged Debtors and Creditors Analysis

The municipality is 100% rural and electricity is provided directly by Eskom, and creditors are paid within 30 days.

Grants

Total grant funding amounts to R62m which amounts to 80% of their total budget.

26. Naledi Local Municipality

Capital Expenditure

The capital budget for the financial year is R16.4m, no information was provided on expenditure in this financial year to date-31 March 2007

Operating Expenditure

The operating is R106.2 m, no information was provided on expenditure in this financial year to date-31 March 2007.

Aged Debtors and Creditors Analysis

No information provided.

Grants

No information provided.

27. Moretele Local Municipality-(Bojanala District)

Capital Expenditure

The capital budget for the financial year is R99.6 m, no information was provided on expenditure in this financial year to date-31 March 2007.

Operating Expenditure

The operating budget is R85 million no information was provided on expenditure in this financial year to date-31 March 2007.

Aged Debtors and Creditors Analysis

No information provided.

Grants

Total grant allocations amounts to R66.2 which amounts to 36% of their total budget.

28. Moses Kotane Municipality-(Bojanala District)

Capital Expenditure

The capital budget for the financial year is R240 m and the expenditure to 31 December 2006 was R40.9. The total expenditure is 17% which should have been 50% for that period.

Operating Expenditure

The operating budget is R187.6 m and the expenditure to 31 December 2006 was R59.7m. The total expenditure was 31.9% which should have been 50% for that period.

Aged Debtors and Creditors Analysis

No information provided.

Grants

Total grant funding amounts to R283m, which amounts to 66.2% of the total budget.

Ventersdorp	No		02/04/07	Submitted	06/06/07			
Maquassi Hills	Yes	27/03/07		Submitted	31/05/07			
Merafong City	Yes	30/03/07		Submitted	31/05/07			
Southern District	Yes	29/03/07		Submitted	31/05/07			
NON DELEGATED								
Rustenburg	Yes	27/03/07			29/05/07			
Mafikeng	Yes	30/03/07		Submitted	28/05/07			
Potchestroom	Yes	27/03/07			29/05/07			
City of Klerksdorp	Yes	27/03/07			30/05/07			
TOTAL 25								

Out of the 21 delegated municipalities, only one municipality (Mamusa) has not yet tabled the draft budgets for 2007/08 before council. Mamusa had problems in finalizing their budgets due cash flow problems resulting from under collection of revenue and some political instabilities but the draft for will be tabled before council on Monday the 28th May 2007 and the final budget will be adopted on the 28 of June 2007. Ramotshere Moiloa local municipality could not be reached to confirm the date of adoption for the final budget.

The unit has assisted some of the municipalities could not submit draft budgets on time and the one's that had problems with the budget format (MFMA Circular 28) and also encourage all municipalities to adopt their budgets 30 days before the start of the financial year.

Due to other commitment, time constraints and under capacity, the unit has managed to perform budget analysis on few budgets. The following is the concise or crisp findings per municipality:-

Southern District municipality

The presented budget document did detail both Operating and Capital expenditures per vote which makes it difficult to know the detailed expenditure per vote. The revenue anticipated to be raised for 2007/08 equals has increase by 21 878 415 as compared to the 2006/07 revenue. The budget document as analyzed has shown that operating expenditure is funded from realistically anticipated revenues and cash backed accumulated funds from previous surpluses not committed and their capital expenditure is funded from the above plus loan borrowings. The observations have also proven that the budget has decreased as compared to 2006/07 particularly the capital budget.

The municipal IDP was not received at the time budget analysis was performed which hamper on the budget analysis process.

The budget document as presented shown that there is a surplus and there is also a decrease in debtors which subsequently means the municipal revenue will improve and assist the financial viability of the municipality. The municipality did not comply fully with the requirements of MFMA Circular 28.

Central District Municipality

The budget document as presented it's more of a draft not (detailed). Capital budget is not broken down for the MTEF period only the 2007/08 expenditure estimates. There is a relative increase of 73 371 239 on the total budget as compared to the 2006/07 budget. There is a high increase in the ratio for water reticulation and purification and this shows that the municipality is responding positively to water shortage in the district. There is a relative increase in repairs and maintenance ratios which indicates that the municipality budgeted more money to improve their assets condition. The municipality did not comply fully with the requirements of MFMA Circular 28.

Moses Kotane Local Municipality

The operating income of the municipality has increased by 31 530 144 as compared to 2006/07 income. The total revenue anticipated to be raised is more than the total expenditure for both capital and operating budget, for operating budget there is a surplus of 75 693.

The analysis has proven that there is a relative decrease in debtors from 20% (2006/07 financial year) to 10% in 2007/08 financial year. Debtors which are longer than 90 days has decrease from 24 499 169 to 20 719 599 which paints a positive picture in terms of revenue collection enhancement and financial viability of the municipality.

The capital budget (draft 2007/08) has decreased with 127 403 546 as compared to 2006/07 financial year. The capital budget forms 30% of the total budget which is a less compared to the operating budget because municipality are expected to spend the better part of their budget in providing sustainable and better services to the community than on the operational matters. The municipal IDP reflects quite a number of proposed projects which ultimately does not indicate which projects are prioritized to be funded in 2007/08 financial year (is there any prioritization strategy in place to prioritize projects).

Kgetleng Local Municipality

The budget document as presented shows that operating expenditure is funded from revenue anticipated to be raised and their capital expenditure is funded from grants and subsidies from national government. The budget has increased relatively with 18 % as compared to 2006/07 financial year.

The analysis has also proven that there is an increase of 15% in debtors and municipality must somehow provide PT with reasons for this particular increase.

The municipality is also expected to indicate if there is a revenue collection and credit control policy / strategy in place and the effectiveness of that particular policy in ensuring that revenue collection of the municipality is enhanced. Hence the increase in debtors, the municipality did not make any provision for bad debts which will hamper the running of the municipality.

Out of the total budget, only 30% is allocated to capital which raises a question of how the capital needs are being assessed and prioritized. How much of the capital projects in terms of % are the results of public participation during the IDP process? Does the municipality use grants only or grants plus own funds to fund capital projects? What % of backlogs will be reduced by this capital budget?

Detailed information on Capital budget was not provided on both the Appendix A and the budget. The capital budget increased/decrease could not be clarified as figures for 2007/08 are not provided.

Bojanala District Municipality

The operating income of the municipality has increased by 6 595 474 as compared to 2006/07 income. The total revenue anticipated to be raised is more than the total expenditure for operating budget, which means the municipality, might have a surplus at the end of the financial year. Capital expenditure has as well increased with 50 550 332 as compared to 2006/07 income. The total income for capital is less than the anticipated capital expenditure which could leave the municipality with a deficit.

There is no reconciliation between the budget document and the Appendix A document.

The budget document does not comply with MFMA Circular 28 and it does not even have MTEF allocations only 2006/07 and 2007/08 which makes it difficult for the analyst to provide a detailed informed report on the budget of the municipality.

Maquassi Hills Local Municipality

The operating budget of the municipality is running at the deficit of 43 417 788, the municipality was contacted regarding this matter and they mentioned that they are aware of the deficit and it will be managed and dealt with before the adoption of the final budget. The analysis has proven that there is 19% decrease in total debtors as compared to 2006/07 financial year. Based on the information submitted by the municipality the tariff increase depicts 0% which could not be used.

The capital budget has increased by 39% as compared to 2006/07 financial year. The municipality has allocated an amount of 38 646 000 from own source of fund to fund capital budget which is a good exercise for the municipality to use their own funds to fund capital. Out of the total budget only 30% forms the capital budget. Out of the 70% of operating budget 1.5% is allocated to asset repairs and maintenance which is quite a small percentage and municipalities are encouraged to allocate more money into asset repairs and maintenance in order to increase the lifespan of the assets and add more value to those particular equipments.

There is no information provided on the Appendix A regarding the total capital Expected budget and it makes it difficult for the analyst to determine how much in terms of percentage is being rolled over to the next financial year.

Ventersdorp Local Municipality

The capital budget (draft 2007/08) has increased with 9 129 244 as compared to 2006/07 financial year. The capital budget forms 34.5% of the total budget which is less compared to the operating budget which is 65.5%, because municipality are expected to spend the better part of their budget in providing sustainable and better services to the community than on the operational matters. There is still no clear linkage between the budget and the IDP and the projects amounts are not broken down per MTEF. Out of the total budget 65.5% forms part of the operating budget and only 2.3% out of the 65.5% is budgeted for repairs and maintenance, municipalities are expected to allocate more money into repairs and maintenance to improve the existing assets.

The operating income of the municipality has increased by 8 867 533 as compared to 2006/07 income. The total revenue anticipated to be raised is more than the total expenditure for operating budget, there is a surplus of 1 692 313. The analysis has shown that the total outstanding debtors are 44.9% over operation budget and there is no information for the 2006/07 financial year for comparisons. Debtors longer than 90 days has increased from 24 611 859 to 26 298 924 which hampers the revenue collection and financial viability of the municipality. Municipality is expected to provide PT with reasons for this particular (debtors) increase.

The municipality must also indicate whether there is revenue collection and credit control policy in place and the effectiveness of the policy. The other challenge facing the unit is issue of the format or non-compliance with circular 28 by our municipalities. Most of the municipalities have used a format which is different from the format published on NT website which was then rolled out to them. This makes the analysis cumbersome and somehow time consuming because the municipalities did not use the uniform

Section 3: STATUS REPORT ON MUNICIPAL AUDITS: 2003, 2004, 2005 AND 2006

NAME OF MUNICIPALITY	FINANCIAL YEAR	FINANCIAL STATEMENTS		AUDIT REPORT DATE	AUDIT OPINION	COUNCIL MEETING	AG ATTENDANCE	ANNUAL REPORT RECEIVED
		RECEIVED	RESUBMISSION					
Bojanala District Municipality (H)	2003	21/11/2003	N/A	16/02/2004	Unqualified	Not Known	No	No
	2004	20/10/2004	N/A	17/01/2005	Unqualified	24/02/2005	No	No
	2005	31/08/2005	N/A	30/11/2005	Unqualified	Not yet tabled		
	2006	31/08/2006	N/A	30/11/2006	Unqualified	Not yet tabled		
Rustenburg Municipality (H)	2003	27/01/2004	15/02/2005	15/04/2005	Qualified	26/06/2005	No	No
	2004	28/09/2004	29/07/2005	28/10/2005	Disclaimer	28/03/2006	No (1 day notice)	No
	2005	31/08/2005	N/A	30/11/2005	Qualified	28/03/2006	No (1 day notice)	Yes, but incorrect
	2006	31/08/2006	N/A	30/11/2006	Disclaimer	27/02/2007	Yes	Yes
Madibeng Municipality (H)	2003	3/12/2003	N/A	10/12/2004	Qualified	26/06/2005	No	No
	2004	11/02/2005	18/02/2005	25/08/2005	Disclaimer	Not yet tabled		
	2005	28/08/2006	N/A	30/11/2006	Disclaimer	Not yet tabled		
	2006	28/02/2007	N/A					
Kgetlengrivier Municipality (L)	2003	19/11/2004	30/06/2005	21/10/2005	Disclaimer	08/02/2006	No	No
	2004	09/02/2005	30/06/2005	21/10/2005	Disclaimer	08/02/2006	No	No
	2005	31/08/2005	N/A	30/11/2005	Disclaimer	08/02/2006	No	No
	2006	08/09/2006	N/A	30/11/2006	Disclaimer	Not yet tabled		

Moretele Municipality (L)	2003	28/11/2003	N/A	27/02/2004	Unqualified	Not yet tabled		
	2004	27/10/2004	N/A	04/05/2005	Qualified	Not yet tabled		
	2005	15/09/2005	N/A	12/12/2005	Disclaimer	Not yet tabled		
	2006	04/09/2006	N/A	08/12/2006	Adverse	Not yet tabled		
Moses Kotane Municipality (M)	2003	01/10/2003	N/A	22/12/2003	Unqualified	30/06/2004	No	No
	2004	15/11/2004	N/A	23/02/2005	Unqualified	31/05/2005	No	No
	2005	31/08/2005	N/A	30/11/2005	Qualified	31/01/2006	Yes	Yes
	2006	01/09/2006	N/A	30/11/2006	Unqualified	31/01/2007	Yes	Yes
Bophirima District Municipality (M)	2003	30/09/2003	N/A	22/12/2003	Unqualified	25/02/2005	No	No
	2004	30/09/2004	N/A	23/02/2005	Unqualified	25/02/2005	No	No
	2005	31/08/2005	N/A	30/11/2005	Unqualified	23/02/2006	Yes	Yes
	2006	31/08/2006	N/A	30/11/2006	Unqualified	Not yet tabled		
Naledi Municipality (L)	2003	10/10/2003	N/A	30/11/2004	Disclaimer	Not yet tabled		
	2004	07/01/2005	N/A	01/11/2005	Disclaimer	Not yet tabled		
	2005	31/08/2005	N/A	30/11/2005	Disclaimer	Not yet tabled		
	2006	31/08/2006	N/A	30/11/2006	Disclaimer	Not yet tabled		
Greater Taung Municipality (M)	2003	10/10/2003	30/04/2004	30/09/2004	Qualified	Not yet tabled		
	2004	30/10/2004	N/A	31/08/2005	Qualified	Not yet tabled		
	2005	16/09/2005	N/A	15/12/2005	Disclaimer	Not yet tabled		

	2006	04/12/2006	N/A	22/03/2007	Disclaimer	Not yet tabled		
Mamusa Municipality (M)	2003	30/09/2003	N/A	22/12/2003	Qualified	22/02/2005	No invitation	No
	2004	15/12/2004	15/04/2005	31/08/2005	Qualified	Not yet tabled		
	2005	31/08/2005	N/A	04/07/2006	Disclaimer	Not yet tabled		
	2006	31/08/2006	N/A	30/11/2006	Disclaimer	Not yet tabled		
Molopo Municipality (L)	2003	30/09/2003	N/A	22/12/2003	Unqualified	Not Known	No invitation	No
	2004	30/09/2004	15/12/2004	31/08/2005	Unqualified	Not Known	No invitation	No
	2005	31/08/2005	N/A	30/11/2005	Unqualified	07/12/2005	No invitation	No
	2006	31/08/2006	N/A	30/11/2006	Unqualified	Not yet tabled		
Kaglsano Municipality (M)	2003	30/09/2003	N/A	22/12/2003	Unqualified	Not yet tabled		
	2004	30/09/2004	04/11/2005	15/12/2005	Unqualified	Not yet tabled		
	2005	15/12/2005	N/A	03/11/2006	Qualified	Not yet tabled		
	2006	28/11/2006	N/A					
Moshaweng Municipality (L)	2003	13/10/2003	N/A	22/12/2003	Qualified	Not yet tabled		
	2004	08/09/2005	04/07/2006	23/03/2007	Disclaimer	Not yet tabled		
	2005	08/09/2005	04/07/2006	23/03/2007	Disclaimer	Not yet tabled		
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Central District Municipality	2003	30/09/2003	15/02/2004	28/02/2004	Qualified	Unsure	Yes	No

(L)	2004	09/02/2005	28/04/2005	28/11/2005	Disclaimer	Unsure	Yes	No
	2005	30/08/2005	N/A	30/11/2005	Disclaimer	Not yet tabled		
	2006	31/08/2006	N/A	08/12/2006	Adverse	Not yet tabled		
Mafikeng Municipality (L)	2003	26/02/2004	05/09/2004	05/11/2004	Disclaimer	Not yet tabled		
	2004	24/12/2004	21/09/2005	16/01/2006	Disclaimer	Not yet tabled		
	2005	25/11/2005	N/A	12/09/2006	Disclaimer	Not yet tabled		
	2006	31/08/2006	N/A	30/11/2006	Disclaimer	Not yet tabled		
Ditsobotla Municipality (L)	2003	07/12/2004	11/05/2005	13/06/2005	Disclaimer	06/08/2005	No	No
	2004	02/09/2005	N/A	30/11/2005	Disclaimer	14/02/2006	Yes	No
	2005	31/08/2005	N/A	30/11/2005	Disclaimer	14/02/2006	Yes	No
	2006	15/09/2006	N/A	08/12/2006	Adverse	Not yet tabled		
Tswaing Municipality (L)	2003	30/09/2003	N/A	22/12/2004	Unqualified	Not yet tabled		
	2004	30/10/2004	06/06/2005	31/08/2005	Disclaimer	Not yet tabled		
	2005	15/03/2006	N/A	26/09/2006	Disclaimer	Not yet tabled		
	2006	19/10/2006	N/A					
Ramotshere Moiloa Municipality(L)	2003	17/12/2003	26/07/2004	22/08/2004	Qualified	01/03/2006	No	No
	2004	20/10/2005	20/03/2005	31/08/2005	Qualified	01/03/2006	No	No
	2005	31/08/2005	09/01/2006	07/04/2006	Disclaimer	10/02/2006	Yes	Yes
	2006	15/09/2006	N/A	15/12/2006	Disclaimer	Not yet tabled		

Ratlou Municipality (L)	2003	30/09/2003	03/11/2005	12/12/2005	Unqualified	01/03/2006	Yes	No
	2004	03/02/2005	03/11/2005	14/12/2005	Qualified	01/03/2006	Yes	No
	2005	31/08/2005	24/11/2005	28/02/2006	Disclaimer	01/03/2006	Yes	No
	2006	31/08/2006	N/A	30/11/2006	Disclaimer	19/12/2006	Yes	Yes
Southern District Municipality (M)	2003	22/10/2003	21/01/2004	21/04/2004	Disclaimer	19/05/2005	No invitation	No
	2004	15/10/2004	14/06/2005	31/10/2005	Disclaimer	Tabled		No
	2005	31/08/2005	N/A	30/11/2005	Disclaimer	Tabled		No
	2006	31/08/2006	N/A	30/11/2006	Disclaimer	Tabled		No
Potchefstroom Municipality (H)	2003	15/09/2003	N/A	25/11/2003	Unqualified	02/09/2004	Yes	Yes
	2004	15/10/2004	11/05/2005	31/10/2005	Qualified	31/05/2006	Yes	Yes
	2005	31/08/2005	N/A	30/11/2005	Disclaimer	29/03/2007	Yes	Yes
	2006	31/08/2006	N/A	12/02/2007	Adverse	Tabled		Yes
City of Matlosana (H)	2003	03/12/2003	19/02/2004	19/05/2004	Disclaimer	10/05/2004	Yes	No
	2004	30/09/2004	10/03/2005	12/10/2005	Disclaimer	22/05/2006	Yes	Yes
	2005	30/08/2005	N/A	30/11/2005	Disclaimer	22/05/2006	Yes	Yes
	2006	31/08/2006	N/A	30/11/2006	Disclaimer	10/04/2007	Yes	Yes
Merafong Municipality (H)	N/A							
	N/A							

	N/A					20/03/2007	Yes	Yes
	2006	31/08/2006	N/A	30/11/2006	Qualified	Not yet tabled		
Hills Municipality	2003	10/10/2003	30/01/2004	30/04/2004	Adverse	21/09/2004	Yes	No
	2004	13/10/2004	25/04/2005	31/10/2005	Disclaimer	21/11/2006	Yes	Yes
	2005	31/08/2005	N/A	30/11/2005	Disclaimer	21/11/2006	Yes	Yes
	2006	31/08/2006	N/A	30/11/2006	Adverse	Tabled		No
Mantle y (L)	2003	19/11/2003	30/01/2004	30/04/2004	Disclaimer	Not yet tabled		
	2004	30/09/2004	06/06/2005	15/11/2005	Qualified	Not yet tabled		
	2005	31/08/2005	N/A	30/11/2005	Disclaimer	Not yet tabled		
	2006	31/08/2006	N/A	30/11/2006	Disclaimer	Not yet tabled		
o Municipality	2003	10/10/2003	N/A	10/01/2004	Disclaimer	31/08/2004	Yes	No
	2004	05/07/2005	20/02/2006	20/08/2006	Disclaimer	Not yet tabled		
	2005	04/07/2006	N/A	Busy with report				
	2006	26/02/2007	N/A	Busy with report				