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National Treasury  
**REPUBLIC OF SOUTH AFRICA**

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# **The state of local government finances and financial management as at 30 June 2016**

***Fourth quarter of the 2015/16 financial year***

*Analysis Document*

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## **Abbreviations**

AG	Auditor-General
ASB	Accounting Standards Board
B2B	Back to Basics
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIDMS	City Infrastructure Development Management System
CSIP	City Support Implementation Plan
CSP	Cities Support Programme
DCoG	Department of Cooperative Governance
DoRA	Division of Revenue Act
EC	Eastern Cape
EU	European Union
FAQ	Frequently asked question
FM	Financial management
FMCMM	Financial Management Capability Maturity Model
FMG	Financial Management Grant
FMIP	Financial Management Improvement Programme
FS	Free State
GT	Gauteng
IDP	Integrated Development Plan
IMFO	Institute of Municipal Finance Officers
IT	Information technology
KZN	KwaZulu-Natal
LGSETA	Local Government Sector and Education Training Authority
LP	Limpopo
Metro	Metropolitan municipality
MFIP	Municipal Finance Improvement Programme
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MinMEC	Ministers and Members of Executive Councils
MM	Municipal Manager
MP	Mpumalanga
MSA	Municipal Structures Act
<i>m</i> SCOA	Municipal Standard Chart of Accounts
MTREF	Medium Term Revenue and Expenditure Framework
NC	Northern Cape
NW	North West
RIPOA	Rapid Integrated Project Options Assessment
SALGA	South African Local Government Association
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SCM	Supply Chain Management
SoLGF	State of Local Government Finances
SOP	Standard operating procedure
TCF	Technical Committee on Finance
WC	Western Cape

## **Introduction**

1. This is the eighth State of Local Government Finances and Financial Management Report (SoLGF) that is being published. It depicts the state of affairs as at the financial year ended 30 June 2016. The report reviews the state of municipal budgets and expenditure as well as municipal governance issues at the end of a particular financial year in order to:
  - Identify areas of risk in local government finances so that appropriate policy responses can be developed
  - Identify those municipalities that are in financial distress<sup>1</sup> so that processes can be initiated to determine the full extent of their financial problems and whether:
    - a municipality requires support and what that support should be, or
    - if an intervention is required in a municipality due to a crisis in its finances (as provided for in Section 139 of the Constitution).

**Annexure B** provides a list of municipalities in financial distress as at 30 June 2016.

2. The report is based on the information contained in the audited annual financial statements, the current Medium-term Revenue and Expenditure Framework (MTREF) and Section 71 reports (as verified annually by National Treasury and the provincial treasuries).
3. The 2016 report marks the end of the political term of the previous municipal leaderships and the five-year Integrated Development Plan (IDP) that was implemented during the period 1 July 2011 to 30 June 2016.
4. National government continues to invest considerable resources and effort in assisting municipalities to address the immediate and underlying causes of poor institutional performance and inadequate service delivery. The impact of these initiatives varies, and there are examples of sustained performance improvement as well as ongoing concerns.
5. The report is structured as follows:
  - A brief international perspective
  - Governance issues
  - The measures of financial health
  - Factors impacting on financial health
  - Capacity building strategies adopted by government
  - Risks posed by the current state of municipal finances
  - Concluding remarks.
6. As was the case with previous reports, the summarised version of this review was presented to the Technical Committee on Finance (TCF), the Budget Forum and the Budget Council. The full report will also be circulated to the Presidency, the Department of Cooperative Governance (DCoG), and provincial treasuries.

## **Lessons learnt at the international level**

7. South Africa performs relatively well against other developing countries in terms of public financial management. Over the years, it has consistently entrenched its reputation as one of the global leaders in budget transparency.

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<sup>1</sup> The term 'financial distress' is used very deliberately instead of the words 'financial crisis' (which appear in Section 139 of the Constitution and Section 139 of the Municipal Finance Management Act (MFMA)) because this report is only intended to provide an initial indication of which municipalities may be approaching 'financial crisis'.

8. This was reinforced by the findings in 2016 by the Mo Ibrahim Index of African Governance which ranked the country sixth in Africa from fourth in the year 2015, second in the category of Sustainable Economic Opportunity and first in the category of Public Management.
9. The World Economic Forum's Global Competitiveness Report 2015-2016 ranked South Africa 49th out of 140 countries. This is an improvement by seven places from the previous year and was second to Mauritius in sub-Saharan Africa. The pockets of excellence in local government are: strength of auditing and reporting standards (1st) and quality of roads (34th). However, the World Economic Forum's report highlighted areas where the country did not perform well. These included:
  - Wastefulness of government expenditure (91st)
  - Trust in politicians (98th)
  - Perceived favoritism in decisions of government officials (105th)
  - Stability of electricity supply (116th)
  - Burden of government regulation (117th).
10. The findings at the international level show that the financial management challenges facing local government affect municipalities world-wide and that there are lessons to be learnt from other countries in this regard.

## **Measures of municipal financial health**

11. A number of financial health indicators are available in the public domain. This report evaluates the state of municipal finances using eight key measures identified in the Funding Compliance Methodology and MFMA Circular No. 42 (Funding a Municipal Budget). The figure below shows the measures used in this report. It must be noted that ratios published in MFMA Circular No. 71 are for use by municipalities to assess their financial situation internally and are therefore not applicable to this report.

**Figure 1: Measures of municipal financial health**

No.	Measure	Purpose
1.	Cash as a percentage of operating expenditure	To determine cost coverage: does the municipality have adequate cash available to meet its operating expenditure requirements?
2.	Persistence of negative cash balances	Identifies whether cash shortages/bank overdrafts pose a "chronic" problem for the municipality
3.	Over spending of original operating budgets	Tests the effectiveness of municipal spending in accordance with the resources available to them. What is the credibility of the budget and are municipalities able to adjust expenditure should planned revenues not materialise?
4.	Under spending of original capital budgets	Tests the effectiveness of municipal spending and also provides an indication of whether, for example, municipalities are compromising on capital programmes to resolve cash flow challenges, are there planning deficiencies which are impacting on service delivery.
5.	Debtors as a percentage of own revenue	Examines municipalities' revenue management capabilities
6.	Year on year growth in debtors	Is the municipality exercising fiscal effort in collecting outstanding debt? To what extent is financial distress the result of poor debtor management?
7.	Creditors as a percentage of cash and investments	Is the municipality able to meet its monthly commitments? Does it have sufficient cash to pay its creditors in line with the requirements of the MFMA (cost coverage)?
8.	Reliance on national and provincial government transfers	Determine the levels at which municipalities are able to generate own funds to finance revenue generating assets to enhance and sustain revenue generating streams

## Audit outcomes: 2014/15 financial year

12. In the 2014/15 report<sup>2</sup> on local government audit outcomes, the Auditor-General (AG) highlighted the fact that municipal audit outcomes had shown improvement. 94 per cent of municipalities had met the deadline for submission of annual financial statements to the AG, a significant improvement on the 78 per cent of timeous submissions in 2013/14.
13. According to the AG, the amount of irregular<sup>3</sup> expenditure had increased from R11.7 billion by 234 municipalities in 2013/14 to R14.8 billion by 240 municipalities in 2014/15. This was largely as a result of municipalities' failure to address prior year qualifications and of weak supply chain management (SCM) practices.
14. Fruitless and wasteful expenditure incurred by municipalities increased from R685 million by 223 municipalities in 2013/14 to R1.3 billion by 227 municipalities in 2014/15.
15. Unauthorised expenditure increased from R11.7 billion by 194 municipalities in 2013/14 to R15.3 billion by 194 municipalities in 2014/15. The reasons for unauthorised expenditure remained overspending of the budget, with 60 per cent related to non-cash items such as estimates of depreciation or impairments not correctly budgeted for.
16. The AG once again expressed his concern about the lack of follow-up on previous audit recommendations and inadequate consequence management for financial misconduct in terms of

<sup>2</sup> The 2014/15 AG report was used for the purpose of this report as it was the most recent such report available.

<sup>3</sup> Irregular, unauthorised and wasteful expenditure is defined in Section 1 of the MFMA.

the MFMA, with councils seldom investigating unauthorised, irregular, fruitless or wasteful expenditure to determine if officials were liable for the expenditure. The councils of 118 municipalities (compared with 122 in 2013/14) did not investigate any of the incidents reported. To deal with matters of financial misconduct and to give effect to the concept of consequence management, the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings were promulgated on 31 May 2014.

17. Broadly, the AG highlighted six main risk areas that need to be addressed: (i) supply chain management processes; (ii) the quality of performance reports; (iii) human resource management; (iv) the quality of submitted financial statements; (v) information technology controls; and (vi) financial health.
18. As part of the audit process, the AG found that among the root causes of poor audit findings were inadequate internal control measures. The following were reported as contributing to persistently poor audit outcomes at local government level:
  - Status of internal controls
  - Poor human resource management
  - Ineffective use of consultants
  - Status of IT governance
  - Poor initiatives by, and impact of, key role players on the audit outcomes.
19. The following table presents a summary of audit opinions for all municipalities between 2010/11 and 2014/15 (refer to **Annexure B2** for the 2014/15 audit outcomes per municipality).

**Table 1: Summary of audit opinions for all municipalities, 2010-11 to 2014-15**

Audit Opinion	2010/11		2011/12		2012/13		2013/14		2014/15	
	No.	%								
Adverse	9	3%	4	1%	9	3%	3	1%	4	1%
Disclaimer	84	30%	90	32%	66	24%	55	20%	29	10%
Qualified	55	20%	68	24%	83	30%	71	26%	76	27%
Unqualified	130	47%	116	42%	120	43%	149	54%	163	59%
Audits Outstanding	0	0%	0	0%	0	0%	0	0%	6	2%
<b>Total</b>	<b>278</b>	<b>100%</b>								

*Consolidated general report on the audit outcomes of local government MFMA 2014-15*

20. In the 2014/15 financial year, 54 municipalities (19 per cent) obtained unqualified opinions without findings. This was the best performance reported since the 2010/11 financial year. The bulk of the clean audits were achieved by municipalities in the Western Cape, Gauteng and KwaZulu-Natal Provinces. In the 2014/15 reporting period, 3 metropolitan municipalities (metros), 16 district municipalities and 35 local municipalities received clean audits.
21. At 109, the number of unqualified audit opinions with findings remained the same as in 2013/14. However, qualified audit opinions increased from 71 to 76 over the same period, with municipalities relying heavily on consultants to correct material mistakes identified during the audit.
22. On a positive note, the number of municipalities receiving disclaimers declined significantly from 84 in 2010/11 to 29 in 2014/15 with the number of adverse opinions decreasing from 9 to 4 over the same period. The percentage of municipalities receiving disclaimers or adverse audit opinions decreased from 33 per cent in 2013/14 to 11 per cent in 2015/16.
23. By the legislative audit deadline of 31 August 2015, only six reports for 2014/15 were outstanding.

24. A concerted effort was made with the Section 71 monthly budget statements and Back to Basics (B2B) reports to ensure that municipalities that failed to comply with audit requirements put in place internal controls and early-warning systems to minimise the risk of future non-compliance.
25. The number of unqualified audit opinions increased from 54 per cent in 2013/14 to 59 per cent in 2014/15, and there were improvements in all areas audited. Throughout the past five financial years, municipalities have continued to struggle to correctly measure and disclose on property, infrastructure and equipment; revenue; and irregular expenditure. However, there has been improvement in all three of these audit areas, most notably in the area of property, infrastructure and equipment.
26. The AG's findings on the financial health of municipalities audited revealed the following challenges:
  - The financial health of 250 (92 per cent) of the municipalities was found to be of concern and/or requiring intervention
  - 71 (26 per cent) of municipalities were found to be in a particularly poor financial position, with doubts about their being going concerns
  - 106 municipalities spent more than their available resources, resulting in a net deficit position and a net current liability position
  - 12 municipalities had bank overdrafts at year end
  - 255 municipalities revealed that they might not recover 10 per cent of the outstanding debts owed to them
  - 137 municipalities had an average debt collection period of over 90 days
  - 133 municipalities took more than 90 days to pay their creditors.
27. There are weaknesses in municipalities' effective utilisation of conditional grants, with 67 found not to have complied with the Division of Revenue Act (DoRA) requirements. 26 of these utilised the grant for purposes other than those allowed by DoRA and 46 did not evaluate the performance of the programmes and projects funded by the grants.
28. A total of 131 municipalities that received a Municipal Infrastructure Grant (MIG) allocation did not achieve the planned targets, with 82 underspending by more than 10 per cent.
29. Municipalities spent almost R892 million on improving financial and performance management reporting. The results of this were reflected in the audit outcomes; 143 municipalities improved and 37 regressed.
30. The quality of the annual performance reports has improved, with the number of municipalities with no material findings increasing from 20 per cent between 2010/11 to 38 per cent in 2014/15. The usefulness of the information has significantly improved from 71 per cent with findings in 2010/11 to 47 per cent in 2014/15. However, more than half of municipalities are still struggling to report reliable information about service delivery.

## **Governance: Acting Municipal Manager and Chief Financial Officer Positions**

31. Section 82 of the Municipal Structures Act (MSA) obliges a municipal council to appoint a Municipal Manager (MM) with relevant skills and expertise to perform the relevant functions of the position. The MM is the accounting officer of a municipality and is responsible for all major operations, and overall accountability for the administration of the municipality vests with her or him.
32. Through its interaction with municipalities, National Treasury has observed that when the position of MM is vacant, accountability is weak. It may be that the acting incumbent, if one is appointed,

feels restricted from making certain key decisions. Alternatively, if (in cases where a permanent MM is not in place due to resignation, suspension or termination of service) the MM's role is spread amongst several senior managers, no one person can be held accountable when things go wrong. It is therefore critical that the post of MM be filled and that the necessary performance agreements and contracts are in place.

33. The Chief Financial Officer (CFO) is another critical position in the municipal structure. The CFO is responsible for managing the Budget and Treasury Office, overseeing the municipality's finances and ensuring compliance with public finance legislation and council policies. Section 80 of the MFMA regulates the establishment of the Budget and Treasury Office led by the CFO.
34. As part of National Treasury's efforts to promote stability and accountability in municipalities, MFMA Budget Circular No. 72 introduced additional requirements for approval of roll-over of unspent conditional grants. Municipalities applying to retain conditional allocations committed to identifiable projects or requesting a roll-over in terms of Section 21(2) of the 2015/16 DoRA must submit proof that the CFO is permanently appointed.
35. Table 2 shows the number of acting MMs and CFOs as at 30 June 2016.

**Table 2: Municipalities with acting Municipal Managers and CFOs at 30 June 2015 & 2016**

2016			Acting MM		Acting CFO		Both Acting	
Summary per Province			No.	%	No.	%	No.	%
Eastern Cape	45	EC	13	28.9	14	31.1	10	22.2
Free State	24	FS	4	16.7	5	20.8	1	4.2
Gauteng	12	GT	4	33.3	3	25.0	2	16.7
Kwazulu-Natal	61	KZ	19	31.1	16	26.2	9	14.8
Limpopo	30	LP	10	33.3	10	33.3	6	20.0
Mpumalanga	21	MP	5	23.8	7	33.3	2	9.5
North West	23	NW	11	47.8	14	60.9	10	43.5
Northern Cape	32	NC	11	34.4	12	37.5	7	21.9
Western Cape	30	WC	11	36.7	4	13.3	3	10.0
<b>Total</b>	<b>278</b>		<b>88</b>	<b>31.7</b>	<b>85</b>	<b>30.6</b>	<b>50</b>	<b>18.0</b>

2015			Acting MM		Acting CFO		Both Acting	
Summary per Province			No.	%	No.	%	No.	%
Eastern Cape	45	EC	9	20.0	11	24.4	4	8.9
Free State	24	FS	1	4.2	5	20.8	1	4.2
Gauteng	12	GT	2	16.7	3	25.0	1	8.3
Kwazulu-Natal	61	KZ	17	27.9	9	14.8	6	9.8
Limpopo	30	LP	10	33.3	13	43.3	5	16.7
Mpumalanga	21	MP	1	4.8	3	14.3	-	0.0
North West	23	NW	8	34.8	10	43.5	6	26.1
Northern Cape	32	NC	8	25.0	9	28.1	5	15.6
Western Cape	30	WC	3	10.0	2	6.7	1	3.3
<b>Total</b>	<b>278</b>		<b>59</b>	<b>21.2</b>	<b>65</b>	<b>23.4</b>	<b>29</b>	<b>10.4</b>

36. Table 2 shows that 88 municipalities (32 per cent) had acting MMs in place at the end of June 2016 and 85 (31 per cent) had acting CFOs.

37. The table also shows, as at the same month, the largest percentages of acting MMs in North West Province (47.8 per cent acting), Western Cape Province (36.7 per cent acting) and Northern Cape Province (34.4 per cent acting). In North West Province, 60.9 per cent of CFOs were acting and 37.5 per cent in Northern Cape Province.

38. Between June 2015 and June 2016, the number of acting MMs increased from 59 to 88. The increase was especially noticeable in the Western Cape and Eastern Cape provinces where the number of acting MMs increased by 8 (from 3) and 4 (from 9) in that period.

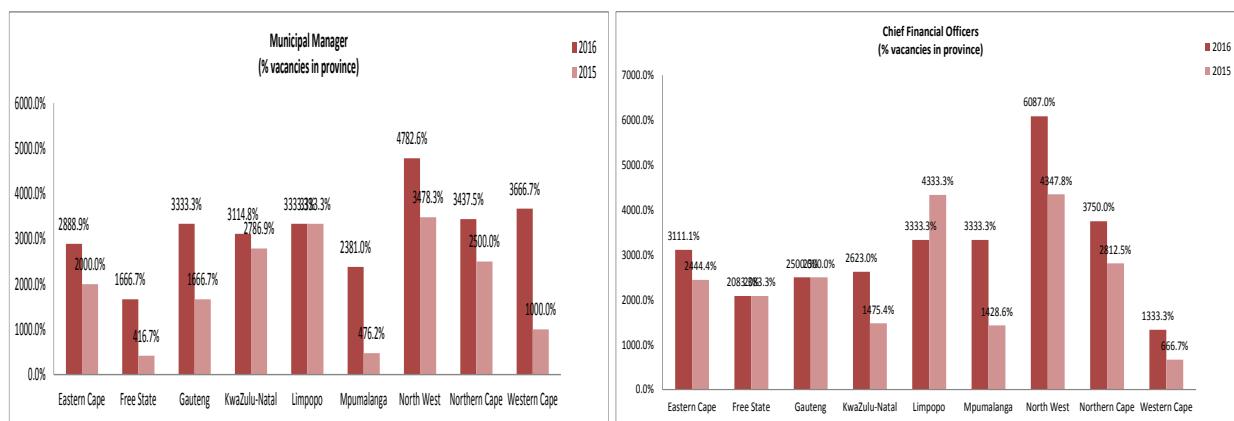
39. This same trend in relation to CFOs was observed in the same period, with the number of acting CFOs increasing from 65 to 85. The number in KwaZulu-Natal increased by 7 (from 9), in North West by 4 (from 10) and in Mpumalanga by 4 (from 3). Instances where both MM and CFO were in an acting capacity increased over the same period from 29 to 50.

40. This on-going instability in senior municipal management positions has a negative impact on service delivery to communities. This manifests in a number of ways including the inability to make basic managerial decisions such as the appointment of service providers. This often delays project implementation and affects the municipality's ability to spend its capital budget.

41. There is a risk that the lack of stability at senior management level will have been amplified in the 2016/17 financial year after the local government elections. Some of these officials' contracts will have come to an end after serving their five year terms.

42. As was observed with the previous five local government elections, this point in the electoral cycle is inherently one of strategic and administrative change. New administrations under new political leadership usually introduce new five year strategies that are, in all probability, driven by new administrative leadership including new MMs and new CFOs. As a result, continuity in running municipalities and service delivery can be affected for six months to a year because of the time it takes to fill all senior leadership positions and for that new leadership to adapt to their new roles and responsibilities.

**Figure 2: Comparison of acting Municipal Managers and Chief Financial Officers as at the end of 30 June 2015 and 2016**



43. The figure above shows that at 30 June 2016 the percentage of acting MMs had increased in all provinces except for Limpopo who remained the same at 33.3 per cent. The percentage of acting CFOs decreased in Limpopo and increased in Eastern Cape, KwaZulu-Natal, Mpumalanga, North West, Northern Cape and the Western Cape and remained the same in the Free State and Gauteng.

44. Although there is no proven correlation between the number of CFO vacancies, the use of consultants and audit outcomes, the AG's 2014/15 report notes the following:

- 250 municipalities (92 per cent) used consultants to assist them either with financial reporting or the preparation of performance information
- R892 million was spent on consultants, an increase from R734 million in 2013/14. This included expenditure by provincial treasuries and CoGTA on behalf of municipalities
- Only 144 municipalities (57 per cent) that were assisted received financially unqualified audit opinions, although this was an improvement from the 50 per cent of 2013/14
- In 177 municipalities assisted, there were weaknesses in the management of consultants ranging from a lack of skills transfer to poor monitoring and inadequate planning and appointment processes.

45. It is evident that the lack of stability in administrative leadership can threaten the financial health of a municipality. Local government complexities and the challenges of running a municipality require that key personnel are appointed and have the necessary skills, experience and capacity to fulfil their responsibilities and exercise their functions and powers.

## **Support by National Treasury with implementing the Minimum Competency Levels**

46. The Municipal Regulations on Minimum Competency Levels, Gazette 29967, were issued on 15 June 2007. They provided for a five and a half year implementation plan for municipalities and their municipal entities, with full compliance by 1 January 2013. The MFMA Exemption Notice of March 2014 extended the deadline to 30 September 2015.

47. Officials holding key positions were required to comply with four minimum requirements for their positions: a higher education qualification; work-related experience; core managerial and occupational competencies; and financial and SCM competencies.

48. Affected positions include MMs, CFOs and Chief Executive Officers (CEOs) of municipal entities, senior managers, heads of SCM, managers, middle managers and other financial officials.

49. National Treasury in collaboration with the Local Government Sector and Education Training Authority (LGSETA), the quality assurance body responsible for local government training, has accredited and registered 90 regionally based training providers. All have been issued with standard training material to ensure uniformity in training.

50. These training providers are listed on the National Treasury website for ease of access by all municipalities and their entities and to ensure that the training provided is in line with South African Qualifications Authority (SAQA) requirements.

51. Municipalities are required to budget for this training. All municipalities are registered as levy payers with the South African Revenue Service (SARS) and 1 per cent of their gross salary bill accrues to the LGSETA as a skills levy. Municipalities have been guided on how to access these resources to ensure that the requirements of the Minimum Competency Regulations are met.

52. Municipalities have received funds through the Financial Management Grant (FMG) to ensure that they comply with these requirements; and National Treasury has secured additional funding to support an increased number of municipal officials in undertaking the minimum competency levels training. It is anticipated that funding will be received from the African Development Bank to support this initiative. Funding to date has been utilised as follows:

- R3.7 million from the European Union (EU) Financial Management Improvement Programme (FMIP) III programme which benefited 60 municipal officials from Mpumalanga
- R11 million LGSETA-funded programme which benefited 640 municipal officials nationally
- R1 million from the Japan International Cooperation Agency which benefited another 20 municipal officials in Mpumalanga.

53. Despite these funding allocations, a number of municipalities report a lack of funding as an obstacle to complying with the Minimum Competency Regulations.
54. Table 3 below summarises the provincial patterns of enrolment in the Minimum Competency Levels programme dealing with financial management (FM) and supply chain management (SCM).

**Table 3: Minimum competency levels among senior municipal officials as at 30 June 2016**

Province	Municipalities	Municipal Managers			Chief Financial Officers			Heads of SCM and Other SCM officials			Other Senior Managers excluding CFOs and MMs			Other Officials		Total Officials		
1	2	3			4			5			6			7		8		
		Reported as compliant	Enrolled without certificates	Status unknown	Reported as compliant	Enrolled without certificates	Status unknown	Number of SCM officials	Reported as compliant	Enrolled without certificates	Status unknown	Number of Senior Managers	Reported as compliant	Enrolled without certificate	Status unknown	Enrolled officials without certificates	Other Officials with SOR	Total Statement of results
EC	45	15	6	24	23	15	7	135	39	34	62	129	26	43	60	261	1520	898
FS	24	20	4	0	22	2	0	72	31	24	17	76	18	21	37	248	711	718
GT	12	10	2	0	11	1	0	125	71	33	21	115	41	39	35	250	1180	1201
KZN	61	28	18	15	29	14	18	183	43	18	122	211	37	65	109	439	1391	1430
LIM	30	15	8	7	11	10	9	120	37	13	70	93	33	28	32	385	1290	1270
MP	21	8	8	5	14	9	3	84	31	18	35	74	20	35	10	782	1200	907
NW	23	11	5	7	11	6	6	69	25	10	34	80	29	20	52	350	923	871
NC	32	22	4	6	14	14	4	128	29	14	85	99	31	34	56	258	721	652
WC	30	20	8	2	18	8	4	150	53	29	68	110	22	39	57	407	1817	1805
<b>Total</b>	<b>278</b>	<b>149</b>	<b>63</b>	<b>66</b>	<b>153</b>	<b>79</b>	<b>51</b>	<b>1066</b>	<b>338</b>	<b>142</b>	<b>514</b>	<b>987</b>	<b>257</b>	<b>324</b>	<b>514</b>	<b>3380</b>	<b>10753</b>	<b>13108</b>

55. A total of 13 108 officials received a Statement of Results as proof of compliance with Financial Management and Supply Chain Management competency levels. This includes officials not immediately affected by the minimum competency levels such as clerks and interns but who have undertaken the programme as part of their financial management responsibilities and to enhance their career progression within their municipalities.

## Assessing the financial health of municipalities

56. The purpose of this report is to assess the financial health of municipalities. The indicators below are used in order to give a broad perspective of their financial health and are only used for the purposes of this report.

### Indicators 1 & 2: Assessing the vulnerability of municipalities' cash position

57. In terms of Section 45 of the MFMA, municipalities are not permitted to close the financial year with any short-term borrowing or overdraft. The fact that some municipalities were not able to close the 2015/16 financial year with positive cash positions is considered a very strong indicator that they were in financial distress at that date.
58. An additional condition for approval of roll-over applications was introduced in the 2011/12 financial year: roll-over requests from municipalities reporting negative cash balances were not considered for approval.
59. At a minimum, a municipality should maintain a positive cash position. Failure to do this is the first indicator of financial distress. Three sub-indicators are used to provide a more holistic view of municipalities' cash position:
  - Did the municipality end the financial year with a positive or negative cash balance?
  - Are negative cash balances persistent: is the negative cash balance temporary or does it indicate deeper-rooted financial problems in the municipality?
  - Even if a municipality has a positive cash balance, is the revenue base under threat? For how many months will the municipality be able to continue funding its monthly operational expenditure? In other words, what is the cash coverage ratio of the municipality?

**(a) Persistent negative cash balances**

60. Many municipalities experience temporary cash-flow problems. Where these persist over a number of months, this is a strong indicator that there are severe underlying financial problems. Table 4 below shows for how many months in the preceding six months municipalities reported negative cash balances at the end of the month or failed to report credible cash information. The aim is to identify those municipalities that are persistently in a vulnerable cash-flow position or which generate unreliable information.

**Table 4: Persistence of municipalities' negative cash balances, 2014/15-30 June 2016**

Municipalities	Audited Outcome 2014/15	Section 71 Report for the financial year 2015/16				
		Quarter 1: 30 Sep '15	Quarter 2: 31 Dec '15	Quarter 3: 31 Mar '16	Quarter 4: 30 Jun '16	Year to Date 2015/16
Metropolitan municipalities (8)						
No.of municipalities with negative cash balances over the last 6 months	0	0	0	0	0	0
No.of municipalities whose cash balance was negative over the last 6 months:						
for more than 3 months of previous 6 months	0	0	0	0	0	0
between 1 and 3 months of the previous 6 months	0	0	0	0	0	0
less than 1 month of the previous 6 months	0	0	0	0	0	0
Secondary cities (19)						
No.of municipalities with negative cash balances over the last 6 months	0	0	0	0	0	0
No.of municipalities whose cash balance was negative over the last 6 months:						
for more than 3 months of previous 6 months	0	1	1	3	3	2
between 1 and 3 months of the previous 6 months	2	4	3	2	1	2
less than 1 month of the previous 6 months	0	0	0	0	0	0
Other Local Municipalities (Towns) (207)						
No.of municipalities with negative cash balances over the last 6 months	0	0	0	0	0	0
No.of municipalities whose cash balance was negative over the last 6 months:						
for more than 3 months of previous 6 months	0	4	8	13	15	16
between 1 and 3 months of the previous 6 months	15	58	27	28	40	36
less than 1 month of the previous 6 months	0	0	0	0	0	0
District municipalities(44)						
No.of municipalities with negative cash balances over the last 6 months	0	0	0	0	0	0
No.of municipalities whose cash balance was negative over the last 6 months:						
for more than 3 months of previous 6 months	0	0	2	1	4	5
between 1 and 3 months of the previous 6 months	4	9	1	6	5	4
less than 1 month of the previous 6 months	0	0	0	0	0	0
All municipalities (278)						
No.of municipalities with negative cash balances over the last 6 months	0	0	0	0	0	0
No.of municipalities whose cash balance was negative over the last 6 months:						
for more than 3 months of previous 6 months	0	5	11	17	22	23
between 1 and 3 months of the previous 6 months	21	71	31	36	46	42
less than 1 month of the previous 6 months	0	0	0	0	0	0

Source: National Treasury - Local Government Database

61. The table above shows that 65 municipalities had negative cash balances at 30 June 2016. Throughout the 2015/16 financial year, none of the metropolitan municipalities (metros) recorded negative cash balances. This is a strong indication that, in general, they have a solid cash base and comply with cash flow management procedures.

62. Two secondary cities reported negative balances for more than three months during the 2015/16 financial year while they reported no negative cash balances during the 2014/15 financial year. This implies that the secondary cities' ability to manage their cash balances has deteriorated.

63. Among local municipalities, 52 (18.7 per cent) reported negative cash balances in 2015/16. This was an increase of 37 or 246.7 per cent compared with the 2014/15 financial year and is a concern. Five district municipalities reported negative cash balances for more than three months in 2015/16, and four operated an overdraft for a period of one to three months.

**(b) Cash coverage position of municipalities**

64. A municipality needs to have enough cash on hand to meet its monthly financial commitments when they fall due. Calculating the level of cash coverage in a municipality is especially important when its revenue collection is threatened. It is generally accepted that a prudent level of cash coverage is one month of average operational expenditure for metros and three months for other municipalities. Table 5 below shows the number of municipalities that, at the end of June 2016, had less than the required cash coverage.

**Table 5: Municipalities' cash coverage, 2014/15-30 June 2016**

Municipalities	Audited Outcome 2014/15	Section 71 Report for the financial year 2015/16				
		Quarter 1: 30 Sep '15	Quarter 2: 31 Dec '15	Quarter 3: 31 Mar '16	Quarter 4: 30 Jun '16	Year to Date
<b>Metropolitan municipalities (8)</b>						
No. of munics for which cash data is unavailable	0	0	0	0	0	0
No. whose cash coverage is						
more than 3 months of operational expenditure	2	7	7	7	7	2
between 1 and 3 months of operational expenditure	4	1	1	1	1	4
1 month or less of operational expenditure	2	0	0	0	0	2
<b>Secondary cities (19)</b>						
No. of munics for which cash data is unavailable	1	0	0	0	0	0
No. whose cash coverage is						
more than 3 months of operational expenditure	2	12	11	12	10	4
between 1 and 3 months of operational expenditure	8	3	5	3	4	5
1 month or less of operational expenditure	8	4	3	4	5	10
<b>Other Local Municipalities (Towns) (207)</b>						
No. of munics for which cash data is unavailable	1	1	2	3	6	1
No. whose cash coverage is						
more than 3 months of operational expenditure	50	141	140	158	111	65
between 1 and 3 months of operational expenditure	52	28	23	18	26	45
1 month or less of operational expenditure	104	37	42	28	64	96
<b>District municipalities(44)</b>						
No. of munics for which cash data is unavailable	1	0	0	0	0	0
No. whose cash coverage is						
more than 3 months of operational expenditure	17	35	34	36	22	17
between 1 and 3 months of operational expenditure	14	0	3	1	8	4
1 month or less of operational expenditure	12	9	7	7	14	23
<b>All municipalities (278)</b>						
No. of munics for which cash data is unavailable	3	1	2	3	6	1
No. whose cash coverage is						
more than 3 months of operational expenditure	71	195	192	213	150	88
between 1 and 3 months of operational expenditure	78	32	32	23	39	58
1 month or less of operational expenditure	126	50	52	39	83	131

Source: National Treasury - Local Government Database

65. Over the years, municipalities have become accustomed to reporting cash information. Only three municipalities did not report cash data for 2014/15 and only one on 30 June 2016.

66. At an aggregate level, 88 (71 in 2014/2015) municipalities in 2015/16 (31.7 per cent) recorded cash coverage exceeding three months of operational expenditure, which is within the acceptable norm. As was the case in the 2015/16 financial year, two metros had cash coverage of more than three months of operational expenditure. Among the secondary cities, 4 municipalities in 2015/16

compared to 2 in 2014/15 had cash coverage in excess of three months of operational expenditure in the 2014/15 financial year. In addition to the 2 metros and the 4 secondary cities, 88 municipalities had cash coverage of more than three months of operational expenditure. Of concern is the fact that the number of municipalities with cash coverage of less than one month of operational expenditure increased from 126 in 2014/15 to 131 in 2015/16. At the district level, those with coverage of less than one month increased from 12 in 2014/15 to 23 in 2015/16.

67. It seems clear that municipalities continue to struggle to understand and action the critical concept that budgeting for surpluses is necessary to avoid cash and liquidity problems. In the 2014/15 financial year, there was a significant decline in compliance with these two indicators compared with 2013/14. Sustained effort is required to address these weak cash positions. National and provincial treasuries will continue to engage with municipalities on improving their cash flows during the mid-year performance and annual budget benchmark engagements in February and April/May each year. These two annual strategic engagements have been institutionalised by National Treasury to improve and strengthen the quality and oversight of municipal performance.
68. As cited in previous publications, any of the following events could result in a municipality with a very low (vulnerable) cash coverage ratio ending up with a negative cash position:
  - A deterioration in revenue collection due to the impact of the economic slowdown and the rising rates and tariffs which affect household budgets
  - Emergencies and disasters such as floods and drought
  - The cash flow time difference between paying for the increased cost of bulk electricity/water and the collection of revenues from customers
  - Any major breakdown in service delivery resulting in non-supply (especially of water and electricity) and therefore loss of revenue
  - A rate-payers/consumers boycott.

### **Indicator 3: Overspending of operational expenditure budgets**

69. If a credible long or medium term financial strategy is not in place, it may be difficult to compile effective operational budgets or to spend in line with available financial resources. In cases where either of these failures occurs in the context of limited cash resources and poor rates of revenue collection, the financial risk is greatly magnified.
70. In the past, municipalities would adopt 'adjustment budgets' just before submitting their annual financial statements to the AG. By doing so, they aligned their budgets with actual spending. This meant that actual over- or under-spending against original budget allocations could not be determined. This practice has been addressed by the Municipal Budget and Reporting Regulations which regulate the timing, type and number of adjustment budgets that municipalities are allowed to carry out.
71. Table 6 below shows the overspending of operational expenditure budgets from 2011/12 to 2015/16 per category of municipality.

**Table 6: Overspending of operational budgets per category of municipality, 2011/12-2015/16**

Municipalities	Audited Outcome				Section 71 Report for the financial year 2015/16					Year to Date 2015/16
	2011/12	2012/13	2013/14	2014/15	Quarter 1: 30 Sep '15	Quarter 2: 31 Dec '15	Quarter 3: 31 Mar '16	Quarter 4: 30 Jun '16		
<b>Metropolitan municipalities (8)</b>										
Total Operating Budgets	124 368	133 853	148 911	160 987	41 272	44 140	39 683	48 698	173 793	
Total Overspending of Adjusted Operating Budgets	(1 737)	-	(1 414)	(1 901)	(14)	(1 421)	-	(3 059)	(1 018)	
Overspending as % of operating budgets	-1%	0%	-1%	-1%	0%	-3%	0%	-6%	-1%	
<i>Number of municipalities who overspent by</i>										
less than 10% of their operational budget	4	0	4	3	1	1	0	7	1	
between 10% and 25% of their operational budget	0	0	0	0	0	1	0	1	0	
more than 25% of their operational budget	0	0	0	0	0	0	0	0	0	
<b>Secondary cities (19)</b>										
Total Operating Budgets	30 406	34 827	39 155	41 827	9 138	10 068	9 487	10 009	38 702	
Total Overspending of Operating Budgets	(3 813)	(3 146)	(4 823)	(4 394)	(216)	(309)	(146)	(554)	(364)	
Overspending as % of operating budgets	-13%	-9%	-12%	-11%	-2%	-3%	-2%	-6%	-1%	
<i>Number of municipalities who overspent by</i>										
less than 10% of their operational budget	2	9	6	6	4	3	2	4	2	
between 10% and 25% of their operational budget	3	6	6	6	1	1	1	1	1	
more than 25% of their operational budget	3	2	3	1	0	1	0	1	0	
<b>Other Local Municipalities (Towns) (207)</b>										
Total Operating Budgets	46 441	49 861	54 851	59 996	12 218	13 485	12 710	13 578	51 991	
Total Overspending of Operating Budgets	(10 483)	(6 778)	(6 180)	(6 587)	(208)	(565)	(370)	(862)	(710)	
Overspending as % of operating budgets	-23%	-14%	-11%	-11%	-2%	-4%	-3%	-6%	-1%	
<i>Number of municipalities who overspent by</i>										
less than 10% of their operational budget	40	49	51	50	5	21	9	17	11	
between 10% and 25% of their operational budget	35	41	46	42	6	12	6	17	3	
more than 25% of their operational budget	65	57	44	46	5	11	8	17	5	
<b>District municipalities (44)</b>										
Total Operating Budgets	14 758	15 908	18 069	17 936	3 479	4 652	4 263	4 283	16 677	
Total Overspending of Operating Budgets	(2 520)	(3 005)	(3 379)	(2 361)	(23)	(518)	(422)	(478)	(1 277)	
Overspending as % of operating budgets	-17%	-19%	-19%	-13%	-1%	-11%	-10%	-11%	-8%	
<i>Number of municipalities who overspent by</i>										
less than 10% of their operational budget	7	7	9	8	2	10	6	3	1	
between 10% and 25% of their operational budget	7	5	7	10	1	6	2	6	2	
more than 25% of their operational budget	13	14	12	7	1	8	2	3	1	

Source: National Treasury - Local Government Database

72. The table shows that one metro, two secondary cities, eleven local municipalities and one district municipality had overspent their adjusted operational budgets by less than 10 per cent at the end of 2015/16. Only five local municipalities overspent their operational budgets by more than 25 per cent. This is a result of incorrect budgeting which will be addressed through the implementation of each provincial treasury's strategies to address municipal performance failures specific to their provinces. The number of municipalities that overspent decreased from 179 in 2014/15 to 27 in 2015/16.

73. The above analysis suggests that municipalities are still not properly forecasting expenditure patterns or that there is a serious problem of not spending according to expenditure plans. This may be attributed to a failure to table and adopt funded budgets, as in some cases the underspending does not translate to the equivalent amount of cash in the bank.

74. The above analysis also suggests that municipalities do not always make adequate provision for debt impairment and depreciation.

#### Indicator 4: Under-spending of capital budgets

75. The total allocation to the local government capital infrastructure programme for the 2015/16 financial year was R51.4 billion.

**Table 7: Under-spending of municipalities' capital budgets, 2011/12-30 June 2016**

	Audited Outcome				Section 71 Report for the financial year 2015/16					Year to Date 2015/16
	2011/12	2012/13	2013/14	2014/15	30 Sep '15	Quarter 1: 31 Dec '15	Quarter 2: 31 Mar '16	Quarter 3: 30 Jun '16	Quarter 4: 30 Jun '16	
<b>Metropolitan municipalities (8)</b>										
Total Capital Budget	18 402	22 964	26 991	31 112	3 725	7 204	5 367	13 729	30 025	
Total Underspending of Capital Budget	4 063	2 118	2 656	3 492	4 959	1 597	3 370	51	4 925	
Underspending as % of Capital Budget	22%	9%	10%	11%	133%	22%	63%	0%	16%	
Number of municipalities who underspent by										
less than 10% of their capital budget	2	3	1	3	0	1	0	0	2	
between 10 and 30% of their capital budget	4	2	2	4	0	4	2	1	6	
more than 30% of their capital budget	2	1	0	0	8	1	6	0	0	
<b>Secondary cities (19)</b>										
Total Capital Budget	3 329	4 497	5 201	6 107	797	1 290	1 250	2 084	5 421	
Total Underspending of Capital Budget	1 861	1 187	1 412	932	989	541	742	253	2 442	
Underspending as % of Capital Budget	56%	26%	27%	15%	124%	42%	59%	12%	45%	
Number of municipalities who underspent by										
less than 10% of their capital budget	4	1	1	2	1	1	1	3	1	
between 10 and 30% of their capital budget	3	5	6	11	3	3	3	4	8	
more than 30% of their capital budget	10	8	5	0	16	10	13	2	10	
<b>Other Local Municipalities (Towns) (207)</b>										
Total Capital Budget	5 153	5 159	6 911	5 075	1 441	1 868	1 263	2 475	7 048	
Total Underspending of Capital Budget	3 700	2 988	3 392	2 983	1 790	1 028	1 518	837	4 148	
Underspending as % of Capital Budget	72%	58%	49%	59%	124%	55%	120%	34%	59%	
Number of municipalities who underspent by										
less than 10% of their capital budget	15	18	23	26	18	9	15	16	27	
between 10 and 30% of their capital budget	39	51	39	43	23	43	32	23	69	
more than 30% of their capital budget	100	78	82	49	134	85	126	78	83	
<b>District municipalities (44)</b>										
Total Capital Budget	4 708	5 331	7 160	8 177	7 765	7 765	8 904	8 904	8 904	
Total Underspending of Capital Budget	2 570	2 709	2 860	3 778	1 369	758	1 099	599	2 844	
Underspending as % of Capital Budget	55%	51%	40%	46%	18%	10%	12%	7%	32%	
Number of municipalities who underspent by										
less than 10% of their capital budget	6	4	2	3	0	4	2	2	11	
between 10 and 30% of their capital budget	4	4	9	3	1	5	4	4	13	
more than 30% of their capital budget	22	26	18	24	36	24	30	17	17	

Source: National Treasury - Local Government Database

76. Table 7 above shows total underspending of metros' adjusted capital budget of R4.9 billion. It also shows that all metros underspent their original capital budgets during the 2015/16 financial year. In 2014/15, underspending by seven metros amounted to R3.5 billion, with the number of metros underspending their capital budgets by between 10 and 30 per cent rising to six in 2015/16 from four in 2014/15. However, none of the metros underspent their budgets by more than 30 per cent in the 2015/16 financial year.
77. In 2015/16, secondary cities underspent their capital budgets by R2.4 billion, an increase of R1.5 billion from the 2014/15 financial year. The number of these cities underspending their budgets by less than 10 per cent decreased from 2 to 1. Those that underspent by between 10 and 30 per cent decreased from 11 to 8. Ten secondary cities underspent their 2015/16 budgets by more than 30 per cent compared to none in the 2014/15.
78. Local municipalities underspent their capital budgets by R4.1 billion in the 2014/15 financial year. The number underspending by 10 per cent decreased from 34 in 2014/15 to 27 in 2015/16, while 26 more than in the previous financial year underspent their capital budgets by between 10 and 30 per cent. However, the number of local municipalities underspending their capital budgets by more than 30 per cent increased from 34 to 83. Total capital budget underspending among 41 district municipalities was R2.8 billion.
79. It is observable over the years that municipalities tend to struggle with implementing their capital budgets. Contributing factors include but are not limited to the following:
  - Weak multi-year budgeting
  - Limited planning, project preparation and project management

- SCM inefficiencies
- Poor asset management.

#### **Indicators 5 and 6: Levels of growth in consumer debtors**

80. Consumer debtors as a percentage of own revenue provides a useful and easily calculated indicator of the state of municipalities' debtor management capabilities. Municipalities whose debtors are greater than 30 per cent of their own revenue face a serious financial risk and should work to correct the situation as soon as possible.

81. Debt impairment as a percentage of billable revenue is a complementary measure of the cost to a municipality of providing for non-collection/writing off of billable revenue. The table below shows that, at 30 June 2016, 159 municipalities had debtor levels higher than 30 per cent of own revenue, a slight increase from the 158 as at June 2014/15.

**Table 8: Debtors as percentage of own revenue, 2011/12-30 June 2016**

Municipalities	Audited Outcome				Section 71 Report for the financial year 2015/16				
	2011/12	2012/13	2013/14	2014/15	Quarter 1: 30 Sep '15	Quarter 2: 31 Dec '15	Quarter 3: 31 Mar '16	Quarter 4: 30 Jun '16	Year to Date 2015/16
<b>Metropolitan municipalities (8)</b>									
Total Own Revenue	119 318	131 071	144 183	156 745	42 989	44 294	41 092	48 788	177 163
Total Debtors	46 089	57 659	64 546	64 407	63 101	64 428	54 369	56 748	56 748
Debtors as a % of total own revenue	39%	44%	45%	41%	147%	145%	132%	116%	32%
No. whose total debtors are									
less than 15% of their total own revenue	0	0	0	0	0	0	0	0	0
between 15 and 30% of their total own revenue	5	2	2	1	0	0	0	0	3
more than 30% of their total own revenue	3	6	6	7	8	8	8	8	5
<b>Secondary cities (19)</b>									
Total Own Revenue	25 985	29 762	33 167	35 187	10 505	8 867	9 376	9 911	38 659
Total Debtors	13 904	13 171	14 778	19 664	22 851	23 150	23 752	23 963	23 963
Debtors as a % of total own revenue	54%	44%	45%	56%	218%	261%	253%	242%	62%
No. whose total debtors are									
less than 15% of their total own revenue	4	6	6	5	0	0	0	0	6
between 15 and 30% of their total own revenue	3	2	2	2	0	1	0	0	1
more than 30% of their total own revenue	12	11	11	12	19	18	19	19	12
<b>Other Local Municipalities (Towns) (207)</b>									
Total Own Revenue	33 905	36 323	41 677	45 583	12 818	11 254	10 747	12 089	46 908
Total Debtors	16 435	20 326	19 536	23 067	26 847	27 502	27 751	28 612	28 612
Debtors as a % of total own revenue	48%	56%	47%	51%	209%	244%	258%	237%	61%
No. whose total debtors are									
less than 15% of their total own revenue	37	38	46	42	10	15	14	25	46
between 15 and 30% of their total own revenue	48	40	43	42	5	2	3	3	37
more than 30% of their total own revenue	122	128	118	122	191	189	189	176	123
<b>District municipalities(44)</b>									
Total Own Revenue	7 718	8 144	10 126	8 963	2 102	2 812	1 942	3 213	10 068
Total Debtors	2 837	3 220	3 774	4 344	5 168	5 104	4 446	4 217	4 217
Debtors as a % of total own revenue	37%	40%	37%	48%	246%	182%	229%	131%	42%
No. whose total debtors are									
less than 15% of their total own revenue	23	20	20	18	8	13	13	15	17
between 15 and 30% of their total own revenue	6	7	5	8	3	3	3	1	8
more than 30% of their total own revenue	15	17	19	17	33	28	28	28	19

Source: National Treasury - Local Government Database

82. Table 8 above shows that, as at June 2016, debtors against own revenue of 5 metros, 12 secondary cities (the same number as the previous year), 123 local municipalities (122 in 2014/15) and 19 district municipalities (17 in 2014/15) was above 30 per cent.
83. At the end of the fourth quarter of 2015/16 (as per the Section 71 results), total debtors amounted to R113.5 billion, a R7.5 billion increase from the 2014/15 financial year. Households made up the bulk of total debtors.
84. Unbundling of outstanding debtors began in earnest in the 2015/16 financial year and has resulted in identifying interest on debtors amounting to R11.4 billion and outstanding government debt of R6 billion.
85. National Treasury has undertaken revenue management programmes and workshops to train provincial treasury officials to assist municipalities to strengthen their billing and revenue collection capacity. Workshops have been conducted with the Eastern Cape, Limpopo, Mpumalanga, Free State and North-West provincial treasuries and will be conducted in the other provinces in due course.
86. Table 9 below shows the growth in consumer debtors between the 2012/13 and 2015/16 financial years.

**Table 9: Growth in consumer debtors, 2012/13-30 June 2016**

Municipalities	Audited Outcome			Section 71 Report for the financial year 2015/16				
	2012/13	2013/14	2014/15	Quarter 1: 30 Sep '15	Quarter 2: 31 Dec '15	Quarter 3: 31 Mar '16	Quarter 4: 30 Jun '16	Date 2015/16
<b>Metropolitan municipalities (8)</b>								
No. whose debtors grew	0	0	0	0	0	0	0	0
No. whose debtors increased by								
less than 10% over period shown	2	4	5	6	8	8	7	7
between 10% and 20% over period shown	2	4	3	0	0	0	1	1
more than 20% over period shown	4	0	0	2	0	0	0	0
<b>Secondary cities (19)</b>								
No. whose debtors grew	0	0	0	0	0	0	0	0
No. whose debtors increased by								
less than 10% over period shown	12	7	5	9	18	18	9	9
between 10% and 20% over period shown	4	5	7	3	1	1	3	3
more than 20% over period shown	3	7	7	7	0	0	7	7
<b>Other Local Municipalities (Towns) (207)</b>								
No. whose debtors grew	0	0	0	0	0	0	0	0
No. whose debtors increased by								
less than 10% over period shown	88	79	88	98	168	173	65	65
between 10% and 20% over period shown	44	44	47	29	12	12	46	46
more than 20% over period shown	75	84	72	80	27	22	96	96
<b>District municipalities (44)</b>								
No. whose debtors grew	0	0	0	0	0	0	0	0
No. whose debtors increased by								
less than 10% over period shown	15	18	17	26	30	26	15	15
between 10% and 20% over period shown	3	8	6	3	4	4	5	5
more than 20% over period shown	26	18	21	15	10	14	24	24
<b>All municipalities (278)</b>								
No. whose debtors grew	-	-	-	-	-	-	-	-
No. whose debtors increased by								
less than 10% over period shown	117	108	115	139	224	225	96	96
between 10% and 20% over period shown	53	61	63	35	17	17	55	55
more than 20% over period shown	108	109	100	104	37	36	127	127

Source: National Treasury - Local Government Database

87. The table above shows an increase from 100 in 2014/15 to 127 in 2015/16 in the number of municipalities whose debtors grew by more than 20 per cent.

#### Indicator 7: Outstanding creditors

88. Section 65(2)(e) of the MFMA provides that a municipality's accounting officer must take all reasonable steps to ensure "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. In addition, Section 65(2)(h) provides that the accounting officer must take all reasonable steps to ensure that the municipality's available working capital is managed effectively and economically". At a minimum, this involves ensuring that the timing of the municipality's expenditures is matched by its flow of income.

89. The following table shows creditors as a percentage of cash and investments between 2011/12 and June 2016. This indicates the extent to which municipalities had the working capital to settle their outstanding creditors.

**Table 10: Creditors as percentage of cash and investments, 2011/12-30 June 2016**

	Audited Outcome				Section 71 Report for the financial year 2015/16				
	2011/12	2012/13	2013/14	2014/15	Sep '15	Quarter 1: 30 Dec '15	Quarter 2: 31 Mar '16	Quarter 3: 31 Jun '16	Year to Date 2015/16
Metropolitan municipalities (8)									
Total Cashflow	20 292	28 839	25 793	27 149	28 258	30 236	39 769	32 425	32 425
Total Creditors	10 267	19 107	19 351	27 155	11 715	12 285	11 484	19 832	19 832
Creditors as a % of Total Cash	51%	66%	75%	100%	41%	41%	29%	61%	61%
No. whose Total Creditors are									
less than 25% of their Cash	3	3	2	2	3	4	4	2	2
between 25 and 50% of their Cash	1	1	2	0	3	2	3	3	3
between 50 and 75% of their Cash	1	0	1	2	1	1	0	1	1
more than 75% of their Cash	3	4	3	4	1	1	1	2	2
Secondary cities (19)									
Total Cashflow	3 581	4 047	4 696	4 607	5 156	4 589	6 233	4 578	4 578
Total Creditors	2 732	4 265	5 143	8 445	5 196	5 486	5 472	7 750	7 750
Creditors as a % of Total Cashflow	76%	105%	110%	183%	101%	120%	88%	169%	169%
No. whose Total Creditors are									
less than 25% of their Cash	6	4	6	5	8	9	10	6	6
between 25 and 50% of their Cash	1	3	2	3	4	3	3	2	2
between 50 and 75% of their Cash	2	0	1	0	1	1	1	2	2
more than 75% of their Cash	10	11	10	11	6	6	5	9	9
Other Local Municipalities (Towns) (207)									
Total Cashflow	7 876	7 614	7 712	7 955	11 832	13 396	14 425	9 744	10 382
Total Creditors	2 594	7 327	9 153	12 821	8 074	8 169	8 043	10 087	10 087
Creditors as a % of Total Cashflow	33%	96%	119%	161%	68%	61%	56%	104%	97%
No. whose Total Creditors are									
less than 25% of their Cash	135	100	87	73	115	123	122	123	126
between 25 and 50% of their Cash	18	23	17	18	11	11	16	14	14
between 50 and 75% of their Cash	9	10	14	17	9	6	8	8	8
more than 75% of their Cash	45	73	89	98	72	67	59	57	59
District municipalities(44)									
Total Cashflow	4 653	3 909	7 070	6 237	6 606	7 240	7 613	3 906	3 879
Total Creditors	1 111	2 383	2 991	3 596	1 894	1 713	1 588	1 244	1 244
Creditors as a % of Total Cashflow	24%	61%	42%	58%	29%	24%	21%	32%	32%
No. whose Total Creditors are									
less than 25% of their Cash	31	21	20	22	28	26	32	30	31
between 25 and 50% of their Cash	3	3	5	4	1	4	5	1	1
between 50 and 75% of their Cash	0	2	2	3	5	2	2	1	1
more than 75% of their Cash	10	18	17	14	10	12	5	11	11

Source: National Treasury - Local Government Database

90. Table 10 shows that the creditors of two of the eight metros in 2015/16 accounted for more than 75 per cent of their available cash. Nine secondary cities reported creditors exceeding 75 per cent of their available cash compared with eleven in the previous year (2014/15).
91. As at 30 June 2016, local municipalities owed R10.1 billion to creditors while the available cash was R10.4 billion, leaving a mere R300 million to honour other financial commitments. The situation is even more concerning for the secondary cities where total creditors in 2015/16 amounted to R7.8 billion while the available cash was R4.6 billion; creditors were thus owed 169 per cent of the available cash. This shows that some municipalities are not complying with Section 65 (2)(e) of the MFMA and that their cash flow management is weak. This has serious implications for the financial viability of SMMEs that provide services to municipalities.
92. When considering the creditor's age analysis at provincial level (2015/16 fourth quarter Section 71 report), the percentage of creditors owed by municipalities for more than 90 days was highest in the Free State (73.7 per cent), Mpumalanga (69.4 per cent), Northern Cape (66.9) and North West (60 per cent). Gauteng and Western Cape provinces appear to manage their creditors effectively, with respectively only 4.3 per cent and 4.9 per cent of creditors reported as outstanding for more than 90 days.
93. These findings are consistent with the trends observed in the past, with municipalities delaying payments to creditors at the end of the financial year in order to report a 'favourable cash position' and thereby ostensibly comply with Section 65 of the MFMA.

94. National Treasury has made efforts to ensure that municipalities pay their long outstanding creditors. Methods used have included withholding equitable share tranche payments to 59 municipalities and obtaining settlement agreements with those municipalities owing monies to Eskom and the country's water boards.

**Indicator 8: Reliance on national and provincial conditional grants**

95. Conditional grants are allocated to municipalities to fund projects of national priority and not necessarily capital programmes that are revenue raising. High reliance on grant funding for capital programmes therefore impedes local economic development, places current economic infrastructure at risk and implies that municipalities are funding relatively few infrastructure projects from their own revenue sources. It is widely accepted that cities are the growth engines of the economy and that, as well as providing for asset renewal; they must invest in new infrastructure. This requires appropriate funding of their capital budgets.

96. Table 11 below indicates local governments' reliance on national government transfers (capital grants/capital budget).

**Table 11: Local governments' reliance on conditional grants, 2011/12-30 June 2016**

	Audited Outcome				Section 71 Report for the financial year 2015/16					Estimate	
	2011/12	2012/13	2013/14	2014/15	Quarter 1: 30 Sep '15	Quarter 2: 31 Dec '15	Quarter 3: 31 Mar '16	Quarter 4: 30 Jun '16	Year to Date 2015/16	2016/17	2017/18
Metropolitan municipalities (8)											
No. of munics for which data is unavailable	0	0	0	0	0	0	0	0	0	0	0
No. who receive more than											
less than 30% of revenue from national transfers	0	0	0	0	1	2	1	2	2	0	0
between 30% and 75% revenue from national transfers	1	0	2	2	3	1	3	3	3	2	2
more than 75% of revenue from national transfers	7	8	6	6	4	5	4	3	3	6	6
Secondary cities (19)											
No. of munics for which data is unavailable	1	0	0	0	0	0	0	0	0	0	0
No. who receive more than											
less than 30% of revenue from national transfers	5	6	2	4	12	8	8	11	7	3	3
between 30% and 75% revenue from national transfers	8	4	3	3	0	2	2	3	3	3	2
more than 75% of revenue from national transfers	5	9	14	12	7	9	9	5	9	13	14
Other Local Municipalities (Towns) (207)											
No. of munics for which data is unavailable	7	7	4	7	10	5	10	16	2	13	13
No. who receive more than											
less than 30% of revenue from national transfers	35	26	25	14	87	79	82	110	64	21	20
between 30% and 75% revenue from national transfers	59	46	49	55	19	39	28	31	50	37	30
more than 75% of revenue from national transfers	106	128	129	131	91	84	87	50	91	136	144
District municipalities(44)											
No. of munics for which data is unavailable	0	0	2	2	4	4	7	6	3	8	8
No. who receive more than											
less than 30% of revenue from national transfers	24	23	24	22	22	20	17	23	18	12	12
between 30% and 75% revenue from national transfers	4	1	2	2	3	1	2	4	1	2	2
more than 75% of revenue from national transfers	16	20	16	18	15	19	18	11	22	22	22
All municipalities (278)											
No. of munics for which data is unavailable	8	7	6	9	14	9	17	22	5	21	21
No. who receive more than											
less than 30% of revenue from national transfers	64	55	51	40	122	109	108	146	91	36	35
between 30% and 75% revenue from national transfers	72	51	56	62	25	43	35	41	57	44	36
more than 75% of revenue from national transfers	134	165	165	167	117	117	118	69	125	177	186

Source: National Treasury - Local Government Database

97. The number of municipalities failing to disclose conditional grant information decreased from 9 in 2014/15 to 5 in 2015/16. A more significant decrease is the 125 in the 2015/16 financial year from the 167 in 2014/15 in the number of municipalities whose revenue is 75 per cent financed by national transfers. There was a decrease of 5 in the number of municipalities whose grant reliance is between 30 and 75 per cent of total revenue, mainly because of their lack of fiscal effort to raise more own revenue.

98. Among metros, two have a reliance of less than 30 per cent on national transfers for their budgets. The number of metros whose revenue is grant-financed by more than 75 per cent has decreased from 6 in 2014/15 to 3 in 2015/16.

99. Among the secondary cities, the revenue of 7 municipalities is less than 30 per cent financed by national transfers; 9 municipalities' revenue is more than 75 per cent financed from this source.

100. In 2015/16 205 local municipalities, compared with 200 in 2014/15, increased their reliance on national transfers. Among district municipalities, an additional 4 in 2015/16 were more than 75 per cent reliant on national transfers.
101. In conclusion, a consequence of the municipalities' lack of effort to generate own revenue is reliance on national transfers. National Treasury's stance is to encourage municipalities to find innovative ways to enhance their revenues as per the Municipal Systems Act.

### **Under-spending of conditional grants**

102. Table 12 below shows conditional grants performance as at 30 June 2016.

**Table 12: Conditional grants transferred from national departments to municipalities in 2015/16**

Grant Type	Division of revenue Act No. 1 of 2015	Total Available 2015/16	Approved payment schedule	Actual expenditure National Department	Actual expenditure by municipalities	Exp as % of Allocation National Department	Exp as % of Allocation by municipalities
Direct Transfers	28 068 466	28 012 763	27 789 321	23 824 540	24 939 524	85.0%	89.0%
Infrastructure	25 631 269	25 603 424	25 603 424	22 345 278	22 816 475	87.3%	89.1%
Capacity and Others	2 437 197	2 409 339	2 185 897	1 479 262	2 123 049	61.4%	88.1%
Grants excluded from the publication	10 554 345	10 554 345	-	-	10 156 401	0%	96.2%
Urban Settlement Development Grant	10 554 345	10 554 345	-	-	10 156 401	0%	96.2%
<b>Total</b>	<b>49 019 059</b>	<b>48 699 356</b>	<b>37 921 569</b>	<b>23 824 540</b>	<b>35 095 925</b>	<b>49%</b>	<b>72%</b>

*Source: National Treasury - Local Government Database*

103. In the 2015/16 financial year, in terms of the DoRA R49 billion was allocated in the form of direct and indirect grants to local government.
104. In aggregate, municipalities spent R35.1 billion or 72 per cent of the total direct conditional grants: Infrastructure, Capacity and Urban Settlement Development grants at R22.8 billion, R2.1 billion and R10.2 billion respectively. The administering departments reported these figures as R23.8 billion or 49 per cent as at 30 June 2016. The misalignment is due to the fact that municipalities report to treasuries by the 10<sup>th</sup> of a month but national transferring officer's report to National Treasury on the 20<sup>th</sup>.
105. As already indicated, persistent under-spending on infrastructure projects can be attributed to factors including:
  - Delays in project registration
  - Delays in approvals of projects by sector departments
  - Absence of project management units
  - Lack of capacity
  - Delays with contractors
  - Planning only starting at the beginning of a financial year
  - Failure to comply with supply chain processes leading to litigation and related delays
  - Difficulties in obtaining land and slow land registration processes
  - Delays in finalising Environmental Impact Assessment reports.
106. In October 2015, National Treasury approved roll-over applications of R8.8 million.

### **Indicator 9: Inadequate budgets for repairs and maintenance and asset management**

107. The adequacy of planned expenditure on repairs and maintenance is one of the indicators of the Funding Compliance methodology that must be considered when a budget is drafted. Insufficient allocation of funds for asset repair can compromise the credibility and/or sustainability of the

budget in the medium to long term because the revenue budget is not being protected. For example, an electricity or water network will not generate revenue if it deteriorates and the supply is not sustained. Repair and maintenance levels should be examined by trend, benchmarking and engineering recommendations.

108. The 2011 Local Government Budgets and Expenditure Review highlighted serious backlogs in repairs, maintenance and asset renewal of municipal infrastructure particularly in relation to electricity, water reticulation and sewerage, storm water and roads systems. These backlogs impact negatively on municipalities' financial sustainability, the reliability and quality of municipal services and municipalities' contribution to economic growth.
109. It is frequently the case that, when a municipality experiences financial stress, the first category of expenditure to be cut is repairs and maintenance as the impact of not spending on this category is not immediately obvious. It is also less politically sensitive than cutting the capital expenditure programme. However, the medium to long term consequences of underspending on repairs and maintenance include:
  - Deteriorating reliability and quality of services
  - A move to more expensive crisis maintenance rather than planned maintenance
  - Increased future cost of maintenance and refurbishment
  - Shortened useful lifespan of assets, requiring earlier replacement than would otherwise have been the case.
110. Asset management must be considered a key spending priority for municipalities as infrastructure is pivotal to sustainable and continuous service delivery. Asset management consists of two distinct categories of expenditure: asset renewal as part of the capital programme, and operational repairs and maintenance of infrastructure.
111. Table 13 below shows the national, metro and secondary cities' spending patterns on repairs and maintenance as a percentage of expenditure on property, plant and equipment for the financial years 2012/13 to 2015/16. This is an appropriate indicator of spending on repairs and maintenance as it measures spending against the value of the assets for which such spending was incurred.

**Table 13: National aggregate repair and maintenance, 2012/13- 2018/19**

Description	2012/13	2013/14	2014/15	Current year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
	R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
<b>Repairs and Maintenance by Asset Class</b>										
Infrastructure - Road Transport	14 119 830	15 677 599	16 633 773	23 075 437	18 382 927	18 382 927	15 417 656	16 331 954	17 451 299	
Infrastructure - Electricity	2 492 100	3 059 209	2 854 423	4 408 961	3 495 686	3 495 686	2 652 178	2 808 536	2 919 753	
Infrastructure - Water	2 507 230	3 080 369	3 140 305	4 535 894	3 347 810	3 347 810	2 735 711	2 860 144	3 067 349	
Infrastructure - Sanitation	1 945 373	1 983 436	1 884 991	3 065 897	2 258 738	2 258 738	1 662 048	1 773 940	1 884 867	
Infrastructure - Other	1 137 970	1 108 725	1 160 404	1 761 309	1 452 269	1 452 269	1 233 543	1 328 215	1 412 775	
Infrastructure	390 138	729 298	866 341	696 254	518 262	518 262	422 482	438 611	470 846	
Community	8 472 810	9 961 038	9 906 464	14 468 315	11 072 765	11 072 765	8 705 961	9 209 447	9 755 590	
Heritage assets	958 838	909 581	1 254 488	1 425 410	1 069 431	1 069 431	933 832	910 660	971 706	
Investment properties	107 609	124 264	174 758	254 904	15 447	15 447	13 535	14 414	15 351	
Other assets	28 469	26 772	21 953	42 008	210	210	100	106	112	
	4 552 104	4 655 943	5 276 111	6 884 800	6 225 074	6 225 074	5 764 228	6 197 327	6 708 539	
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>38 151 127</b>	<b>42 168 672</b>	<b>43 698 868</b>	<b>47 875 421</b>	<b>43 212 655</b>	<b>43 212 655</b>	<b>35 185 858</b>	<b>37 554 941</b>	<b>40 169 187</b>	
<b>% of capital exp on renewal of assets</b>	<b>38.8%</b>	<b>37.3%</b>	<b>42.2%</b>	<b>59.9%</b>	<b>55.8%</b>	<b>55.8%</b>	<b>51.6%</b>	<b>49.8%</b>	<b>48.1%</b>	
<b>Renewal of Existing Assets as % of deprecn</b>	<b>49.4%</b>	<b>53.7%</b>	<b>61.0%</b>	<b>101.0%</b>	<b>97.9%</b>	<b>97.9%</b>	<b>76.4%</b>	<b>68.6%</b>	<b>64.4%</b>	
<b>R&amp;M as a % of PPE</b>	<b>3.1%</b>	<b>3.2%</b>	<b>3.1%</b>	<b>4.4%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>4.1%</b>	<b>4.1%</b>	<b>3.9%</b>	
<b>Renewal and R&amp;M as a % of PPE</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>9.0%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>7.0%</b>	

Source: National Treasury Local Government Database

112. National aggregate spending on repairs and maintenance as a percentage of property, plant and equipment averages 3.5 per cent as shown in the table above. The national norm according to National Treasury's financial indicators is 8 per cent.

**Table 14: Metros' repair and maintenance, 2012/13-2018/19**

Description	2012/13	2013/14	2014/15	Current year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
	R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
<b>Repairs and Maintenance by Asset Class</b>										
Infrastructure - Road Transport	10 501 126	11 600 666	13 481 081	16 512 384	13 772 624	13 772 624	12 681 740	13 442 795	14 419 608	
Infrastructure - Electricity	1 726 246	2 145 901	2 279 121	2 820 532	2 270 262	2 270 262	2 038 694	2 153 862	2 250 769	
Infrastructure - Water	1 875 758	2 460 612	2 676 121	3 541 183	2 633 424	2 633 424	2 184 270	2 291 031	2 468 283	
Infrastructure - Sanitation	1 264 969	1 161 485	1 405 550	1 941 071	1 585 629	1 585 629	1 293 489	1 372 953	1 475 807	
Infrastructure - Other	925 627	853 498	1 015 024	1 246 268	1 062 613	1 062 613	1 026 240	1 107 491	1 179 387	
Infrastructure	213 660	504 453	328 474	342 448	320 560	320 560	291 269	309 878	329 644	
Community	6 006 260	7 125 948	7 704 289	9 891 502	7 872 488	7 872 488	6 833 962	7 235 215	7 703 890	
Heritage assets	681 309	648 438	1 092 425	892 016	790 652	790 652	685 289	652 695	694 830	
Investment properties	106 150	124 138	174 758	249 193	13 745	13 745	13 535	14 414	15 351	
Other assets	25 615	26 772	21 904	40 731						
	3 681 793	3 675 370	4 487 706	5 438 943	5 095 739	5 095 739	5 148 953	5 540 471	6 005 537	
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>21 007 740</b>	<b>23 051 754</b>	<b>25 521 215</b>	<b>28 957 584</b>	<b>26 296 080</b>	<b>26 296 080</b>	<b>25 380 019</b>	<b>27 268 386</b>	<b>29 419 575</b>	
<b>% of capital exp on renewal of assets</b>	<b>75.2%</b>	<b>77.2%</b>	<b>79.5%</b>	<b>106.1%</b>	<b>105.8%</b>	<b>105.8%</b>	<b>65.0%</b>	<b>63.7%</b>	<b>60.9%</b>	
<b>Renewal of Existing Assets as % of deprecn</b>	<b>93.8%</b>	<b>102.7%</b>	<b>114.4%</b>	<b>143.7%</b>	<b>143.4%</b>	<b>143.4%</b>	<b>94.8%</b>	<b>88.7%</b>	<b>82.1%</b>	
<b>R&amp;M as a % of PPE</b>	<b>4.5%</b>	<b>5.1%</b>	<b>5.3%</b>	<b>6.1%</b>	<b>5.1%</b>	<b>5.1%</b>	<b>5.0%</b>	<b>4.9%</b>	<b>4.9%</b>	
<b>Renewal and R&amp;M as a % of PPE</b>	<b>9.0%</b>	<b>10.0%</b>	<b>11.0%</b>	<b>13.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>10.0%</b>	<b>9.0%</b>	<b>9.0%</b>	

Source: National Treasury Local Government Database

113. As the table above shows, spending by metropolitan municipalities on repairs and maintenance as a percentage of expenditure on property, plant and equipment from 2012/13 to 2015/16 increased, at an average of 5.1 per cent. It is broadly acknowledged that there is a link between the number of potholes, unattended burst pipes and sewerage spills in municipal areas and non-payment of rates and service charges; this affects the revenue of the municipality.

**Table 15: Secondary cities' repair and maintenance, 2012/13-2018/19**

Description	2012/13	2013/14	2014/15	Current year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year 2017/18
<b>Repairs and Maintenance by Asset Class</b>	1 429 100	1 695 552	1 062 662	2 543 156	1 834 718	1 834 718	1 252 777	1 325 380	1 407 220
Infrastructure - Road Transport	286 637	301 699	171 741	597 628	413 503	413 503	231 306	245 449	259 233
Infrastructure - Electricity	344 861	375 242	266 112	490 035	395 803	395 803	278 650	278 456	294 806
Infrastructure - Water	214 667	236 511	87 014	347 417	212 307	212 307	177 240	193 533	205 465
Infrastructure - Sanitation	136 651	153 150	62 629	319 506	253 881	253 881	135 125	144 443	152 126
Infrastructure - Other	54 205	79 642	60 030	91 009	58 879	58 879	75 115	72 838	82 522
Infrastructure	1 037 020	1 146 244	647 527	1 845 596	1 334 373	1 334 373	897 435	934 719	994 151
Community	164 383	178 211	83 738	290 115	131 720	131 720	156 656	165 318	177 008
Heritage assets	87			531					
Investment properties	87			1 167					
Other assets	227 523	371 097	331 398	405 747	368 624	368 624	198 686	225 343	236 060
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>6 299 186</b>	<b>6 893 424</b>	<b>6 389 349</b>	<b>6 797 902</b>	<b>6 095 257</b>	<b>6 095 257</b>	<b>4 035 941</b>	<b>4 353 282</b>	<b>4 585 179</b>
<b>% of capital exp on renewal of assets</b>	<b>25.4%</b>	<b>30.2%</b>	<b>36.8%</b>	<b>76.3%</b>	<b>69.8%</b>	<b>69.8%</b>	<b>50.2%</b>	<b>35.3%</b>	<b>31.7%</b>
<b>Renewal of Existing Assets as % of deprecn</b>	<b>18.7%</b>	<b>23.2%</b>	<b>30.8%</b>	<b>72.7%</b>	<b>75.3%</b>	<b>75.3%</b>	<b>53.3%</b>	<b>32.9%</b>	<b>29.4%</b>
<b>R&amp;M as a % of PPE</b>	<b>1.6%</b>	<b>1.8%</b>	<b>1.1%</b>	<b>3.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>3.2%</b>	<b>3.3%</b>	<b>3.4%</b>
<b>Renewal and R&amp;M as a % of PPE</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>7.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>7.0%</b>	<b>6.0%</b>	<b>6.0%</b>

Source: National Treasury Local Government Database

114. As the table above shows, secondary cities' spending from 2012/13 to 2015/16 on this indicator falls far short of the expected norm. On average, secondary cities budgeted 2.5 per cent for repairs and maintenance and spent only 2 per cent on this item. This poor allocation for repairs and maintenance is sustained over the 2016/17 MTREF. Secondary cities need to take the necessary action to reverse the impact of inadequate budgeting and spending on repairs and maintenance. During the budget benchmark engagements, National Treasury and the provincial treasuries should emphasise the need for all municipalities to increase their repairs and maintenance budgets.

115. Overall, municipalities are not sufficiently prioritising expenditure on asset management. As a result, these strategic spending areas receive limited allocations.

## Other issues impacting on the financial health of a municipality

### Significant electricity and water losses

116. Table 16 below shows the extent of water and electricity losses by metros at 30 June 2015.

117. On 30 June 2015, metropolitan municipalities recorded water and electricity losses amounting to R4 billion and R5.5 billion respectively. During the 2014/15 financial year, water losses increased significantly, by R775.2 million. In conjunction with Rand Water, the Department of Water and Sanitation is working on various initiatives to address this situation. Water losses are also affected by the level of municipalities' spending on repairs and maintenance; this was discussed under Indicator 9 above. Electricity losses decreased from R6.5 billion in 2013/14 to R5.5 billion in 2014/15. There are always technical losses due to normal transmission and distribution; however, this reduced amount of loss suggests that there was increased focus on addressing electricity theft.

118. Table 16 shows that, in nominal terms, the City of Johannesburg reported the highest losses on water (R1.7 billion) and electricity (R2.4 billion). At R137 million (water) and R314 million (electricity), the lowest losses were reported by Cape Town metro.

**Table 16: Electricity and Water losses for the metros as at 30 June 2015**

Municipality	Code	Water losses	Electricity losses
		R'000	R'000
Nelson Mandela Bay	NMA	148 000	244 400
Buffalo City	BUF	99 329	162 812
Mangaung	MAN	167 576	154 232
Ekurhuleni	EKU	707 966	748 033
City of Johannesburg	JHB	1 671 900	2 365 259
City of Tshwane	TSH	383 133	973 512
eThekweni	ETH	669 000	566 000
City of Cape Town	CPT	137 373	314 416
<b>Total</b>		<b>3 984 278</b>	<b>5 528 664</b>

Source: 2014/15 Audited Annual Financial Statements

119. Significant water losses may be attributed to ageing infrastructure, low expenditure on capital asset renewal and insufficient repairs and maintenance of reticulation infrastructure.

## Initiatives adopted by government to improve financial management

120. South Africa's local government financial management system has undergone a number of reforms and there has been considerable progress. However, there is still a long way to go before all 278 municipalities are fully functional and sustainable. It is internationally acknowledged that South Africa has some exceptional financial management legislation and practices but these must be institutionalised if overall performance objectives are to be achieved.

121. The financial management reform agenda for local government is an evolutionary process and needs to be nurtured to maturity. Government has initiated a number of capacity building initiatives to support municipalities in achieving this.

## Financial Management Capability Maturity Model (FMCMM)

122. National Treasury developed a FMCMM containing 21 modules that assess the financial management maturity and capabilities of municipalities and their entities. Each module consists of a number of self-assessment questions to be completed by municipalities.

123. The model applies 32 financial ratios and norms in carrying out baseline assessments to gauge progress by all municipalities and municipal entities towards sound financial management practices since the MFMA was implemented.

124. In ascending order, the 'maturity' levels in the FMCMM are: Starting up (level 1); Developmental (level 2); Controlling (level 3); Information or Data Intelligence (level 4); Management or Strategic Intervention (level 5); and Optimisation (level 6). During 2015, municipal and municipal entity assessments were undertaken up to level 3 (Controlling).

125. An assessment was conducted in all municipalities and their entities in 2015 covering levels 1, 2 and 3. The focus was on assisting them to achieve financial maturity level 3 (Controlling). Results from the assessments were communicated to municipalities, provincial treasuries and sector departments. The assessments highlighted areas requiring priority attention: information and communications technology; risk management; asset management; revenue management; and capacity building. In terms of financial ratios, many municipalities have low liquidity, due in many

cases to poor revenue collection. They are not able to meet their financial obligations when due, fund asset maintenance inadequately and have high electricity and water distribution losses.

126. Municipalities and their entities were requested to develop action plans to address the shortcomings identified in the assessment and to bring the outcomes of the assessment to the attention of the newly elected councils. National Treasury revised the conditions of the Financial Management Grant to allow for the use of the funds to address the shortcomings identified in the 2015 assessment. Treasuries are using the results of the assessments to guide initiatives to improve municipalities' financial management. Processes are currently underway to develop levels 4, 5 and 6.

### Capacity building grants

127. In response to the scarcity of suitably skilled and experienced municipal finance staff, especially in rural areas, National Treasury introduced the Financial Management Grant (FMG) in 2004. This funds, *inter alia*, the appointment of financial management and accounting graduates as interns in municipalities. The interns are sourced from a pool of unemployed regionally-based Accounting, Economics, Finance and Risk Management graduates who are appointed for 24 to 36 month periods.

128. In 2015/16, R452 million in FMG funding was transferred to municipalities, against which the following expenditure was reported:

- 38 per cent on the appointment of at least five interns per municipality
- 20 per cent on upgrading and maintenance of financial management systems
- 15 per cent on training municipal officials to attain minimum competencies
- 14 per cent on the preparation and timely submission of Annual Financial Statements.

**Table 17: Capacity building and other current grants to local government, 2012/13 - 2018/19**

R million	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Medium-term estimates	
								Outcome	Revised estimate
<b>Direct transfers</b>	<b>1 536</b>	<b>1 606</b>	<b>1 707</b>	<b>1 743</b>	<b>2 013</b>	<b>1 975</b>	<b>2 024</b>		
Local government financial management	403	425	449	452	465	502	531		
Municipal human settlements capacity	–	–	300	100	–	–	–		
2013 African Cup of Nations host city operating grant	123	–	–	–	–	–	–		
2014 African nations championship host city operating	–	120	–	–	–	–	–		
Expanded public works programme integrated grant for municipalities	662	611	595	588	664	716	758		
Infrastructure skills development	75	99	104	124	130	141	149		
Energy efficiency and demand-side management	200	181	137	178	186	203	215		
Municipal demarcation transition	–	–	–	39	297	112	53		
Municipal disaster	73	171	121	261	270	300	318		
<b>Indirect transfers</b>	<b>230</b>	<b>240</b>	<b>252</b>	<b>251</b>	<b>84</b>	<b>103</b>	<b>115</b>		
Municipal systems improvement	230	240	252	251	84	103	115		
<b>Total</b>	<b>1 766</b>	<b>1 846</b>	<b>1 959</b>	<b>1 994</b>	<b>2 097</b>	<b>2 078</b>	<b>2 139</b>		

Source: National Treasury

129. Despite the amount of funding assigned to capacity building in municipalities to improve financial management (R5.6 billion from 2012/13 to 2014/15 as shown in the table above), the audit outcomes of 160 municipalities in 2014/15 remained the same as in 2013/14, with 21 municipalities regressing.

## **Municipal Finance Improvement Programme (MFIP) Phase II**

130. Following the conclusion of MFIP Phase I on 31 March 2014, National Treasury introduced MFIP Phase II on 1 July 2014. Where MFIP Phase I focused more on capacitating municipalities and provincial treasuries on MFMA compliance issues, MFIP Phase II addresses the capacity building needs of the broader local government financial management reform objectives.
131. The second phase of MFIP provides for a more systematic, differentiated and flexible methodology, focusing on issues such as direct assistance versus indirect advice, short-term versus long-term interventions and specialist input versus generalised training.
132. Achievements of MFIP Phase II as at June 2016 were:
  - 3 399 training engagements had been held in municipalities
  - Revenue management had the largest number of sessions with 928 (27 per cent) followed by Reporting with 731 sessions (22 per cent), Cash Management (14 per cent) and Budgeting (11 per cent)
  - General financial management support was provided to 37 municipalities
  - Asset management support was provided to 20 municipalities
  - Ten municipalities were assisted with preparing for the audit of their financial statements. This resulted in improved audit opinions in four municipalities.

## **Province-specific strategies**

133. Two papers were presented at the Budget Council Lekgotla of 6-8 November 2014: the “Strategy to Address Municipal Performance Failures: A Financial Management Perspective” and “Methodology, approach and process towards a differentiated strategy to provincial and municipal support programmes”.
134. Based on the discussions at the Lekgotla, it was resolved that:
  - There is a need to re-evaluate government’s approach to addressing municipal performance failures; all role-players in the local government sphere should coordinate their efforts; and a more structured and integrated approach to identifying and addressing municipal performance failures is required
  - Political problems require political solutions
  - The “Strategy to Address Municipal Performance Failures: A Financial Management Perspective” provides a guiding framework for a coordinated approach to addressing financial municipal performance failures by all national and provincial role-players
  - There is a need for a provincial support and capacity building programme that addresses the specific capacity needs of each provincial treasury in relation to budgeting and financial management related issues.
135. A differentiated approach based on the capacity of each provincial treasury is required to strengthen them so that they are better equipped to monitor and support their municipalities.
136. During 2015, following the 2014 Budget Council Lekgotla, bilateral meetings were held with the provincial treasuries. At the core of the discussions were the envisaged provincial strategy to address municipal performance failures; the organisational structure that each province had adopted to give effect to the strategy; and the support required from National Treasury to implement the strategy.
137. From the variety of challenges shared by the provincial treasuries with National Treasury, it was clear that common areas of concern included:

- The lack of capacity to properly implement local government reforms in areas including municipal budgeting and reporting; revenue management; asset management; the roll-out of the Municipal Standard Chart of Accounts (*mSCOA*) Regulation; audit outcomes relating to internal controls; risk management; and supply chain management. It was felt that the adoption of the appropriate organisational structure was fundamental to the development and implementation of province-specific strategies.
- The importance of collaboration between National Treasury, provincial treasuries and DCoG, particularly in relation to oversight and enforcement of compliance tools for delegated and non-delegated municipalities, as a means of addressing municipal performance failures.

138. At the 2015 Budget Council Lekgotla, it was *inter alia* resolved that:

- The key “game changers” required to address municipal performance failures in the next period are funded budgets, revenue management, *mSCOA*, asset management and SCM
- MFIP II advisors would be placed in provincial treasuries to provide the necessary support in implementing the respective strategies
- Provincial treasuries would fast track the finalisation and implementation of their organisational structures and would prioritise the filling of vacancies emanating from the approved structures
- Provincial treasuries should strengthen their skills and capacity to enable effective implementation of the MFMA reforms, keeping organisational efficiencies and current budget constraints in mind
- Provincial treasuries would exercise effective oversight of the execution of the approved province-specific strategies and support plans.

139. MFIP II has placed 37 municipal advisors, 4 provincial treasury advisors and 6 provincial *mSCOA* advisors in provincial treasuries and at municipalities. A number of achievements have been realised since the MFIP II support has been rolled out.

140. All of the core strategic areas are covered through the support plan signed off between National Treasury, municipalities and provincial treasuries. A number of achievements have been realised since the appointment of the MFIP II Advisors.

### **Cities Support Programme (CSP)**

141. The CSP was designed as a response to demands from metros for an integrated programme to assist them to address strategic challenges they face in transforming their built environments. The key source of project identification is the City Support Implementation Plans (CSIPs) that have been approved and developed jointly with the cities.

142. The CSP carried out a review of environmental and social management systems and practices for accelerated infrastructure delivery. This resulted in the development of the Rapid Integrated Project Options Assessment (RIPOA) tool which assists municipalities to analyse and act on infrastructure planning options that are financially, economically, socially and environmentally integrated. Using the tool enables best-fit project designs to be identified up-front rather than through statutory EIA processes. This should assist with quick and cost effective completion of environmental and social licensing processes. Two peer learning events were hosted in 2016 in which city governments were provided with support to develop their reform action plans for Construction Permits and Getting Electricity.

### **Standard Chart of Accounts for Municipalities (*mSCOA*)**

143. Section 216 of the Constitution of the Republic of South Africa (Act 108 of 1996, substituted by Section 1(1) of Act 5 of 2005) deals with treasury control and determines that national legislation

must establish a national treasury and prescribes measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practices, uniform expenditure classifications and uniform treasury norms and standards for all three spheres of government.

144. Uniform expenditure classifications have been established and implemented for national and provincial government departments for a number of years. However, currently each municipality manages and reports on its financial affairs in accordance with its own organisational structure and unique chart of accounts. The result is a disjuncture amongst municipalities and municipal entities and between municipalities and the other spheres of government as to how they classify and report on revenue and expenditure. This compromises transparency, reliability and accuracy throughout the planning and reporting process and impedes the ability of national government to integrate information and to formulate coherent policies in response to the objectives of local government.
145. On 22 April 2014, the Minister of Finance promulgated the Municipal Regulations on a Standard Chart of Accounts (*mSCOA*) in the Government Gazette (Notice No. 37577). The Regulations apply to all municipalities and municipal entities with effect from 1 July 2017.
146. To ensure that all 257 municipalities comply with the *mSCOA* Regulations by that date, National Treasury commissioned *mSCOA* Project Phase 4: Change management and piloting (the first three phases of the *mSCOA* project focussed on research, development and consultation leading to the gazetting of the Regulation in April 2014).
147. In terms of the MFMA delegations, National Treasury is responsible for oversight of and support for 17 non-delegated municipalities (the eight metros, eight secondary cities and O.R. Tambo District Municipality). Oversight of and support for the 240 delegated municipalities is delegated to the respective provincial treasuries.
148. The provincial treasuries are therefore key partners in facilitating and implementing the necessary change management and transition initiatives to successfully implement the *mSCOA* Regulations in municipalities. They are therefore involved in all aspects of the project roll-out.
149. Since promulgation of the Regulation, the National Treasury *mSCOA* Project Team has engaged extensively with the pilot and other municipalities, their system vendors, provincial treasuries and other role-players in preparation for implementing *mSCOA* in municipalities.
150. A non-accredited training programme, and training material, has been developed and rolled out. It has included:
  - A one-day training initiative, 'Demystifying *mSCOA*', that has been rolled out across the nine provinces
  - Nine 2-day non-accredited *mSCOA* training sessions rolled out to piloting municipalities, system vendors and provincial treasuries
  - A 3-day non-accredited training session for all non-pilot municipalities rolled out through 57 district training sessions between 13 October 2015 and 31 March 2016
  - Participation by 1 544 officials and councillors from 55 municipalities in *mSCOA* awareness training facilitated by provincial *mSCOA* advisors.
151. Awareness workshops have been conducted with other stakeholders including the Auditor-General of South Africa (AGSA), the South African Local Government Association (SALGA) and councillors. Representatives of the *mSCOA* training team have also attended provincial CFO forums, Accounting Standards Board (ASB) forums and Institute of Municipal Finance Officers (IMFO) conferences to create awareness about *mSCOA*.

152. An accredited training programme in cooperation with the Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO), with a formal Request for Interested Trainers (RFI) RF1001-2016 was promulgated in the Government Gazette of 18 March 2016 to appoint *mSCOA* accredited trainers.

#### **Piloting work stream**

153. There is continued support of the pilot municipalities and the non-delegated municipalities, and assistance with skills transfer to national and provincial officials tasked with municipal support to ensure continuity and sustainability upon implementation.

#### **Change and Transition work stream**

154. Various guidelines have been provided through circulars:

- *mSCOA* Circular No. 3 (2 November 2015) and *mSCOA* Circular 4 (3 March 2016) were issued and published on the National Treasury website to support non-pilot municipalities with implementing *mSCOA*. The circulars included the following template guidance:
  - User guidelines to explain user registration and how to log and search for queries on the *mSCOA* FAQ portal
  - “Project Sponsor Agreement” template to support municipalities and provincial treasuries, attached as Annexure C to Municipal *SCOA* Circular No. 3
  - Other supporting templates such as for a risk register, code of ethics, non-disclosure agreement and project issue log
- MFMA Circular No. 80 on *mSCOA* Business Processes and Systems Specifications was finalised and issued on the National Treasury website on 8 March 2016.

155. The *mSCOA* team engaged with the City Infrastructure Development Management System (CIDMS) team and the Accounting Services team to ensure that the CIDMS and Standard Operating Procedures (SOPs) were aligned with the *mSCOA* Regulations.

#### **Technical work stream**

156. *mSCOA* Version 5.4 was released in December 2015. It included posting level additions, changes in description, revision and expansion of definitions, reconsideration of posting level and breakdown allowed levels, and structuring and revising the defined reporting outcomes extracted from *mascot* for use by various internal and external stakeholders.

157. *mSCOA* Version 5.5 was released in January 2016. This version was affected, amongst other issues, by the VAT indicators.

158. A dedicated Frequently Asked Questions (FAQs) e-mail address was created through which queries and issues raised in the FAQ could be resolved.

159. National Treasury transversal tender (RT25-2016) for procurement of a Financial Management and Internal Control system for municipalities was issued on 4 March 2016. The Bid Adjudication Committee (BAC) approved the project on 29 July 2016 and the names of the successful bidders were announced on 2 August 2016. *mSCOA* Circulars No. 5 and 6 were produced to assist municipalities with implementing projects, using the transversal tender system and evaluating their ICT environment and readiness.

#### **The Back to Basics approach**

160. In September 2014, the President launched the Back-to-Basics Programme (B2B). This re-focused municipalities on ensuring compliance with existing legislative requirements and on creating a more responsive, service delivery oriented culture.
161. From the above underpinning principles, DCoG initiated Back-to-Basics by:
  - Conducting a desk top assessment of municipalities in all nine provinces
  - Verifying the findings of the desk top assessment with the provinces
  - Presenting the findings on the state of local government to the President's Coordinating Committee (PCC) and MinMEC, and launching them at the Presidential Local Government Summit
  - Developing three categories of municipal performance assessment criteria to initiate focused action.
162. The assessment was conducted using the pillars of the Back-to-Basics programme:
  - Political stability
  - Good governance
  - Service delivery
  - Financial management
  - Institutional management
  - Community satisfaction.
163. In October 2014, DCoG initiated a monthly municipal reporting template consisting of a set of indicators in line with the pillars of the Back-to-Basics approach against which municipalities must report to the department. The objective behind the monthly reporting is to institutionalise a performance management system that recognises good performance and to ensure appropriate consequences and support for under-performance. The approach aims to integrate information on municipalities across various departments to ensure that challenges in the local government sphere, specifically in the short to medium term, are addressed.
164. Provincial Task Teams were established in all nine provinces. At first, they verified and amplified the diagnostic assessments initiated by DCoG. Thereafter they assisted with the development of municipality-specific action plans.

## **Municipalities in financial distress**

165. The conclusion of the assessment was that municipalities in financial distress were characterised by poor cash management and an increase in debtors. This conclusion provided important indicators about what affected municipalities should address and what initiatives National Treasury and other stakeholders should implement to assist them.
166. **Annexure A1** lists the municipalities in financial distress in 2014/15 (87), 2013/14 (86) and 2012/13 (95).
167. **Annexure A2** provides a consolidated analysis of the 278 municipalities' audit outcomes, capital budget performance, current interventions, vacancies in key positions, those identified as financially distressed and trends for the 2014/15 financial year.
168. **Annexure B1** lists the municipalities in financial distress in 2015/16 (97), 2014/15 (87), 2013/14 (86) and 2012/13 (95). Annexure B2 provides a consolidated analysis of the 278 municipalities' audit outcomes, capital budget performance, current interventions, vacancies in key positions, municipalities identified as financially distressed and trends for the 2015/16 financial year.
169. **Annexure C** provides the consolidated assessment results for the metros as at 30 June 2016.

170. The list in annexure C shows that 33 municipalities classified as financially distressed received unqualified audit report with findings. This suggests that the result of the audit outcome is not on its own a reflection of good financial health. Nineteen financially distressed municipalities obtained disclaimers, while 36 financially distressed municipalities obtained qualified audit opinions.
171. In 2015/16, 16 district municipalities were identified as financially distressed, a decrease from the 19 of the previous year. It is cause for concern that district municipalities are financially distressed, given the role they have to play in empowering and capacitating local municipalities.

## **Concluding remarks**

172. As was the case with the previous State of Local Government and Financial Management Reports, this one comprehensively discusses the financial health of all 278 of the country's municipalities. Based on selected performance indicators, the assessment has identified strengths and challenges in the different categories of municipality.
173. There are instances where there is improvement but it can be argued that the challenges continue to outweigh the positive findings. The common challenges are:
  - An increase in the number of acting Municipal Managers and Chief Financial Officers
  - An increase in poor cash flow management
  - An increase in reliance on conditional grants
  - Low capital spending on infrastructure
  - Increases in debtors and creditors
  - Inadequate provision for repairs and maintenance
  - Lack of credible budgeting
  - Ineffective governance structures; this undermines the administration of municipalities.
174. This report has also discussed capacity building initiatives adopted by the government in recent years and has provided an overview of the recently introduced municipal development programmes. To combat capacity challenges, government has channelled very substantial funding towards these initiatives; the results, however, remain unsatisfactory. One of the game changers in future financial years will be the implementation of *mSCOA* which should improve the quality of financial reporting and the integrity of financial data in municipalities.
175. It is envisaged that municipalities will utilise the information in this report for their benefit and will seek ways of mitigating financial risk.
176. It is recommended that there should be sustained focus and energy on prudent financial management in local government, with fiscal discipline, a reduction in unnecessary spending and maximisation of revenue collection. All such initiatives should be in line with those at national and provincial government level to implement prudent financial management and in this way to improve the economy of the country.

## Annexure A1

### Municipalities in financial distress as at 30 June 2015 (municipalities identified as being in financial distress are highlighted)

1 - Good

2 - Fair

3 - Poor

≥16 - a municipality shows signs of distress (receiving a score of 3 in more than 4 of the 8 indicators listed in the tables below).

#### Metros in financial distress – 30 June 2015

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Overspending Operational	T5 - Underspending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	>=16
Nelson Mandela Bay	NMA	2	1	2		2	1	3	1	12	-
Ekurhuleni Metro	EKU	1	1	2		2	1	3	1	11	-
City Of Johannesburg	JHB	2	1	1		1	1	3	3	12	-
City Of Tshwane	TSH	3	1	2	1	1	1	3	3	15	-
eThekweni	ETH	2	1	2			1	3	3	12	-
Cape Town	CPT	1	1	2		2	1	3	1	11	-
Buffalo City	BUF	1	1	1		2	1	3	1	10	-
Mangaung	MAN	2	1	1		2	3	3	1	13	-

#### Secondary cities in financial distress – 30 June 2015

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Overspending Operational	T5 - Underspending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	> =16
Matjhabeng	FS184	3	1	3		1	3	3	3	16	YES
Emfuleni	GT421	3	1	3		3	3	3	3	19	YES
Mogale City	GT481	3	1	1		2	1	3	3	14	-
Msunduzi	KZN225	1			1		3	3		16	YES
Newcastle	KZN252	3	2	1		2	3	3	1	15	-
uMhlatuze	KZN282	2	1	1		2	3	3	2	14	-
Polokwane	LIM354	2	1	3		2	1	3	1	13	-
Govan Mbeki	MP307	3	1	2		2	1	3	3	15	-
Emalahleni (Mp)	MP312	3	3	1		3	3	3	1	16	YES
Steve Tshwete	MP313	2	1	2		3	2	2	3	15	-
Mbombela	MP322	3	1			3	1	3	3	16	YES
Madibeng	NW372	3	1	1		1	2	3	3	14	-
Rustenburg	NW373	1	1	1		3	2	3	1	12	-
Tlokwe	NW402	3	3	1		2	1	3	1	14	-
City Of Matlosana	NW403	3		3		3	3	3	1	18	YES
Sol Plaatje	NC091	2	1	1		2	2	3	1	12	-
Drakenstein	WC023	2	1	1		1	1	3	1	10	-
Stellenbosch	WC024	1	1	1		3	1	3	2	12	-
George	WC044	1	1	2		2	3	3	1	13	-

Local municipalities in financial distress – 30 June 2015

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Over spending Operational	T5 - Under spending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	>= 16
Camdeboo	EC101	3	1	1		3		3	3	16	YES
Blue Crane Route	EC102	3	1	2		2	1	3	1	13	-
Ikwezi	EC103	3	3		1	3	3	1	1	17	YES
Makana	EC104	1	1	1		3	3	3	3	15	-
Ndlambe	EC105	3	1	3	3		1	3	3	17	YES
Sundays River Valley	EC106	3	1	3		3	1	3	3	16	YES
Baviaans	EC107	3	1	1		2	1	2	3	13	-
Kouga	EC108	3	1	3		1	1	3	3	15	-
Kou-Kamma	EC109	3	1	1			3	1	3	12	-
Mbhashe	EC121	3	2	3			3	3	1	15	-
Mnquma	EC122	3		3		3	3	1	1	16	YES
Great Kei	EC123	1	1	3		3	2	3	1	14	-
Amahlathi	EC124	3	3			3	1	3	1	16	YES
Ngqushwa	EC126	1	1	3		3	3	3	1	15	-
Nkonkobe	EC127	2	1	2		3	3	1	1	13	-
Nxuba	EC128	3	1	3		3	3	1	3	17	YES
Inxuba Yethemba	EC131	3	3	1			3	3	1	16	YES
Tsolwana	EC132	1	1	3		3	3	1	1	13	-
Inkwanca	EC133	1	1	3		3	3	3	3	17	YES
Lukhanji	EC134	1	1	2		2	1	3	1	11	-
Intsika Yethu	EC135	2	1	3			1	1	1	9	-
Emalahleni (Ec)	EC136	3	1	3		2	1	3	1	14	-
Engcobo	EC137	1	1	3		2	1	2	1	11	-
Sakhisizwe	EC138	3	1	3		3	3	1	1	15	-
Elundini	EC141	2	1	3		1	1	3	1	12	-
Senqu	EC142	1	1	3		2	1	3	1	12	-
Maletswai	EC143		1			3	3	3	3	17	YES
Gariep	EC144	3	1	3		1	3	3	3	17	YES
Mbizana	EC443	1	1	2		3	1	2	1	11	-
Ntabankulu	EC444	3	1	3			2	2	1	12	-
Ngqaza Hills	EC153	1	1	1		2	1	3	1	10	-
Port St Johns	EC154	3	1	3		3	3	1	1	15	-
Nyandeni	EC155	3	2	1		2	3	3	1	15	-
Mhlontlo	EC156	3	1	2		1	1	3	1	12	-
King Sabata Dalindyebo	EC157	3	3	3		3	3	1	19	YES	
Matatiele	EC441	1	1	2		2	2	3	1	12	-
Umzimvubu	EC442	1	1	3			3	1	1	10	-

The state of local government finances and financial management as at 30 June 2016

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Over spending Operational	T5 - Under spending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	> =16
Letsemeng	FS161	2	1	1		3	3	1	1	12	-
Kopanong	FS162		1	3			3	3	3	17	YES
Mohokare	FS163	3	3	3		3	1	3	1	17	YES
Naledi (Fs)	FS164	3	1	3		3	3	3	3	16	YES
Mantsopa	FS196	3	1	3		3	1	3	3	17	YES
Masilonyana	FS181	2	1	1		3	1	3	3	14	-
Tokologo	FS182		1			3		3	3	16	YES
Tswelopele	FS183	2	1	1	1		1	3	1	10	-
Nala	FS185	3	1	1		3	3	3	3	17	YES
Setsoto	FS191	3	1			3	1	3	3	16	YES
Dihlabeng	FS192		1	3			3	3	3	17	YES
Nketoana	FS193	3	3	3	3	3		3	1	21	YES
Maluti-a-Phofung	FS194	3	3	3		3	3	3	1	19	YES
Phumelela	FS195	3	3	1		3	3	1	1	15	-
Moghaka	FS201	3	1	1			3	3	3	14	-
Ngwathe	FS203	3	1	3			1	3	3	16	YES
Metsimaholo	FS204	3	1	1		3	3	3	3	17	YES
Mafube	FS205	3	3	1		3	3	3	1	17	YES
Midvaal	GT422	3	2	2		2	1	3	1	14	-
Lesedi	GT423	3	1	3			2	3	3	15	-
Randfontein	GT482	3	1	1		3		3	3	16	YES
Westonaria	GT483	3	1	1			3	1	3	12	-
Merafong City	GT484	3	1	1		3		3	3	16	YES
Vulamehlo	KZN211	1	1	2		3	3	3	1	14	-
Umdoni	KZN212	3	2	1		2	1	3	1	13	-
Umzumbe	KZN213	1	1	3		2	3	1	1	12	-
uMuziwabantu	KZN214	3	1	3		3	1	3	1	15	-
Ezinqoleni	KZN215	3	3	2			3	3	1	15	-
Hibiscus Coast	KZN216	1	1	1		3	1	3	1	11	-
uMshwathi	KZN221	3	1	1		1	2	3	3	14	-
uMngeni	KZN222	3	1	3			3	3	1	16	YES
Mpofana	KZN223	2	1	2			1	3	1	10	-
Impendle	KZN224		3	3			3	3	1	19	YES
Mkhambathini	KZN226	1	1	3		3	3	3	1	15	-
Richmond	KZN227	3	1	3		2	2	3	1	15	-
Emnambithi/Ladysmith	KZN232	1	1	1			3	3	1	10	-
Indaka	KZN233	1	1	3		3	3	3	1	15	-
Umtshezi	KZN234	3	3	1			1	3	3	14	-
Okhahlamba	KZN235	1	1	3		2	3	3	1	14	-
Imbabazane	KZN236	3	3	2			3	3	1	15	-
Endumeni	KZN241	3				3	1	3	3	17	YES
Nquthu	KZN242	1	1	3		3	2	3	1	14	-
Msinga	KZN244	1	1	1		1	3	3	1	11	-
Umvoti	KZN245	3	1	1		2	1	3	3	14	-
eMadlangeni	KZN253	2	1	1		3	2	3	1	13	-
Dannhauser	KZN254	1	1	2			3	3	1	11	-
eDumbe	KZN261	3	1				3	3	3	16	YES
uPhongolo	KZN262	3	1	3		1		3	3	16	YES

The state of local government finances and financial management as at 30 June 2016

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Over spending Operational	T5 - Under spending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	> =16
Abaqulusi	KZN263	3	3	2			3	3	1	15	-
Nongoma	KZN265		1	3			3	3		16	YES
Ulundi	KZN266	2	1	3		2	1	3	3	15	-
Umhlabuyalingana	KZN271	1	1	2		2	3	3	1	13	-
Jozini	KZN272	2	1	2		3	3	3	1	15	-
The Big 5 False Bay	KZN273	3	3	3		1		3	1	16	YES
Hlabisa	KZN274		1	3		3		3		16	YES
Mtubatuba	KZN275		1	3				3	1	16	YES
Mfolozi	KZN281	3	1		3		3	3		17	YES
Ntambanana	KZN283	1	1	3		3	2	2	1	13	-
uMlalazi	KZN284	1	1	3		2	1	3	1	12	-
Mthonjaneni	KZN285	1	1	2			1	1	1	7	-
Nkandla	KZN286	3	1	3	1	2	1	3	1	15	-
Mandeni	KZN291	1	1	2	2	1	2	3	1	13	-
KwaDukuza	KZN292	1	1	2		3	1	3	1	12	-
Ndwedwe	KZN293	1	1	3		3	2	3	1	14	-
Maphumulo	KZN294	1	1	3		3	3	3	1	15	-
Ingwe	KZN431	1	1	3	1	3	1	3	1	14	-
Kwa Sani	KZN432	1	1	3	1	2	3	3	1	15	-
Greater Kokstad	KZN433	3		3			3	3	1	17	YES
Ubuhlebezwe	KZN434		1	3		3		3	3	17	YES
Uzimkhulu	KZN435	1	1	3		2	1	2	1	11	-
Greater Giyani	LIM331	1	1	3		2	1	3	1	12	-
Greater Letaba	LIM332	1	1	1		3	1	3	1	11	-
Greater Tzaneen	LIM333	3	1	3		3	3	1	1	15	-
Ba-Phalaborwa	LIM334	3	3	3				3	3	19	YES
Maruleng	LIM335	1	1	2		2	3	3	1	13	-
Musina	LIM341	3	1	3		3	1		3	18	YES
Mutale	LIM342	3	3		1	3	1	3	1	17	YES
Thulamela	LIM343	1	1	2		2	2	3	1	12	-
Makhado	LIM344	3	1	1		2	1	3	1	12	-
Blouberg	LIM351	1	1	3		3	1	3	1	13	-
Aganang	LIM352	1	1	3		3	3	1	1	13	-
Molemole	LIM353	1	1	2		2	1	3	1	11	-
Lepelle-Nkumpi	LIM355	1	1	2		3	1	3	1	12	-
Thabazimbi	LIM361	3	3	3		3	3	3	1	19	YES
Lephalele	LIM362	1	1	1		3	2	3	1	12	-
Mookopong	LIM364	3	3	1			3	1	1	12	-
Modimolle	LIM365	3	1	1			3	3	3	16	YES
Bela Bela	LIM366	3		3		3	1	3	1	16	YES
Mogalakwena	LIM367	1	1	1		3	2	3	1	12	-
Ephraim Mogale	LIM471	1	1	2		2	2	3	1	12	-
Elias Motsoaledi	LIM472	2	1	2		2	1	3	1	12	-
Makhuduthamaga	LIM473	1	1	2		2	3	1	1	11	-
Fetakgomo	LIM474	3	3	3	1		3	1	1	15	-
Greater Tubatse	LIM475	1	1	3	3	3	3	1	1	16	YES
Albert Luthuli	MP301	3	3	1		2	2	3	1	15	-
Msukaligwa	MP302	3	3	1		3	1	3	1	15	-
Mkhondo	MP303	3	1	2			3	3	3	15	-
Pixley Ka Seme	MP304	1	1	1		2	2	3	1	11	-
Lekwa	MP305	2	1	1			2	3	3	12	-
Dipaleseng	MP306	3	1			3	1	3	3	16	YES
Victor Khanye	MP311	2	1	1		3	1	3	1	12	-
Emakhazeni	MP314	1	1	3		1	3	3	3	15	-
Thembisile	MP315	1	1	1		3	3	3	1	13	-
Dr J.S. Moroka	MP316	2	1	3			3	3	1	13	-
Thaba Chweu	MP321	3		1		3	3	3	3	18	YES
Umjindi	MP323	3	3					3	1	16	YES
Nkomazi	MP324	3	1	1				3	3	16	YES
Bushbuckridge	MP325	3	1	3		3	3	1	3	17	YES

The state of local government finances and financial management as at 30 June 2016

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Over spending Operational	T5 - Under spending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	> =16
Richtersveld	NC061	3	1	1		3	3	1	3	15	-
Nama Khoi	NC062	3	1	1		3		3	3	16	YES
Kamiesberg	NC064	3	3	1			3	3	1	14	-
Hantam	NC065	3	2	1		2	1	3	3	15	-
Karoo Hoogland	NC066	3	1	3		1	1	3	3	15	-
Khai-Ma	NC067	3	1				3	3	3	17	YES
Ubuntu	NC071	2	1	2		3	3	1	1	13	-
Umsobomvu	NC072	1	1	3		3	3	3	1	15	-
Emthanjeni	NC073	3	3	1		3	1	3	1	15	-
Kareeberg	NC074	1	1	3		3	3	1	1	13	-
Renosterberg	NC075	3	3	2			3	3	1	15	-
Thembelihle	NC076	3	3	1			1	3	3	14	-
Siyathemba	NC077	3	1			3	2	3	3	15	-
Siyancuma	NC078	3	3	2			3	3	1	15	-
Mier	NC081	3	1	3			1	3	3	16	YES
!Kai! Garib	NC082	3	3	3		1	3	1	1	15	-
//Khara Hais	NC083	3	3			3		3	1	17	YES
!Kheis	NC084	1	1	2		3	1	3	1	12	-
Tsantsabane	NC085	3	3			3	3	3	1	18	YES
Kgatelopele	NC086	3	3	3			3	3	1	16	YES
Dikgatlong	NC092	1	1	3		3	1	3	1	13	-
Magareng	NC093	3	3					3	1	16	YES
Phokwane	NC094	1	1	1		1	2	3	1	10	-
Moshaweng	NC451	3	1	3			3	3	1	15	-
Ga-Segonyana	NC452	3	1	2		2	3	3	1	15	-
Gamagara	NC453	3	3	1		3	3	1	1	15	-
Moretele	NW371	2	1	1			3	3	2	12	-
Kgettengrivar	NW374	3	1	3				3	3	17	YES
Moses Kotane	NW375	2	1	1		2	3	3	1	13	-
Ratlou	NW381	1	1	2		2	3	3	1	13	-
Tswaing	NW382	3	1	2		2	3	1	1	13	-
Mafikeng	NW383	1	1	3		3		3	3	16	YES
Ditsobotla	NW384	3		3		3		3	3	19	YES
Ramotshere Moiloa	NW385	2	1	3		1	1	3	3	14	-
Naledi (Nw)	NW392	3	1	3		1	1	3	3	15	-
Mamusa	NW393	3	3			1		3	3	17	YES
Greater Taung	NW394	1	1	3	1	2	3	3	1	15	-
Lekwa-Teemane	NW396	3	3			3		3	1	17	YES
Molopo-Kagisano	NW397	3	1	1		2	3	1	1	12	-
Ventersdorp	NW401	3	1	3			3	3	1	16	YES
Maquassi Hills	NW404	3	1	1		2	2	3	3	15	-
Matzikama	WC011	3	1	1		2	2	3	1	13	-
Cederberg	WC012	3		1		3	3	3	3	18	YES
Bergvlier	WC013	2	1	1		1	3	3	1	12	-
Saldanha Bay	WC014	1	1	1		2	1	3	1	10	-
Swartland	WC015	1	1	1		2	1	2	1	9	-
Witzenberg	WC022	2	1	3		1	2	3	1	13	-
Breede Valley	WC025	2	1	1		2	3	3	1	13	-
Langeberg	WC026	2	1	2		2	1	3	1	12	-
Theewaterskloof	WC031	2	1	3		2	1	3	1	13	-
Overstrand	WC032	2	1	2		2	1	2	1	11	-
Cape Agulhas	WC033	3	1	1		1	1	2	1	10	-
Swellendam	WC034	2	1	3		3	1	3	1	14	-
Kannaland	WC041	1	1	1		3	2	3	3	14	-
Hessequa	WC042	1	1	2		3	1	3	1	12	-
Mossel Bay	WC043	1	1	2		2	2	3	1	12	-
Oudtshoorn	WC045	3	1	1	1	3	1	3	1	14	-
Bitou	WC047	1	1	2		2	1	3	1	11	-
Knysna	WC048	2	1	2		2	1	3	2	13	-
Laingsburg	WC051	1	1	2	1	3	1	3	1	13	-
Prince Albert	WC052	3	1	3			3	3	3	16	YES
Beaufort West	WC053	3	1	1		2	3	3	2	15	-

Districts in financial distress – 30 June 2015

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Over spending Operational	T5 - Under spending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	>= 16
Capadu	DC10	3	2	1		3	3	1	1	14	-
Amathole	DC12	2	1	1		2	3	3	1	13	-
Chris Hani	DC13	1	1	3		2	3	3	1	14	-
Joe Gqabi	DC14	3	1	3		3	1	3	3	17	YES
O .R. Tambo	DC15	1	1	3		1	3	3	1	13	-
Alfred Nzo	DC44	1	1	2			3	3	1	11	-
Xhariep	DC16	3	3			3	1	3	3	18	YES
Lejweleputswa	DC18	3	3	1		1	1	3	1	13	-
Thabo Mofutsanyana	DC19	3	3	1	1	3	1	3	1	16	YES
Fezile Dabi	DC20	1	1	3		3	3	1	1	13	-
Sedibeng	DC42	3	1	1		1	1	1	3	11	-
West Rand	DC48	2	1	1		3	3	3	1	14	-
Ugu	DC21	1	1	3		2	3	3	1	14	-
uMgungundlovu	DC22	1	1	2	2		3	3	1	13	-
Uthukela	DC23	3	3	3			1	3	1	14	-
Umzinyathi	DC24	3	1	3		3		3	3	18	YES
Amajuba	DC25	3	1	1		3	3	3	3	17	YES
Zululand	DC26	2	1	3	1	3	1	3	1	15	-
Umkhanyakude	DC27	3	1	3			3	3	3	18	YES
uThungulu	DC28	3		3		3	1	3	1	16	YES
iLembe	DC29	3	1	3		1	3	3	3	17	YES
Sisonke	DC43	2	1	2		2	2	3	1	13	-
Mopani	DC33	1	1	3		3	3	1	1	13	-
Vhembe	DC34	3				3	1	3	3	17	YES
Capricorn	DC35	1	1	3		3	3	3	3	17	YES
Waterberg	DC36	1	1	1		3	3	1	1	11	-
Greater Sekhukhune	DC47		1	3		3	1	3	3	16	YES
Gert Sibande	DC30	2	1	1		3	1	3	2	13	-
Nkangala	DC31	1	1	1		2	1	3	1	10	-
Ehlanzeni	DC32	1	1	1		2	3	1	1	10	-
Bojanala Platinum	DC37	3	1	1		2	3	1	1	12	-
Ngaka Modiri Molema	DC38	3	1	3		3	3	1	3	19	YES
Dr Ruth Segomotsi Mompati	DC39	3	1	3	3		3	3	1	17	YES
Dr Kenneth Kaunda	DC40	1	1	3		3	1	3	1	13	-
John Taolo Gaetsewe	DC45	3	3	1			3	3	3	18	YES
Namakwa	DC6	3	1	2		3	1	3	1	14	-
Pixley Ka Seme	DC7	3	1	1		3	3	3	3	17	YES
Siyanda	DC8	3	3	1			3	1	1	15	-
Frances Baard	DC9	1	1	1		3	3	3	1	13	-
West Coast	DC1	1	1	1			3	1	1	8	-
Cape Winelands DM	DC2	1	1	1		2	2	1	1	9	-
Overberg	DC3	2	1	1			1	3	1	9	-
Eden	DC4	1	1	1		2	1	3	1	10	-
Central Karoo	DC5	2	1	1		3	1	1	1	10	-

**Annexure A2**

**Consolidated audit outcomes, interventions, vacancies and distress list**

Category	Municipality Name	Muni Code	Financial Distress 2014/15	Audit Outcome 2013/14	Persistent Capital Underspending 2013 -15	MM vacancy	CFO vacancy	Section 139 Interventions June 2015	MFIP Support	Persistent Distress
A	Nelson Mandela Bay	NMA	-	Qualified	-	Permanent	Permanent			0
A	Ekurhuleni Metro	EKU	-	Unqualified with no findings	-	Permanent	Permanent			0
A	City Of Johannesburg	JHB	-	Unqualified with findings	-	Permanent	Permanent			0
A	City Of Tshwane	TSH	-	Unqualified with findings	-	Permanent	Acting			1
A	eThekweni	ETH	-	Unqualified with findings	-	Permanent	Permanent			0
A	Cape Town	CPT	-	Unqualified with no findings	-	Permanent	Permanent			0
A	Buffalo City	BUF	-	Qualified	YES	Acting	Acting			0
A	Mangaung	MAN	-	Unqualified with findings	YES	Permanent	Permanent			2
B1	Matjhabeng	FS184	YES	Disclaimer	-	Permanent	Permanent		Yes	2
B1	Emfuleni	GT421	YES	Unqualified with findings	YES	Permanent	Permanent			4
B1	Mogale City	GT481	-	Unqualified with no findings	-	Permanent	Permanent			0
B1	Msunduzi	KZN225	YES	Unqualified with findings	-	Permanent	Permanent			2
B1	Newcastle	KZN252	-	Qualified	YES	Acting	Acting			0
B1	uMhlatuze	KZN282	-	Unqualified with no findings	YES	Permanent	Permanent			0
B1	Polokwane	LIM354	-	Qualified	YES	Acting	Acting		Yes	0
B1	Govan Mbeki	MP307	-	Unqualified with findings	YES	Permanent	Permanent			1
B1	Emalaheni (Mp)	MP312	YES	Disclaimer	YES	Permanent	Acting			4
B1	Steve Tshwete	MP313	-	Unqualified with no findings	YES	Permanent	Acting			0
B1	Mbombela	MP322	YES	Unqualified with findings	YES	Permanent	Permanent			4
B1	Madibeng	NW372	-	Qualified	-	Permanent	Acting		Yes	2
B1	Rustenburg	NW373	-	Qualified	YES	Permanent	Permanent			0
B1	Tlokwe	NW402	-	Unqualified with findings	YES	Permanent	Acting			0
B1	City Of Matlosana	NW403	YES	Qualified	YES	Acting	Acting		Yes	2
B1	Sol Plaatje	NC091	-	Qualified	YES	Permanent	Permanent			0
B1	Drakenstein	WC023	-	Unqualified with no findings	-	Permanent	Permanent			0
B1	Stellenbosch	WC024	-	Unqualified with findings	YES	Acting	Permanent			0
B1	George	WC044	-	Unqualified with no findings	-	Permanent	Permanent			0
B2	Camdeboo	EC101	YES	Unqualified with findings	-	Permanent	Permanent			0
B2	Blue Crane Route	EC102	-	Qualified	-	Permanent	Permanent			0
B2	Ikwezi	EC103	YES	Disclaimer	YES	Acting	Acting			3
B2	Makana	EC104	-	Disclaimer	-	Acting	Acting		Yes	2
B2	Ndlambe	EC105	YES	Disclaimer	-	Permanent	Permanent			3
B2	Sundays River Valley	EC106	YES	Disclaimer	YES	Permanent	Permanent		Yes	0
B2	Baviaans	EC107	-	Unqualified with findings	-	Permanent	Permanent			0
B2	Kouga	EC108	-	Unqualified with findings	-	Permanent	Acting			3
B2	Kou-Kamma	EC109	-	Qualified	-	Permanent	Permanent			2
B2	Mbhashe	EC121	-	Qualified	-	Permanent	Acting			0
B2	Mnquma	EC122	YES	Qualified	YES	Permanent	Permanent			2
B2	Great Kei	EC123	-	Disclaimer	YES	Acting	Permanent			1
B2	Amahlathi	EC124	YES	Qualified	YES	Permanent	Permanent			2
B2	Ngqushwa	EC126	-	Disclaimer	YES	Permanent	Permanent			0
B2	Nkonkobe	EC127	-	Qualified	-	Permanent	Acting			0
B2	Nxuba	EC128	YES	Qualified	-	Permanent	Permanent			3
B2	Inxuba Yethemba	EC131	YES	Disclaimer	-	Permanent	Acting			2
B2	Tsolwana	EC132	-	Unqualified with findings	-	Permanent	Acting			0
B2	Inkwanca	EC133	YES	Disclaimer	-	Acting	Acting			2
B2	Lukhanji	EC134	-	Disclaimer	YES	Permanent	Permanent			0
B2	Intsika Yethu	EC135	-	Qualified	-	Permanent	Permanent			2
B2	Emalaheni (Ec)	EC136	-	Qualified	-	Permanent	Permanent			0
B2	Engcobo	EC137	-	Unqualified with findings	YES	Permanent	Permanent			0
B2	Sakhisizwe	EC138	-	Qualified	YES	Permanent	Permanent			0
B2	Elundini	EC141	-	Unqualified with findings	-	Permanent	Permanent			0
B2	Senqu	EC142	-	Unqualified with no findings	YES	Permanent	Permanent			0
B2	Maletsi	EC143	YES	Unqualified with findings	YES	Permanent	Permanent		Yes	3
B2	Gariep	EC144	YES	Qualified	-	Permanent	Acting			1
B2	Mbizana	EC443	-	Disclaimer	-	Permanent	Permanent			0
B2	Ntabankulu	EC444	-	Disclaimer	-	Acting	Permanent			2
B2	Ngquza Hills	EC153	-	Unqualified with findings	-	Permanent	Permanent			0
B2	Port St Johns	EC154	-	Qualified	-	Acting	Permanent			0
B2	Nyandeni	EC155	-	Unqualified with findings	YES	Permanent	Permanent			0
B2	Mhlonto	EC156	-	Adverse	-	Permanent	Permanent			3
B2	King Sabata Dalindyebo	EC157	YES	Qualified	-	Acting	Permanent			4
B2	Matatiele	EC441	-	Unqualified with findings	YES	Permanent	Permanent			2
B2	Umzimvubu	EC442	-	Unqualified with findings	-	Permanent	Permanent			1
B2	Letsemeng	FS161	-	Disclaimer	-	Permanent	Acting			0
B2	Kopanong	FS162	YES	Qualified	YES	Permanent	Permanent		Yes	2
B2	Mohokare	FS163	YES	Qualified	-	Permanent	Permanent		Yes	3
B2	Naledi (Fs)	FS164	YES	Qualified	-	Permanent	Permanent		Yes	1

**Annexure B: Consolidated audit outcome, interventions, vacancies and distress list**

Category	Municipality Name	Muni Code	Financial Distress 2015/16	Audit Outcome 2013/14	Persistent Capital Underspending 2013 -15	MM vacancy	CFO vacancy	Section 139 Interventions August 2016	MFIP Support	Persistent Distress
B2	Mantsopa	FS196	YES	Qualified	-	Permanent	Acting		Yes	4
B2	Masilonyana	FS181	YES	Qualified	-	Permanent	Permanent			4
B2	Tokologo	FS182	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent	Yes		3
B2	Tswelopele	FS183	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent	Yes		2
B2	Nala	FS185	YES	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			4
B2	Setso	FS191	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent	Yes		3
B2	Dihlabeng	FS192	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			1
B2	Nketoana	FS193	YES	Qualified	-	Permanent	Acting			3
B2	Maluti-a-Phofung	FS194	YES	Disclaimer of opinion	-	Permanent	Permanent			5
B2	Phumelela	FS195	-	Outstanding	-	Permanent	Permanent			4
B2	Moghaka	FS201	-	Qualified	-	Acting	Permanent	Yes		2
B2	Ngwathe	FS203	-	Outstanding	-	Acting	Permanent			3
B2	Metsimaholo	FS204	YES	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			5
B2	Mafube	FS205	YES	Disclaimer of opinion	-	Acting	Acting			4
B2	Midvaal	GT422	-	Unqualified - No findings	-	Permanent	Permanent	Yes		2
B2	Lesedi	GT423	YES	Unqualified - Emphasis of Matter items	-	Acting	Permanent			5
B2	Randfontein	GT482	-	Adverse opinion	YES	Acting	Acting			3
B2	Westonaria	GT483	YES	Adverse opinion	-	Permanent	Permanent			3
B2	Merafong City	GT484	YES	Unqualified - Emphasis of Matter items	-	Acting	Permanent			2
B2	Vulamehlo	KZN211	YES	Qualified	-	Permanent	Permanent			4
B2	Umdoni	KZN212	-	Unqualified - No findings	YES	Permanent	Permanent			3
B2	Umzumbe	KZN213	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	uMuiziwabantu	KZN214	-	Unqualified - No findings	YES	Permanent	Acting			3
B2	Ezingoleni	KZN215	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Hibiscus Coast	KZN216	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	uMshwathi	KZN221	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			4
B2	uMngeni	KZN222	-	Unqualified - Emphasis of Matter items	-	Acting	Permanent			4
B2	Mpofana	KZN223	-	Qualified	-	Permanent	Acting			0
B2	Impendle	KZN224	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			2
B2	Mkhambathini	KZN226	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			0
B2	Richmond	KZN227	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			2
B2	Emnambithi/Ladysmith	KZN232	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			0
B2	Indaka	KZN233	-	Unqualified - Emphasis of Matter items	-	Acting	Permanent			1
B2	Umtshezi	KZN234	YES	Qualified	-	Acting	Permanent			2
B2	Okhahlampha	KZN235	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Imbabazane	KZN236	-	Unqualified - Emphasis of Matter items	-	Acting	Acting			0
B2	Endumeni	KZN241	YES	Unqualified - Emphasis of Matter items	YES	Acting	Permanent			6
B2	Nquthu	KZN242	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Msinga	KZN244	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Urmoti	KZN245	-	Unqualified - Emphasis of Matter items	YES	Permanent	Acting			0
B2	eMadlangeni	KZN253	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			2
B2	Dannhauser	KZN254	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			2
B2	eDumbe	KZN261	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			3
B2	uPhongolo	KZN262	-	Unqualified - Emphasis of Matter items	-	Permanent	Acting			2
B2	Abaqulusi	KZN263	-	Unqualified - Emphasis of Matter items	-	Acting	Permanent			3
B2	Nongoma	KZN265	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			3
B2	Ulundu	KZN266	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			3
B2	Umlabuayalingana	KZN271	-	Unqualified - No findings	-	Permanent	Permanent			1
B2	Jozini	KZN272	-	Qualified	-	Acting	Acting			0
B2	The Big 5 False Bay	KZN273	YES	Unqualified - Emphasis of Matter items	-	Acting	Acting			2
B2	Hlabisa	KZN274	-	Unqualified - Emphasis of Matter items	-	Acting	Acting			0
B2	Mtubatuba	KZN275	-	Unqualified - Emphasis of Matter items	-	Acting	Acting			3
B2	Mfolozi	KZN281	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			3
B2	Ntambanana	KZN283	-	Unqualified - Emphasis of Matter items	YES	Acting	Acting			0
B2	uMlalazi	KZN284	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			2
B2	Mthonjaneni	KZN285	-	Unqualified - Emphasis of Matter items	-	Acting	Permanent			0
B2	Nkandla	KZN286	YES	Unqualified - Emphasis of Matter items	-	Acting	Permanent			1
B2	Mandeni	KZN291	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	KwaDukuza	KZN292	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			0
B2	Ndwedwe	KZN293	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			1
B2	Maphumulo	KZN294	-	Unqualified - Emphasis of Matter items	YES	Acting	Acting			0
B2	Ingwe	KZN431	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			0
B2	Kwa Sani	KZN432	-	Unqualified - Emphasis of Matter items	-	Acting	Acting			3
B2	Greater Kokstad	KZN433	-	Unqualified - Emphasis of Matter items	-	Acting	Permanent			0
B2	Ubuhebezwe	KZN434	YES	Unqualified - No findings	YES	Permanent	Permanent			2
B2	Umzimkhulu	KZN435	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			1
B2	Greater Giyani	LIM331	-	Qualified	-	Acting	Permanent			0
B2	Greater Letaba	LIM332	-	Qualified	YES	Permanent	Permanent			0
B2	Greater Tzaneen	LIM333	-	Qualified	YES	Permanent	Permanent			1
B2	Ba-Phalaborwa	LIM334	YES	Qualified	-	Permanent	Acting			6

**Annexure B: Consolidated audit outcome, interventions, vacancies and distress list**

Category	Municipality Name	Muni Code	Financial Distress 2015/16	Audit Outcome 2013/14	Persistent Capital Underspending 2013 -15	MM vacancy	CFO vacancy	Section 139 Interventions August 2016	MFIP Support	Persistent Distress
B2	Maruleng	LIM335	-	Qualified	-	Acting	Permanent			0
B2	Musina	LIM341	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			3
B2	Mutale	LIM342	-	Qualified	-	Permanent	Permanent			2
B2	Thulamela	LIM343	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent	Yes		0
B2	Makhado	LIM344	-	Qualified	-	Permanent	Permanent		Yes	0
B2	Blouberg	LIM351	-	Qualified	YES	Acting	Acting		Yes	0
B2	Aganang	LIM352	-	Qualified	YES	Permanent	Permanent		Yes	0
B2	Molemole	LIM353	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent		Yes	1
B2	Lepelle-Nkumpi	LIM355	-	Qualified	YES	Acting	Permanent			0
B2	Thabazimbi	LIM361	YES	Disclaimer of opinion	-	Acting	Acting	Yes		4
B2	Lephale	LIM362	-	Unqualified - Emphasis of Matter items	-	Permanent	Acting			0
B2	Mookgopong	LIM364	-	Qualified	-	Permanent	Permanent			3
B2	Modimolle	LIM365	YES	Qualified	YES	Permanent	Permanent	Yes		3
B2	Bela Bela	LIM366	YES	Unqualified - Emphasis of Matter items	YES	Permanent	Acting			2
B2	Mogalakwena	LIM367	-	Disclaimer of opinion	-	Acting	Acting			2
B2	Ephraim Mogale	LIM471	-	Disclaimer of opinion	YES	Permanent	Permanent			0
B2	Elias Motsoaledi	LIM472	-	Qualified	-	Permanent	Permanent			0
B2	Makhuduthamaga	LIM473	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			1
B2	Fetakgomo	LIM474	-	Qualified	-	Permanent	Permanent			3
B2	Greater Tubatse	LIM475	YES	Disclaimer of opinion	-	Permanent	Permanent			1
B2	Albert Luthuli	MP301	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			0
B2	Msukaligwa	MP302	YES	Disclaimer of opinion	-	Permanent	Permanent			5
B2	Mkondo	MP303	YES	Qualified	-	Permanent	Permanent	Yes		1
B2	Pixley Ka Seme (Mp)	MP304	-	Unqualified - Emphasis of Matter items	-	Permanent	Acting			1
B2	Lekwa	MP305	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			4
B2	Dipaleseng	MP306	-	Unqualified - Emphasis of Matter items	-	Acting	Permanent			2
B2	Victor Khanye	MP311	-	Qualified	-	Permanent	Acting			0
B2	Emakhazeni	MP314	-	Disclaimer of opinion	-	Permanent	Permanent	Yes		0
B2	Thembisile Hani	MP315	-	Qualified	-	Permanent	Permanent	Yes		0
B2	Dr JS Moroka	MP316	YES	Qualified	-	Permanent	Acting			1
B2	Thaba Chweu	MP321	YES	Disclaimer of opinion	-	Acting	Acting			6
B2	Umjindi	MP323	-	Unqualified - Emphasis of Matter items	-	Permanent	Acting			0
B2	Nkomazi	MP324	YES	Unqualified - Emphasis of Matter items	-	Permanent	Acting			5
B2	Bushbuckridge	MP325	YES	Qualified	-	Permanent	Permanent			1
B2	Moretele	NW371	-	Qualified	-	Permanent	Permanent			1
B2	Kgettengrivi	NW374	YES	Qualified	-	Acting	Acting			3
B2	Moses Kotane	NW375	-	Qualified	-	Acting	Permanent			2
B2	Ratlou	NW381	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			0
B2	Tswaing	NW382	YES	Disclaimer of opinion	-	Acting	Acting	Yes		1
B2	Mahikeng	NW383	-	Disclaimer of opinion	YES	Acting	Acting	Yes		2
B2	Ditsobotla	NW384	YES	Disclaimer of opinion	YES	Acting	Acting	Yes		3
B2	Ramotshele Moloi	NW385	YES	Unqualified - Emphasis of Matter items	-	Acting	Acting			4
B2	Kagisano-Molopo	NW397	-	Qualified	-	Permanent	Acting			1
B2	Naledi (Nw)	NW392	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			3
B2	Mamusa	NW393	YES	Disclaimer of opinion	-	Permanent	Permanent			5
B2	Greater Taung	NW394	YES	Qualified	-	Permanent	Permanent			3
B2	Lekwa-Teemane	NW396	YES	Qualified	YES	Permanent	Acting	Yes		5
B2	Ventersdorp	NW401	YES	Disclaimer of opinion	YES	Acting	Acting	Yes		4
B2	Maquassi Hills	NW404	YES	Qualified	-	Permanent	Acting		Yes	2
B2	Joe Morolong	NC451	-	Qualified	-	Permanent	Permanent			2
B2	Ga-Segonyana	NC452	YES	Disclaimer of opinion	-	Permanent	Acting			1
B2	Garnagara	NC453	YES	Qualified	YES	Permanent	Permanent			4
B2	Richtersveld	NC061	YES	Qualified	YES	Acting	Permanent			3
B2	Nama Khoi	NC062	-	Qualified	YES	Acting	Acting			2
B2	Kamiesberg	NC064	YES	Qualified	-	Permanent	Permanent			4
B2	Hantam	NC065	YES	Qualified	-	Acting	Acting			4
B2	Karoo Hoogland	NC066	YES	Qualified	-	Permanent	Acting			4
B2	Khai-Ma	NC067	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			4
B2	Ubuntu	NC071	YES	Qualified	-	Acting	Vacant			4
B2	Umsobomvu	NC072	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent		Yes	1
B2	Emthanjeni	NC073	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			0
B2	Kareerberg	NC074	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			3
B2	Renosterberg	NC075	-	Outstanding	-	Acting	Acting			1
B2	Thembelihle	NC076	-	Qualified	-	Permanent	Permanent		Yes	2
B2	Siyathemba	NC077	YES	Disclaimer of opinion	-	Acting	Permanent			2
B2	Siyancuma	NC078	-	Qualified	-	Permanent	Acting		Yes	3
B2	Mier	NC081	YES	Qualified	-	Acting	Acting			4
B2	!Kai! Garib	NC082	-	Qualified	-	Acting	Permanent			2
B2	//Khara Hais	NC083	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			2
B2	!Kheis	NC084	-	Qualified	-	Permanent	Permanent			1

**Annexure B: Consolidated audit outcome, interventions, vacancies and distress list**

Category	Municipality Name	Muni Code	Financial Distress 2015/16	Audit Outcome 2013/14	Persistent Capital Underspending 2013-15	MM vacancy	CFO vacancy	Section 139 Interventions August 2016	MFIP Support	Persistent Distress
B2	Tsantsabane	NC085	YES	Disclaimer of opinion	YES	Permanent	Permanent			3
B2	Kgatelopele	NC086	-	Disclaimer of opinion	-	Permanent	Acting		Yes	0
B2	Dikgatlong	NC092	-	Outstanding	-	Acting	Acting			2
B2	Magareng	NC093	YES	Disclaimer of opinion	-	Acting	Acting			2
B2	Phokwane	NC094	-	Disclaimer of opinion	-	Acting	Acting			0
B2	Matzikama	WC011	-	Unqualified - No findings	-	Acting	Permanent			0
B2	Cederberg	WC012	-	Unqualified - Emphasis of Matter items	-	Acting	Permanent			2
B2	Bergvlier	WC013	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			0
B2	Saldanha Bay	WC014	-	Unqualified - No findings	YES	Acting	Permanent			0
B2	Swartland	WC015	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Witzenberg	WC022	-	Unqualified - No findings	-	Permanent	Permanent			2
B2	Breede Valley	WC025	-	Unqualified - No findings	-	Acting	Permanent			0
B2	Langeberg	WC026	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Theewaterskloof	WC031	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Overstrand	WC032	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Cape Agulhas	WC033	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Swellendam	WC034	-	Unqualified - No findings	-	Permanent	Permanent			2
B2	Kannaland	WC041	-	Unqualified - Emphasis of Matter items	-	Acting	Permanent			2
B2	Hessequa	WC042	-	Unqualified - No findings	YES	Permanent	Permanent			0
B2	Mossel Bay	WC043	-	Unqualified - No findings	-	Acting	Permanent			0
B2	Oudtshoorn	WC045	-	Adverse opinion	-	Acting	Acting		Yes	0
B2	Bitou	WC047	-	Unqualified - No findings	-	Acting	Acting			0
B2	Knysna	WC048	-	Unqualified - No findings	-	Acting	Acting			0
B2	Laingsburg	WC051	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			2
B2	Prince Albert	WC052	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			3
B2	Beaufort West	WC053	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent		Yes	2
C	Sarah Baartman	DC10	YES	Unqualified - No findings	YES	Permanent	Permanent			1
C	Amathole	DC12	-	Unqualified - Emphasis of Matter items	-	Permanent	Acting			0
C	Chris Hani	DC13	-	Qualified	-	Permanent	Permanent			0
C	Joe Gqabi	DC14	YES	Unqualified - No findings	-	Permanent	Acting			5
C	OR Tambo	DC15	-	Qualified	-	Permanent	Permanent			1
C	Alfred Nzo	DC44	YES	Qualified	-	Permanent	Acting		Yes	4
C	Xhariep	DC16	YES	Qualified	YES	Permanent	Acting			5
C	Lejweleputswa	DC18	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			1
C	Thabo Mofutsanyana	DC19	YES	Unqualified - No findings	YES	Permanent	Permanent			3
C	Fezile Dabi	DC20	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			0
C	Seidibeng	DC42	-	Unqualified - No findings	-	Permanent	Permanent			0
C	West Rand	DC48	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			1
C	Ugu	DC21	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			1
C	uMgungundlovu	DC22	YES	Unqualified - No findings	-	Permanent	Permanent			1
C	Uthukela	DC23	YES	Qualified	-	Permanent	Permanent			2
C	Umzinyathi	DC24	YES	Unqualified - Emphasis of Matter items	-	Permanent	Acting			3
C	Amajuba	DC25	YES	Qualified	-	Permanent	Acting			2
C	Zululand	DC26	YES	Unqualified - No findings	-	Permanent	Permanent			2
C	Umkhanyakude	DC27	YES	Disclaimer of opinion	-	Acting	Acting	Yes		3
C	uThungulu	DC28	-	Unqualified - No findings	YES	Permanent	Permanent			1
C	iLembe	DC29	-	Unqualified - No findings	-	Permanent	Permanent			1
C	Harry Gwala	DC43	YES	Unqualified - Emphasis of Matter items	-	Acting	Permanent			1
C	Mopani	DC33	YES	Disclaimer of opinion	YES	Acting	Permanent		Yes	4
C	Vhembe	DC34	-	Adverse opinion	-	Acting	Acting			3
C	Capricom	DC35	-	Unqualified - Emphasis of Matter items	YES	Acting	Acting			1
C	Waterberg	DC36	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			0
C	Sekhukhune	DC47	YES	Unqualified - Emphasis of Matter items	YES	Permanent	Acting			2
C	Gert Sibande	DC30	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			0
C	Nkangala	DC31	-	Unqualified - No findings	YES	Permanent	Permanent			0
C	Ehlanzeni	DC32	-	Unqualified - No findings	-	Acting	Acting			2
C	Bojanala Platinum	DC37	-	Outstanding	-	Permanent	Permanent			0
C	Ngaka Modiri Molema	DC38	-	Disclaimer of opinion	-	Acting	Acting			3
C	Dr Ruth Segomotsi Mompati	DC39	-	Qualified	-	Permanent	Permanent			1
C	Dr Kenneth Kaunda	DC40	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			0
C	John Taolo Gaetsewe	DC45	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			2
C	Namakwa	DC6	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			0
C	Pixley Ka Seme (Nc)	DC7	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			5
C	Siyanda	DC8	-	Unqualified - No findings	-	Permanent	Permanent			2
C	Frances Baard	DC9	-	Unqualified - No findings	-	Permanent	Acting			0
C	West Coast	DC1	-	Unqualified - No findings	-	Permanent	Permanent			0
C	Cape Winelands	DC2	-	Unqualified - No findings	-	Permanent	Permanent			0
C	Overberg	DC3	-	Unqualified - No findings	-	Permanent	Permanent		Yes	0
C	Eden	DC4	-	Unqualified - No findings	-	Permanent	Permanent		Yes	0
C	Central Karoo	DC5	-	Unqualified - Emphasis of Matter items	-	Permanent	Acting			2

## Annexure B1

### Municipalities in financial distress as at 30 June 2016 (municipalities identified as being in financial distress are highlighted)

#### Metros in financial distress – 30 June 2016

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Overspending Operational	T5 - Underspending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	>=16
Nelson Mandela Bay	NMA	1	2	3	0	2	1	3	1	13	-
Ekurhuleni Metro	EKU	1	2	2	0	2	0	3	1	11	-
City Of Johannesburg	JHB	1	2	1	0	1	1	3	2	11	-
City Of Tshwane	TSH	1	3	3	1	1	0	3	3	15	-
eThekwinini	ETH	1	1	3	0	2	0	2	1	10	-
Cape Town	CPT	1	2	2	0	2	1	2	1	11	-
Buffalo City	BUF	1	1	2	0	3	2	2	1	12	-
Mangaung	MAN	1	3	1	0	2	1	3	3	14	-

#### Secondary cities in financial distress – 30 June 2016

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Overspending Operational	T5 - Underspending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	>=16
Matjhabeng	FS184	1	2	3	0	3	3	3	3	18	YES
Emfuleni	GT421	3	3	3	0	3	1	3	3	19	YES
Mogale City	GT481	1	3	2	0	1	1	3	3	14	-
Msunduzi	KZN225	1	1	3	0	3	1	3	2	14	-
Newcastle	KZN252	3	3	1	2	2	0	3	3	17	YES
uMhlathuze	KZN282	1	2	1	1	3	3	2	2	15	-
Polokwane	LIM354	1	3	3	0	2	1	3	3	16	YES
Govan Mbeki	MP307	1	3	3	0	3	0	3	3	16	YES
Emalahleni (Mp)	MP312	3	3	3	0	3	2	3	3	20	YES
Steve Tshwete	MP313	1	3	2	0	3	0	1	3	13	-
Mbombela	MP322	3	3	3	0	3	3	1	3	19	YES
Madibeng	NW372	1	3	3	0	2	3	3	3	18	YES
Rustenburg	NW373	1	2	1	0	3	2	3	1	13	-
Tlokwe	NW402	1	1	1	1	2	2	1	1	10	-
City Of Matlosana	NW403	1	3	3	0	3	3	3	3	19	YES
Sol Plaatje	NC091	1	2	1	0	2	3	3	1	13	-
Drakenstein	WC023	1	2	1	0	3	0	1	1	9	-
Stellenbosch	WC024	1	1	1	0	3	1	1	1	9	-
George	WC044	1	1	2	0	2	3	1	1	11	-

Local municipalities in financial distress – 30 June 2016

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Over spending Operational	T5 - Under spending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	>= 16
Camdeboo	EC101	1	3	1	0	2	1	3	3	14	-
Blue Crane Route	EC102	1	3	3	1	1	1	3	1	14	-
Ikwezi	EC103	3	3	1	0	3	3	3	3	19	YES
Makana	EC104	1	1	1	0	3	0	3	2	11	-
Ndlambe	EC105	3	3	3	0	2	0	3	3	17	YES
Sundays River Valley	EC106	1	3	3	0	0	3	1	3	14	-
Baviaans	EC107	1	3	1	0	1	3	1	3	13	-
Kouga	EC108	1	3	1	0	2	0	2	3	12	-
Kou-Kamma	EC109	2	3	3	0	3	3	1	3	18	YES
Mbhashe	EC121	1	2	2	0	0	3	1	1	10	-
Mnquma	EC122	3	3	3	0	3	3	1	3	19	YES
Great Kei	EC123	3	3	3	0	2	3	3	3	20	YES
Amahlathi	EC124	1	1	1	0	0	0	2	1	6	-
Ngqushwa	EC126	1	3	1	0	2	2	3	3	15	-
Nkonkobe	EC127	1	2	2	0	0	3	1	1	10	-
Nxuba	EC128	1	2	3	0	3	3	3	1	16	YES
Inxuba Yethemba	EC131	3	3	1	0	2	0	2	1	12	-
Tsolwana	EC132	1	1	3	0	2	3	1	1	12	-
Inkwanca	EC133	1	3	3	0	3	3	3	1	17	YES
Lukhanji	EC134	1	3	2	0	3	3	3	2	17	YES
Intsika Yethu	EC135	2	3	2	0	0	3	1	1	12	-
Emalahleni (Ec)	EC136	1	2	3	3	1	1	3	1	15	-
Engcobo	EC137	1	1	3	0	3	0	1	1	10	-
Sakhisizwe	EC138	1	2	3	0	3	3	1	1	14	-
Elundini	EC141	1	2	3	0	3	0	3	1	13	-
Senqu	EC142	3	3	3	0	3	2	3	3	20	YES
Maletsuwa	EC143	1	2	2	0	0	3	1	3	12	-
Gariep	EC144	2	3	1	0	0	0	3	3	12	-
Mbizana	EC443	1	1	3	1	1	2	2	1	12	-
Ntabankulu	EC444	1	1	3	0	3	2	2	1	13	-
Ngqaza Hills	EC153	1	1	3	0	3	2	3	1	14	-
Port St Johns	EC154	1	2	1	0	3	1	3	1	12	-
Nyandeni	EC155	2	3	1	0	3	0	2	3	14	-
Mhlongto	EC156	2	3	2	0	2	3	1	3	16	YES
King Sabata Dalindyebo	EC157	1	3	3	0	3	3	3	3	19	YES
Matatiele	EC441	1	2	3	0	2	2	3	1	14	-
Umzimvubu	EC442	1	1	3	0	3	2	2	1	13	-

*The state of local government finances and financial management as at 30 June 2016*

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Over spending Operational	T5 - Under spending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	> =16
Letsemeng	FS161	1	3	3	0	3	3	3	3	19	YES
Kopanong	FS162	3	3	1	0	3	3	3	3	19	YES
Mohokare	FS163	1	3	3	0	1	2	3	3	16	YES
Naledi (Fs)	FS164	2	3	1	0	2	3	3	1	15	-
Mantsopha	FS196	1	3	2	0	3	1	3	3	16	YES
Masilonyana	FS181	2	3	3	0	3	2	3	3	19	YES
Tokologo	FS182	2	3	1	0	3	2	3	3	17	YES
Tswelopele	FS183	1	1	1	1	3	2	3	1	13	-
Nala	FS185	1	3	1	0	3	3	3	3	17	YES
Setsetsoto	FS191	2	3	2	0	0	1	3	3	14	-
Dihlabeng	FS192	1	1	3	0	3	3	3	2	16	YES
Nketoana	FS193	1	2	3	3	3	3	3	3	21	YES
Maluti-a-Phofung	FS194	1	3	2	0	1	3	3	3	16	YES
Phumelela	FS195	1	2	1	0	3	3	1	1	12	-
Moqhaka	FS201	1	3	1	0	1	3	3	3	15	-
Ngwathe	FS203	1	3	2	0	0	0	3	3	12	-
Metsimaholo	FS204	3	3	1	0	3	3	3	3	19	YES
Mafube	FS205	1	3	3	0	3	3	3	3	19	YES
Midvaal	GT422	1	2	3	0	2	1	2	2	13	-
Lesedi	GT423	3	3	3	0	3	2	3	3	20	YES
Randfontein	GT482	1	2	1	0	0	3	3	3	13	-
Westonaria	GT483	1	3	2	1	0	3	3	3	16	YES
Merafong City	GT484	2	3	1	0	3	3	3	3	18	YES
Vulamehlo	KZN211	1	1	2	3	3	3	1	3	17	YES
Umdoni	KZN212	1	3	1	0	3	0	2	3	13	-
Umzumbe	KZN213	1	1	3	0	1	3	1	1	11	-
uMuziwabantu	KZN214	2	3	2	0	2	1	1	3	14	-
Ezingoleni	KZN215	1	1	2	0	2	0	1	1	8	-
Hibiscus Coast	KZN216	1	1	1	0	3	1	2	1	10	-
uMshwathi	KZN221	1	3	2	0	1	1	3	3	14	-
uMngeni	KZN222	1	2	2	0	3	3	3	1	15	-
Mpofana	KZN223	1	1	2	0	2	3	1	1	11	-
Impendle	KZN224	1	2	3	0	3	3	3	1	16	YES
Mkhambathini	KZN226	1	1	3	1	2	3	3	1	15	-
Richmond	KZN227	1	1	3	0	3	2	2	1	13	-
Emnambithi/Ladysmith	KZN232	1	2	1	0	2	2	3	1	12	-
Indaka	KZN233	1	1	3	0	1	3	2	1	12	-
Umtshezi	KZN234	2	3	1	0	3	1	3	3	16	YES
Okhahlamba	KZN235	1	1	3	0	1	3	2	1	12	-
Imbabazane	KZN236	1	3	3	1	0	3	3	1	15	-
Endumeni	KZN241	2	3	3	0	3	1	3	3	18	YES
Nquthu	KZN242	1	1	2	0	3	3	1	1	12	-
Msinga	KZN244	1	1	1	0	3	0	3	1	10	-
Umvoti	KZN245	1	1	1	0	2	3	2	1	11	-
eMadlangeni	KZN253	1	1	2	0	3	0	3	1	11	-
Dannhauser	KZN254	1	2	2	0	2	3	2	1	13	-
eDumbe	KZN261	1	3	2	0	3	2	3	3	17	YES
uPhongolo	KZN262	1	3	2	0	0	3	3	3	15	-

The state of local government finances and financial management as at 30 June 2016

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Over spending Operational	T5 - Under spending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	> =16
Abaqulusi	KZN263	1	2	2	1	0	2	2	1	11	-
Nongoma	KZN265	1	3	3	0	0	3	3	3	16	YES
Ulundi	KZN266	3	3	3	0	1	3	1	1	15	-
Umhlabuyalingana	KZN271	1	1	3	0	3	3	3	1	15	-
Jozini	KZN272	1	1	2	0	3	3	3	1	14	-
The Big 5 False Bay	KZN273	1	3	3	0	1	2	3	3	16	YES
Hlabisa	KZN274	1	1	3	0	3	3	1	1	13	-
Mtubatuba	KZN275	1	2	3	0	0	2	3	1	12	-
Mfolozi	KZN281	1	3	3	1	3	3	3	3	20	YES
Ntambanana	KZN283	1	1	3	0	0	3	1	1	10	-
uMlalazi	KZN284	1	1	3	0	2	3	2	1	13	-
Mthonjaneni	KZN285	1	1	2	0	0	0	1	1	6	-
Nkandla	KZN286	2	3	2	3	0	3	2	3	18	YES
Mandeni	KZN291	1	1	2	1	0	2	3	1	11	-
KwaDukuza	KZN292	1	1	2	0	2	3	1	2	12	-
Ndwedwe	KZN293	1	1	3	0	2	2	1	1	11	-
Maphumulo	KZN294	1	1	2	0	2	3	3	1	13	-
Ingwe	KZN431	1	1	3	1	3	2	2	1	14	-
Kwa Sani	KZN432	1	1	3	0	0	3	2	2	12	-
Greater Kokstad	KZN433	1	1	3	0	3	2	2	1	13	-
Ubhlebezwe	KZN434	2	3	3	0	2	3	2	3	18	YES
Umzimkhulu	KZN435	1	1	2	1	2	3	1	1	12	-
Greater Giyani	LIM331	1	1	3	0	1	3	3	1	13	-
Greater Letaba	LIM332	1	1	2	0	3	1	3	1	12	-
Greater Tzaneen	LIM333	2	3	2	0	3	3	1	1	15	-
Ba-Phalaborwa	LIM334	1	3	3	0	2	2	3	3	17	YES
Maruleng	LIM335	1	1	3	0	3	3	3	1	15	-
Musina	LIM341	2	3	1	2	2	3	2	3	18	YES
Mutale	LIM342	1	1	1	0	3	3	1	1	11	-
Thulamela	LIM343	1	1	2	0	3	2	3	1	13	-
Makhado	LIM344	1	1	1	0	1	1	2	1	8	-
Blouberg	LIM351	1	1	3	0	2	0	1	1	9	-
Aganang	LIM352	1	1	3	0	3	1	3	1	13	-
Molemole	LIM353	1	2	3	0	3	0	3	1	13	-
Lepelle-Nkumpi	LIM355	1	1	3	0	3	0	3	1	12	-
Thabazimbi	LIM361	3	3	3	0	3	3	3	3	21	YES
Lephalele	LIM362	2	3	2	0	1	0	3	1	12	-
Mookgopong	LIM364	2	1	1	3	1	3	1	1	13	-
Modimolle	LIM365	1	2	1	0	3	3	3	3	16	YES
Bela Bela	LIM366	3	3	3	0	3	3	3	3	21	YES
Mogalakwena	LIM367	2	3	1	0	1	2	3	3	15	-
Ephraim Mogale	LIM471	1	1	2	0	2	3	3	1	13	-
Elias Motsoaledi	LIM472	1	3	3	0	2	1	2	1	13	-
Makhuduthamaga	LIM473	1	1	2	0	1	3	2	1	11	-
Fetakgomo	LIM474	1	1	3	0	3	3	1	1	13	-
Greater Tubatse	LIM475	1	2	3	0	3	3	3	1	16	YES
Albert Luthuli	MP301	1	3	1	0	3	0	3	1	12	-
Msukaligwa	MP302	1	3	1	0	3	2	3	3	16	YES
Mkhondo	MP303	2	3	2	0	2	3	3	3	18	YES
Pixley Ka Seme	MP304	1	2	1	0	1	2	3	1	11	-
Lekwa	MP305	2	3	1	0	3	2	3	3	17	YES
Dipaleseng	MP306	1	2	1	0	3	1	3	2	13	-
Victor Khanye	MP311	1	2	1	0	3	3	3	1	14	-
Emakhazeni	MP314	1	2	3	0	3	3	1	1	14	-
Thembisile	MP315	1	2	1	0	0	1	3	1	9	-
Dr J.S. Moroka	MP316	1	3	3	0	2	3	3	1	16	YES
Thaba Chweu	MP321	3	3	3	0	0	2	3	3	17	YES
Umjindi	MP323	1	2	1	0	1	2	3	2	12	-
Nkomazi	MP324	3	3	1	0	3	2	3	3	18	YES
Bushbuckridge	MP325	1	2	3	0	3	3	3	3	18	YES

The state of local government finances and financial management as at 30 June 2016

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Over spending Operational	T5 - Under spending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	> =16
Richtersveld	NC061	1	3	1	0	3	2	3	3	16	YES
Nama Khoi	NC062	1	3	1	0	2	1	3	3	14	-
Kamiesberg	NC064	3	3	3	0	3	2	3	3	20	YES
Hantam	NC065	2	3	1	0	3	2	3	3	17	YES
Karoo Hoogland	NC066	2	3	3	0	3	0	3	3	17	YES
Khai-Ma	NC067	1	3	3	0	3	2	3	3	18	YES
Ubuntu	NC071	3	3	1	0	3	3	3	3	19	YES
Umsobomvu	NC072	1	2	3	0	3	2	3	1	15	-
Emthanjeni	NC073	1	2	1	0	3	0	2	1	10	-
Kareeberg	NC074	1	1	3	0	3	2	2	1	13	-
Renosterberg	NC075	1	1	2	0	3	3	1	3	14	-
Thembelihle	NC076	1	3	1	0	0	0	3	3	11	-
Siyathemba	NC077	3	3	3	0	3	2	3	3	20	YES
Siyancuma	NC078	3	3	1	0	0	0	3	3	13	-
Mier	NC081	2	3	3	0	2	3	1	3	17	YES
!Kai! Garib	NC082	1	1	3	0	3	3	1	1	13	-
!/Khara Hais	NC083	1	3	2	0	2	3	1	3	15	-
!Kheis	NC084	1	1	3	0	1	0	3	1	10	-
Tsantsabane	NC085	1	3	3	0	3	3	3	3	19	YES
Kgatelopele	NC086	1	1	3	0	1	3	3	3	15	-
Dikgatlong	NC092	1	1	1	0	3	3	3	3	15	-
Magareng	NC093	3	3	2	0	3	2	3	3	19	YES
Phokwane	NC094	1	1	1	0	3	2	3	1	12	-
Joe Morolong	NC451	1	2	3	0	0	3	3	1	13	-
Ga-Segonyana	NC452	1	3	2	2	3	3	3	1	18	YES
Gamagara	NC453	3	3	1	0	3	3	3	3	19	YES
Moretele	NW371	1	2	3	0	0	3	3	1	13	-
Kgetlengrivier	NW374	2	3	1	0	3	3	3	1	16	YES
Moses Kotane	NW375	1	2	1	0	2	1	3	1	11	-
Ratlou	NW381	1	1	3	0	1	0	2	1	9	-
Tswaing	NW382	1	3	3	0	2	3	1	3	16	YES
Mafikeng	NW383	1	1	2	0	3	2	3	3	15	-
Ditsobotla	NW384	3	3	1	2	3	0	3	3	18	YES
Ramotshere Moiloa	NW385	1	3	1	0	2	3	3	3	16	YES
Naledi (Nw)	NW392	1	3	3	0	1	2	3	3	16	YES
Mamusa	NW393	2	3	3	0	2	3	1	3	17	YES
Greater Taung	NW394	1	3	2	0	3	3	3	1	16	YES
Lekwa-Temanane	NW396	3	3	3	0	2	2	3	3	19	YES
Molopo-Kagisano	NW397	1	2	1	0	3	0	1	1	9	-
Ventersdorp	NW401	1	3	2	0	3	3	3	3	18	YES
Maquassi Hills	NW404	2	3	2	0	2	2	3	3	17	YES
Matzikama	WC011	1	3	3	0	1	1	2	3	14	-
Cederberg	WC012	2	3	1	0	2	1	3	3	15	-
Bergrivier	WC013	1	2	1	0	0	2	2	1	9	-
Saldanha Bay	WC014	1	1	2	0	3	0	2	1	10	-
Swartland	WC015	1	1	1	0	2	0	1	1	7	-
Witzenberg	WC022	1	2	3	0	1	0	3	1	11	-
Breede Valley	WC025	1	2	1	0	3	1	2	1	11	-
Langeberg	WC026	1	2	3	0	2	2	1	1	12	-
Theewaterskloof	WC031	1	2	3	0	3	1	3	1	14	-
Overstrand	WC032	1	2	3	0	2	1	1	1	11	-
Cape Agulhas	WC033	1	3	2	0	2	0	1	3	12	-
Swellendam	WC034	1	2	3	0	2	0	2	1	11	-
Kannaland	WC041	2	3	1	0	3	0	3	3	15	-
Hessequa	WC042	1	1	1	0	3	0	1	1	8	-
Mossel Bay	WC043	1	1	3	0	2	0	1	1	9	-
Oudtshoorn	WC045	1	3	1	0	3	0	2	3	13	-
Bitou	WC047	1	1	2	0	2	1	2	1	10	-
Knysna	WC048	1	2	3	0	2	0	2	1	11	-
Laingsburg	WC051	1	2	3	0	2	0	1	1	10	-
Prince Albert	WC052	1	1	2	0	3	3	3	3	16	YES
Beaufort West	WC053	1	2	2	0	3	3	3	1	15	-

Districts in financial distress – 30 June 2016

Municipality	Code	T1 - Cash Coverage	T2 - Cash Balances	T3 - Reliance on Capital Grants	T4 - Over spending Operational	T5 - Under spending Capital	T6 - Debtors Growth	T7 - Debtors % Own Revenue	T8 - Creditors % Cash	Total	>= 16
Cacadu	DC10	2	3	1	0	3	3	2	3	17	YES
Amathole	DC12	1	1	1	3	0	0	3	1	10	-
Chris Hani	DC13	1	1	3	0	3	3	1	1	13	-
Joe Gqabi	DC14	3	3	3	0	3	3	3	3	21	YES
O .R. Tambo	DC15	1	1	3	0	2	2	3	1	13	-
Alfred Nzo	DC44	3	3	3	0	3	2	2	3	19	YES
Xhariep	DC16	2	3	3	0	3	3	3	3	20	YES
Lejweleputswa	DC18	1	2	1	0	3	0	3	1	11	-
Thabo Mofutsanyana	DC19	1	3	1	0	2	3	3	3	16	YES
Fezile Dabi	DC20	1	1	3	0	0	3	1	1	10	-
Sedibeng	DC42	1	3	1	0	2	3	1	3	14	-
West Rand	DC48	1	3	3	0	1	3	3	1	15	-
Ugu	DC21	1	1	3	0	2	3	3	1	14	-
uMgungundlovu	DC22	3	3	3	0	0	3	3	3	18	YES
Uthukela	DC23	2	3	3	0	2	3	3	3	19	YES
Umzinyathi	DC24	1	3	3	0	2	2	3	3	17	YES
Amajuba	DC25	1	3	1	2	2	3	1	3	16	YES
Zululand	DC26	3	3	3	2	1	2	1	3	18	YES
Umkhanyakude	DC27	1	2	3	0	1	3	3	3	16	YES
uThungulu	DC28	1	1	3	0	3	1	2	1	12	-
iLembe	DC29	1	2	3	0	0	0	3	3	12	-
Sisonke	DC43	1	3	3	0	3	2	3	3	18	YES
Mopani	DC33	3	3	3	0	3	3	1	1	17	YES
Vhembe	DC34	1	1	3	0	3	3	3	1	15	-
Capricom	DC35	1	1	3	0	0	3	2	3	13	-
Waterberg	DC36	1	1	3	0	3	0	1	1	10	-
Sekhukhune	DC47	2	3	3	0	3	3	1	1	16	YES
Gert Sibande	DC30	1	1	1	0	3	0	3	2	11	-
Nkangala	DC31	1	1	1	0	3	3	1	1	13	-
Ehlanzeni	DC32	1	1	1	0	2	0	1	1	7	-
Bojanala Platinum	DC37	1	3	1	1	0	3	1	1	11	-
Ngaka Modiri Molema	DC38	1	2	3	0	3	3	1	1	14	-
Dr Ruth Segomotsi Mompati	DC39	1	3	2	0	0	0	1	1	8	-
Dr Kenneth Kaunda	DC40	1	1	3	0	3	3	2	1	14	-
John Taolo Gaetsewe	DC45	1	3	3	0	3	3	3	3	19	YES
Namakwa	DC6	1	3	3	0	2	0	2	1	12	-
Pixley Ka Seme	DC7	1	3	1	0	3	3	2	3	16	YES
Z F Mgcau	DC8	1	3	1	0	3	0	1	1	10	-
Frances Baard	DC9	1	1	1	0	3	0	3	1	10	-
West Coast	DC1	1	1	1	0	0	0	1	1	5	-
Cape Winelands DM	DC2	1	1	1	0	3	3	1	1	11	-
Overberg	DC3	1	3	1	0	2	0	1	1	9	-
Eden	DC4	1	1	1	0	2	0	2	1	8	-
Central Karoo	DC5	1	3	1	0	3	0	1	1	10	-

**Annexure B**

**Consolidated audit outcomes, interventions, vacancies and distress list for 2015/16**

Category	Municipality Name	Muni Code	Financial Distress 2015/16	Audit Outcome 2014/15	Persistent Capital Underspending 2014 -16	MM vacancy	CFO vacancy	Section 139 Interventions August 2016	MFIP Support	Persistent Distress
A	Nelson Mandela Bay	NMA	-	Qualified	-	Acting	Permanent			0
A	Ekurhuleni Metro	EKU	-	Unqualified - No findings	-	Permanent	Permanent			1
A	City Of Johannesburg	JHB	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			0
A	City Of Tshwane	TSH	-	Unqualified - Emphasis of Matter items	-	Permanent	Acting			1
A	eThekweni	ETH	-	Unqualified - No findings	-	Permanent	Permanent			0
A	Cape Town	CPT	-	Unqualified - No findings	-	Permanent	Permanent			0
A	Buffalo City	BUF	-	Qualified	YES	Acting	Permanent			0
A	Mangaung	MAN	-	Unqualified - Emphasis of Matter items	YES	Acting	Permanent			3
B1	Matjhabeng	FS184	YES	Disclaimer of opinion	-	Permanent	Permanent			3
B1	Emfuleni	GT421	YES	Unqualified - Emphasis of Matter items	YES	Acting	Acting			5
B1	Mogale City	GT481	-	Unqualified - No findings	-	Permanent	Permanent			1
B1	Msunduzi	KZN225	-	Unqualified - No findings	-	Acting	Permanent			3
B1	Newcastle	KZN252	YES	Qualified	YES	Permanent	Acting			1
B1	uMlathuze	KZN282	-	Unqualified - No findings	YES	Permanent	Permanent			0
B1	Polokwane	LIM354	YES	Unqualified - Emphasis of Matter items	-	Acting	Acting			2
B1	Govan Mbeki	MP307	YES	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			2
B1	Emalahleni (Mp)	MP312	YES	Disclaimer of opinion	-	Permanent	Permanent			6
B1	Steve Tshwete	MP313	-	Unqualified - Emphasis of Matter items	YES	Acting	Permanent			0
B1	Mbombela	MP322	YES	Unqualified - Emphasis of Matter items	YES	Acting	Acting			5
B1	Madibeng	NW372	YES	Qualified	-	Acting	Acting	Yes		4
B1	Rustenburg	NW373	-	Unqualified - Emphasis of Matter items	YES	Acting	Acting			0
B1	Tlokwe	NW402	-	Unqualified - Emphasis of Matter items	YES	Permanent	Acting			0
B1	City Of Matlosana	NW403	YES	Qualified	YES	Acting	Acting	Yes		3
B1	Sol Plaatje	NC091	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			0
B1	Drakenstein	WC023	-	Unqualified - No findings	-	Acting	Permanent			0
B1	Stellenbosch	WC024	-	Unqualified - No findings	YES	Acting	Permanent			0
B1	George	WC044	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Camdeboo	EC101	-	Unqualified - Emphasis of Matter items	-	Acting	Acting			0
B2	Blue Crane Route	EC102	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			0
B2	Ikwezi	EC103	YES	Outstanding	-	Acting	Acting	Yes		4
B2	Makana	EC104	-	Qualified	-	Acting	Permanent			3
B2	Ndlambe	EC105	YES	Qualified	-	Permanent	Permanent			4
B2	Sundays River Valley	EC106	-	Disclaimer of opinion	YES	Permanent	Permanent	Yes		0
B2	Baviaans	EC107	-	Unqualified - Emphasis of Matter items	-	Acting	Acting	Yes		0
B2	Kouga	EC108	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			3
B2	Kou-Kamma	EC109	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			3
B2	Mbhashe	EC121	-	Qualified	-	Permanent	Permanent			0
B2	Mnquma	EC122	YES	Qualified	YES	Permanent	Permanent			4
B2	Great Kei	EC123	YES	Qualified	-	Permanent	Permanent			2
B2	Amahlathi	EC124	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			2
B2	Ngqushwa	EC126	-	Qualified	YES	Permanent	Permanent			1
B2	Nkonkobe	EC127	-	Qualified	-	Acting	Acting			0
B2	Nxuba	EC128	YES	Unqualified - Emphasis of Matter items	-	Acting	Acting			4
B2	Inxuba Yethemba	EC131	-	Disclaimer of opinion	-	Permanent	Permanent	Yes		2
B2	Tsowlana	EC132	-	Qualified	-	Acting	Acting			0
B2	Inkwanca	EC133	YES	Disclaimer of opinion	-	Acting	Acting			3
B2	Lukhanji	EC134	YES	Qualified	YES	Acting	Acting	Yes		1
B2	Intsika Yethu	EC135	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			2
B2	Emalahleni (Ec)	EC136	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			1
B2	Engcobo	EC137	-	Unqualified - Emphasis of Matter items	YES	Permanent	Permanent			1
B2	Sakhisizwe	EC138	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			0
B2	Elundini	EC141	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			1
B2	Senqu	EC142	YES	Unqualified - No findings	-	Permanent	Permanent			1
B2	Maletsuwi	EC143	-	Unqualified - Emphasis of Matter items	YES	Acting	Acting	Yes		4
B2	Gariep	EC144	-	Qualified	-	Acting	Acting			1
B2	Mbizana	EC443	-	Qualified	-	Permanent	Permanent			0
B2	Ntabankulu	EC444	-	Qualified	-	Permanent	Acting			3
B2	Ngquba Hills	EC153	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Port St Johns	EC154	-	Disclaimer of opinion	-	Permanent	Permanent			0
B2	Nyandeni	EC155	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			0
B2	Mhlonlolo	EC156	YES	Qualified	-	Permanent	Permanent	Yes		4
B2	King Sabata Dalindyebo	EC157	YES	Qualified	-	Permanent	Permanent			6
B2	Matatiele	EC441	-	Unqualified - No findings	YES	Permanent	Permanent			3
B2	Umzimvubu	EC442	-	Unqualified - Emphasis of Matter items	-	Permanent	Permanent			1
B2	Letsemeng	FS161	YES	Qualified	-	Permanent	Permanent			1
B2	Kopanong	FS162	YES	Qualified	-	Permanent	Acting	Yes		4
B2	Mohokare	FS163	YES	Unqualified - Emphasis of Matter items	-	Permanent	Permanent	Yes		5
B2	Naledi (Fs)	FS164	-	Qualified	-	Permanent	Permanent			1

Category	Municipality Name	Muni Code	Financial Distress 2015/16	Audit Outcome 2014/15	Persistent Capital Underspending 2014 - 16	MM vacancy	CFO vacancy	Section 139 Intervention s August 2016	MFIP Support	Persistent Distress
B2	Mantsopa	FS196	YES	Qualified	-	Permanent	Acting		Yes	4
B2	Masilonyana	FS181	YES	Qualified	-	Permanent	Permanent			4
B2	Tokolo	FS182	YES	Inqualified - Emphasis of Matter item	-	Permanent	Permanent		Yes	3
B2	Tswelopele	FS183	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent		Yes	2
B2	Nala	FS185	YES	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent			4
B2	Setso	FS191	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent		Yes	3
B2	Dihlabeng	FS192	YES	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			1
B2	Nketane	FS193	YES	Qualified	-	Permanent	Acting			3
B2	Maluti-a-Phofung	FS194	YES	Disclaimer of opinion	-	Permanent	Permanent			5
B2	Phumelela	FS195	-	Outstanding	-	Permanent	Permanent			4
B2	Moqhaba	FS201	-	Qualified	-	Acting	Permanent		Yes	2
B2	Ngwathe	FS203	-	Outstanding	-	Acting	Permanent			3
B2	Metsimaholo	FS204	YES	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent			5
B2	Mafube	FS205	YES	Disclaimer of opinion	-	Acting	Acting			4
B2	Mdvaal	GT422	-	Unqualified - No findings	-	Permanent	Permanent		Yes	2
B2	Lesedi	GT423	YES	Inqualified - Emphasis of Matter item	-	Acting	Permanent			5
B2	Randfontein	GT482	-	Adverse opinion	YES	Acting	Acting			3
B2	Westonaria	GT483	YES	Adverse opinion	-	Permanent	Permanent			3
B2	Merafong City	GT484	YES	Inqualified - Emphasis of Matter item	-	Acting	Permanent			2
B2	Vulamehlo	KZN211	YES	Qualified	-	Permanent	Permanent			4
B2	Umdoni	KZN212	-	Unqualified - No findings	YES	Permanent	Permanent			3
B2	Umzimbe	KZN213	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	uMuZiW abantu	KZN214	-	Unqualified - No findings	YES	Permanent	Acting			3
B2	Ezingoleni	KZN215	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Hibiscus Coast	KZN216	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	uMshwathi	KZN221	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			4
B2	uMgeni	KZN222	-	Inqualified - Emphasis of Matter item	-	Acting	Permanent			4
B2	Mpofana	KZN223	-	Qualified	-	Permanent	Acting			0
B2	Impendle	KZN224	YES	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			2
B2	Mkhambathini	KZN226	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			0
B2	Richmond	KZN227	-	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent			2
B2	Emmabithi/Ladysmith	KZN232	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			0
B2	Indaka	KZN233	-	Inqualified - Emphasis of Matter item	-	Acting	Permanent			1
B2	Umtshezi	KZN234	YES	Qualified	-	Acting	Permanent			2
B2	Okhahlamba	KZN235	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Imbabazane	KZN236	-	Inqualified - Emphasis of Matter item	-	Acting	Acting			0
B2	Endumeni	KZN241	YES	Inqualified - Emphasis of Matter item	YES	Acting	Permanent			6
B2	Nquthu	KZN242	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Msinga	KZN244	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Umvoti	KZN245	-	Inqualified - Emphasis of Matter item	YES	Permanent	Acting			0
B2	eMadlangeni	KZN253	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			2
B2	Dannhauser	KZN254	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			2
B2	eDumbe	KZN261	YES	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			3
B2	uPhongolo	KZN262	-	Inqualified - Emphasis of Matter item	-	Permanent	Acting			2
B2	Abaqulusi	KZN263	-	Inqualified - Emphasis of Matter item	-	Acting	Permanent			3
B2	Nongoma	KZN265	YES	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			3
B2	Ulundi	KZN266	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			3
B2	Umlabuyalingana	KZN271	-	Unqualified - No findings	-	Permanent	Permanent			1
B2	Jozini	KZN272	-	Qualified	-	Acting	Acting			0
B2	The Big 5 False Bay	KZN273	YES	Inqualified - Emphasis of Matter item	-	Acting	Acting			2
B2	Hlabisa	KZN274	-	Inqualified - Emphasis of Matter item	-	Acting	Acting			0
B2	Mutubatuba	KZN275	-	Inqualified - Emphasis of Matter item	-	Acting	Acting			3
B2	Mfolozi	KZN281	YES	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			3
B2	Ntambanana	KZN283	-	Inqualified - Emphasis of Matter item	YES	Acting	Acting			0
B2	uMalazi	KZN284	-	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent			2
B2	Mthonjaneni	KZN285	-	Inqualified - Emphasis of Matter item	-	Acting	Permanent			0
B2	Nkandla	KZN286	YES	Inqualified - Emphasis of Matter item	-	Acting	Permanent			1
B2	Mandeni	KZN291	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	KwaDukuza	KZN292	-	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent			0
B2	Ndwedwe	KZN293	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			1
B2	Maphumulo	KZN294	-	Inqualified - Emphasis of Matter item	YES	Acting	Acting			0
B2	Ingwe	KZN431	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			0
B2	Kwa Sani	KZN432	-	Inqualified - Emphasis of Matter item	-	Acting	Acting			3
B2	Greater Kokstad	KZN433	-	Inqualified - Emphasis of Matter item	-	Acting	Permanent			0
B2	Ubuhelebezwe	KZN434	YES	Unqualified - No findings	YES	Permanent	Permanent			2
B2	Umzimkhulu	KZN435	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			1
B2	Greater Giyani	LIM31	-	Qualified	-	Acting	Permanent			0
B2	Greater Letaba	LIM32	-	Qualified	YES	Permanent	Permanent			0
B2	Greater Tzaneen	LIM33	-	Qualified	YES	Permanent	Permanent			1
B2	Ba-Phalaborwa	LIM34	YES	Qualified	-	Permanent	Acting			6

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Category	Municipality Name	Muni Code	Financial Distress 2015/16	Audit Outcome 2014/15	Persistent Capital Underspending 2014-16	MM vacancy	CFO vacancy	Section 139 Intervention s August 2016	MFIP Support	Persistent Distress
B2	Maruleng	LIM335	-	Qualified	-	Acting	Permanent			0
B2	Musina	LIM341	YES	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			3
B2	Mutale	LIM342	-	Qualified	-	Permanent	Permanent			2
B2	Thulamela	LIM343	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent		Yes	0
B2	Makhado	LIM344	-	Qualified	-	Permanent	Permanent		Yes	0
B2	Blouberg	LIM351	-	Qualified	YES	Acting	Acting		Yes	0
B2	Aganang	LIM352	-	Qualified	YES	Permanent	Permanent			0
B2	Molemole	LIM353	-	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent		Yes	1
B2	Lepelle-Nkumpi	LIM355	-	Qualified	YES	Acting	Permanent			0
B2	Thabazimbi	LIM361	YES	Disclaimer of opinion	-	Acting	Acting	Yes		4
B2	Lephala	LIM362	-	Inqualified - Emphasis of Matter item	-	Permanent	Acting			0
B2	Mookopong	LIM364	-	Qualified	-	Permanent	Permanent		Yes	3
B2	Modimolle	LIM365	YES	Qualified	YES	Permanent	Permanent			3
B2	Bela Bela	LIM366	YES	Inqualified - Emphasis of Matter item	YES	Permanent	Acting			2
B2	Mogalakwena	LIM367	-	Disclaimer of opinion	-	Acting	Acting			2
B2	Ephraim Mogale	LIM471	-	Disclaimer of opinion	YES	Permanent	Permanent			0
B2	Elias Motsoaledi	LIM472	-	Qualified	-	Permanent	Permanent			0
B2	Makhuduthamaga	LIM473	-	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent			1
B2	Fetakgomo	LIM474	-	Qualified	-	Permanent	Permanent			3
B2	Greater Tubatse	LIM475	YES	Disclaimer of opinion	-	Permanent	Permanent			1
B2	Albert Luthuli	MP301	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			0
B2	Msukaligwa	MP302	YES	Disclaimer of opinion	-	Permanent	Permanent			5
B2	Mkhondo	MP303	YES	Qualified	-	Permanent	Acting			1
B2	Fixley Ka Seme (Mp)	MP304	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent		Yes	1
B2	Lekwa	MP305	YES	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			4
B2	Dipaleseng	MP306	-	Inqualified - Emphasis of Matter item	-	Acting	Permanent			2
B2	Victor Khanye	MP311	-	Qualified	-	Permanent	Acting			0
B2	Emakhazeni	MP314	-	Disclaimer of opinion	-	Permanent	Permanent		Yes	0
B2	Thembisile Hani	MP315	-	Qualified	-	Permanent	Permanent		Yes	0
B2	Dr JS Moroka	MP316	YES	Qualified	-	Permanent	Acting			1
B2	Thaba Chweu	MP321	YES	Disclaimer of opinion	-	Acting	Acting			6
B2	Umjindi	MP323	-	Inqualified - Emphasis of Matter item	-	Permanent	Acting			0
B2	Nkomazi	MP324	YES	Inqualified - Emphasis of Matter item	-	Permanent	Acting			5
B2	Bushbuckridge	MP325	YES	Qualified	-	Permanent	Permanent			1
B2	Moretele	NW371	-	Qualified	-	Permanent	Permanent			1
B2	Kgettengrivar	NW374	YES	Qualified	-	Acting	Acting			3
B2	Moses Kotane	NW375	-	Qualified	-	Acting	Permanent			2
B2	Ratlou	NW381	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			0
B2	Tswaing	NW382	YES	Disclaimer of opinion	-	Acting	Acting	Yes		1
B2	Mahikeng	NW383	-	Disclaimer of opinion	YES	Acting	Acting	Yes		2
B2	Ditsobotla	NW384	YES	Disclaimer of opinion	YES	Acting	Acting	Yes		3
B2	Ramotslhare Moloa	NW385	YES	Inqualified - Emphasis of Matter item	-	Acting	Acting			4
B2	Kagisano-Molopo	NW397	-	Qualified	-	Permanent	Acting			1
B2	Naledi (Nw)	NW392	YES	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			3
B2	Mamusa	NW393	YES	Disclaimer of opinion	-	Permanent	Permanent			5
B2	Greater Taung	NW394	YES	Qualified	-	Permanent	Permanent			3
B2	Lekwa-Teemane	NW396	YES	Qualified	YES	Permanent	Acting	Yes		5
B2	Ventersdorp	NW401	YES	Disclaimer of opinion	YES	Acting	Acting	Yes		4
B2	Maquassi Hills	NW404	YES	Qualified	-	Permanent	Acting	Yes		2
B2	Joe Morolong	NC451	-	Qualified	-	Permanent	Permanent			2
B2	Ga-Segonyana	NC452	YES	Disclaimer of opinion	-	Permanent	Acting			1
B2	Gamagara	NC453	YES	Qualified	YES	Permanent	Permanent			4
B2	Richtersveld	NC061	YES	Qualified	YES	Acting	Permanent			3
B2	Nama Khoi	NC062	-	Qualified	YES	Acting	Acting			2
B2	Kamiesberg	NC064	YES	Qualified	-	Permanent	Permanent		Yes	4
B2	Hantam	NC065	YES	Qualified	-	Acting	Acting			4
B2	Karoo Hoogland	NC066	YES	Qualified	-	Permanent	Acting			4
B2	Khai-Ma	NC067	YES	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			4
B2	Ubuntu	NC071	YES	Qualified	-	Acting	Vacant			4
B2	Umsobomvu	NC072	-	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent		Yes	1
B2	Ernhanjeni	NC073	-	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent			0
B2	Kareeberg	NC074	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			3
B2	Renosterberg	NC075	-	Outstanding	-	Acting	Acting			1
B2	Thembelihle	NC076	-	Qualified	-	Permanent	Permanent		Yes	2
B2	Siyathemba	NC077	YES	Disclaimer of opinion	-	Acting	Permanent			2
B2	Siyancuma	NC078	-	Qualified	-	Permanent	Acting		Yes	3
B2	Mier	NC081	YES	Qualified	-	Acting	Acting			4
B2	!Kai Garib	NC082	-	Qualified	-	Acting	Permanent			2
B2	!Khara Hais	NC083	-	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent			2
B2	!Kheis	NC084	-	Qualified	-	Permanent	Permanent			1

The state of local government finances and financial management as at 30 June 2016

Category	Municipality Name	Muni Code	Financial Distress 2015/16	Audit Outcome 2014/15	Persistent Capital Underspending 2014-16	MM vacancy	CFO vacancy	Section 139 Intervention s August 2016	MFIP Support	Persistent Distress
B2	Tsantsabane	NC085	YES	Disclaimer of opinion	YES	Permanent	Permanent			3
B2	Kgatelopele	NC086	-	Disclaimer of opinion	-	Permanent	Acting	Yes		0
B2	Dikgatlong	NC092	-	Outstanding	-	Acting	Acting			2
B2	Magareng	NC093	YES	Disclaimer of opinion	-	Acting	Acting			2
B2	Phokwane	NC094	-	Disclaimer of opinion	-	Acting	Acting			0
B2	Matzikama	WC011	-	Unqualified - No findings	-	Acting	Permanent			0
B2	Cederberg	WC012	-	Inqualified - Emphasis of Matter item	-	Acting	Permanent			2
B2	Bergvrijer	WC013	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			0
B2	Saldanha Bay	WC014	-	Unqualified - No findings	YES	Acting	Permanent			0
B2	Swartland	WC015	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Witzenberg	WC022	-	Unqualified - No findings	-	Permanent	Permanent			2
B2	Breedek Valley	WC025	-	Unqualified - No findings	-	Acting	Permanent			0
B2	Langeberg	WC026	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Theewaterskloof	WC031	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Overstrand	WC032	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Cape Agulhas	WC033	-	Unqualified - No findings	-	Permanent	Permanent			0
B2	Swellendam	WC034	-	Unqualified - No findings	-	Permanent	Permanent			2
B2	Kannaland	WC041	-	Inqualified - Emphasis of Matter item	-	Acting	Permanent			0
B2	Hessequa	WC042	-	Unqualified - No findings	YES	Permanent	Permanent			0
B2	Mossel Bay	WC043	-	Unqualified - No findings	-	Acting	Permanent			0
B2	Oudtshoorn	WC045	-	Adverse opinion	-	Acting	Acting	Yes		0
B2	Bitou	WC047	-	Unqualified - No findings	-	Acting	Acting			0
B2	Knysna	WC048	-	Unqualified - No findings	-	Acting	Acting			0
B2	Laingsburg	WC051	-	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent			2
B2	Prince Albert	WC052	YES	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			3
B2	Beaufort West	WC053	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent	Yes		2
C	Sarah Baartman	DC10	YES	Unqualified - No findings	YES	Permanent	Permanent			1
C	Amathole	DC12	-	Inqualified - Emphasis of Matter item	-	Permanent	Acting			0
C	Chris Hani	DC13	-	Qualified	-	Permanent	Permanent			0
C	Joe Gqabi	DC14	YES	Unqualified - No findings	-	Permanent	Acting			5
C	OR Tambo	DC15	-	Qualified	-	Permanent	Permanent			1
C	Alfred Nzo	DC44	YES	Qualified	-	Permanent	Acting	Yes		4
C	Xhariep	DC16	YES	Qualified	YES	Permanent	Acting			5
C	Lejw eleputswa	DC18	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			1
C	Thabo Mofutsanyana	DC19	YES	Unqualified - No findings	YES	Permanent	Permanent			3
C	Fezile Dabi	DC20	-	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent			0
C	Sedibeng	DC42	-	Unqualified - No findings	-	Permanent	Permanent			0
C	West Rand	DC48	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			1
C	Ugu	DC21	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			1
C	uMgungundlovu	DC22	YES	Unqualified - No findings	-	Permanent	Permanent			1
C	Uthukela	DC23	YES	Qualified	-	Permanent	Permanent			2
C	Umtiyathi	DC24	YES	Inqualified - Emphasis of Matter item	-	Permanent	Acting			3
C	Amajuba	DC25	YES	Qualified	-	Permanent	Acting			2
C	Zululand	DC26	YES	Unqualified - No findings	-	Permanent	Permanent			2
C	Umkhanyakude	DC27	YES	Disclaimer of opinion	-	Acting	Acting	Yes		3
C	uThungulu	DC28	-	Unqualified - No findings	YES	Permanent	Permanent			1
C	iLembe	DC29	-	Unqualified - No findings	-	Permanent	Permanent			1
C	Harry Gwala	DC43	YES	Inqualified - Emphasis of Matter item	-	Acting	Permanent	Yes		1
C	Mopani	DC33	YES	Disclaimer of opinion	YES	Acting	Permanent			4
C	Vhembe	DC34	-	Adverse opinion	-	Acting	Acting			3
C	Capricorn	DC35	-	Inqualified - Emphasis of Matter item	YES	Acting	Acting			1
C	Waterberg	DC36	-	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent			0
C	Sekhukhune	DC47	YES	Inqualified - Emphasis of Matter item	YES	Permanent	Acting			2
C	Gert Sibande	DC30	-	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			0
C	Nkangala	DC31	-	Unqualified - No findings	YES	Permanent	Permanent			0
C	Ehlanzeni	DC32	-	Unqualified - No findings	-	Acting	Acting			2
C	Bojanala Platinum	DC37	-	Outstanding	-	Permanent	Permanent			0
C	Ngaka Modiri Molema	DC38	-	Disclaimer of opinion	-	Acting	Acting	Yes		3
C	Dr Ruth Segomotsi Mompati	DC39	-	Qualified	-	Permanent	Permanent			1
C	Dr Kenneth Kaunda	DC40	-	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent			0
C	John Taolo Gaetsewe	DC45	YES	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			2
C	Namakwaland	DC6	-	Inqualified - Emphasis of Matter item	YES	Permanent	Permanent			0
C	Faxley Ka Seme (Nc)	DC7	YES	Inqualified - Emphasis of Matter item	-	Permanent	Permanent			5
C	Siyanda	DC8	-	Unqualified - No findings	-	Permanent	Permanent			2
C	Frances Baard	DC9	-	Unqualified - No findings	-	Permanent	Acting			0
C	West Coast	DC1	-	Unqualified - No findings	-	Permanent	Permanent			0
C	Cape Winelands	DC2	-	Unqualified - No findings	-	Permanent	Permanent			0
C	Overberg	DC3	-	Unqualified - No findings	-	Permanent	Permanent	Yes		0
C	Eden	DC4	-	Unqualified - No findings	-	Permanent	Permanent	Yes		0
C	Central Karoo	DC5	-	Inqualified - Emphasis of Matter item	-	Permanent	Acting			2

**Annexure C**

**Summary Assessment Results: Metropolitan municipalities**

<b>Cash</b>	<ul style="list-style-type: none"><li>• All Metros reported positive cash balances</li><li>• Mangaung reported the lowest cash balance followed by the City of Tshwane</li></ul>
<b>Overspending on Operational Budgets</b>	<ul style="list-style-type: none"><li>• The City of Tshwane overspent the operational budget by -3.9%</li><li>• 1 in 8 metros overspent by less than 10 per cent.</li><li>• This is an improvement when compared to the 2014/15 financial year- It is encouraging to note that none of the metros overspent their operational budgets by more than 25 per cent. This is indicative of expenditure management and credible budget assumptions.</li><li>• It is encouraging to note that none of the metros overspent their operational budgets by more than 25 per cent. This is indicative of expenditure management and credible budget assumptions.</li></ul>
<b>Underspending on Capital Budgets</b>	<ul style="list-style-type: none"><li>• The number of metros that under-spent their capital budget has increased from 7 in 2014/15 to 8 in the 2015/2016 financial year</li><li>• 2 metros underspent their capital budget by less than 10% while 6 underspent by between 10% and 30%</li><li>• 2 metros underspent their capital budget by less than 10% while 6 underspent by between 10% and 30%</li><li>• 2 metros underspent their capital budget by less than 10% while 6 underspent by between 10% and 30%</li></ul>
<b>Debtors</b>	<ul style="list-style-type: none"><li>• Management of debtors continues to be a challenge in metros. An amount of R43 billion or 75.7 per cent has been outstanding for a period exceeding 90 days and therefore less likely to be recovered. This is a decrease from R46 billion in 2014/15.</li><li>• A total of R56.7 billion in outstanding debt is owed to metros, representing a decrease of R1.8 billion or 3.1 per cent when compared to the 2014/15 financial year</li><li>• The City of Johannesburg is still owed the largest amount at R16.1 billion, followed by Ekurhuleni and City of Tshwane at R11.7 billion and R7.6 billion respectively.</li><li>• Buffalo City reported the highest growth in outstanding debtors followed by the City of Cape Town at 18% and 9% respectively.</li><li>• 5 metros have reported outstanding debtors of more than 30 per cent of own revenue against 7 metros in the 2014/15 financial year</li><li>• The collection rate by metros averages 93.7% compared to a national collection rate of 91.3%. The collection rate for electricity by metros is 97.2% while the national average is 95.9%, signalling the importance of pre-paid metering.</li></ul>
<b>Creditors</b>	<ul style="list-style-type: none"><li>• Reduction of R7.3 billion owed by metros from 2014/15 financial year.</li><li>• Creditor as a percentage of cash and investments has increased to 61 per cent in 2015/16 compared to 100 per cent in 2014/15- Reduction of R7.3 billion owed by metros from 2014/15 financial year.</li><li>• Creditor as a percentage of cash and investments has increased to 61 per cent in 2015/16 compared to 100 per cent in 2014/15</li><li>• 2 metros from 4 in 2014/15 have creditors exceeding 75 per cent of their total cash and investments</li><li>• All metros are in contradiction of section 65 of the MFMA</li><li>• 2 metros from 4 in 2014/15 have Creditors exceeding 75 per cent of their total cash and investments</li><li>• All metros are in contravention of section 65 of the MFMA</li></ul>

## 1. Cash performance

	2011/12	2012/13	2013/14	2014/15	2015/16	Overall Trend	Municipality	Risk	Action
Positive Cash balance: 30 June 2016	8	8	8	8	8	➡	All metro recorded positive cash balances	Low	None required
<b>Negative Cash balances (assessed as the number of months over the previous 6 months)</b>									
For more than 3 months	0	0	0	0	0	➡	None	Low	None required
Between 1 and 3 months	0	0	0	0	0	➡	None	Low	None required
Less than 1 months	0	0	0	0	0	➡	None	Low	None required
<b>Cash Coverage (ability of municipality to cover monthly operational expenditure):</b>									
More than 3 months of operational expenditure	1	2	1	3	2	⬇	Buffalo City, eThekweni	Low	
Between 1-3 months	4	5	6	4	4	➡	City of Johannesburg, Ekurhuleni, Nelson Mandela Bay, Cape Town	Low	
1 month or less	3	1	1	1	2	⬇	City Of Tshwane, Mangaung	Moderate to high	Requires monthly monitoring

## 2. Over-spending of operational budgets

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Overall Trend	Risk	Action
Total operating Budget (R'000)	107 949	124 368	133 853	148 911	160 987	173 793			
Total overspending of original operating budgets	-	(1 737)	-	(1 414)	(1 901)	(1 018)		Low	None
Percentage overspending	0%	-1%	0%	-1%	-1%	-1%			
Over-spending of less than 10% of operational budget	City of Tshwane								
Over-spending of between 10% and 25% of operational budget	None								
Over-spending of more than 25% of operational budget	None								

## 3. Under-spending of capital budget

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Overall Trend	Overall Risk	Action
Total Capital Budget (R'000)	17 123	18 402	22 964	26 991	31 112	30 025			
Total under-spending of original capital budget	3 305	4 063	2 118	2 656	3 492	4 925		Moderate to high	None
Percentage under-spending	19%	22%	9%	10%	11%	16%			
Under-spending of less than 10% of capital budget	City of Tshwane, City of Johannesburg								
Under-spending of between 10% and 30% of capital budget	Nelson Mandela Bay, Buffalo City, Mangaung, Ekurhuleni, Cape Town, eThekweni								
Under-spending of more than 30% of capital budget									

#### 4. Growth in consumer debtors

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Overall Trend	Overall Risk	Action
Total Own Revenue (R'000)	101 154	119 318	131 071	144 183	156 745	177 163			
Total Debtors	38 636	46 089	57 659	64 546	64 407	56 748		Moderate to high	
Debtors as a % of own revenue	38%	39%	44%	45%	41%	32%			
<b>Debtors as a percentage of own revenue</b>									
Debtors less than 15% of total own revenue	None								
Debtors between 15% and 30% of total own revenue	Buffalo City, City of Cape Town, eThekewini								
Debtors more than 30% of total own revenue	City of Johannesburg, Ekurhuleni, Mangaung, Nelson Mandela Bay, City of Tshwane								
<b>Annual growth in debtors</b>									
Growth in debtors of less than 10% over period	Nelson Mandela Bay, Mangaung, Ekurhuleni, City of Johannesburg, City of Tshwane, eThekewini, Cape Town								
Growth in debtors of between 10% and 20% over period	Buffalo City								
Growth in debtors of more than 20% over period	None								

## 5. Creditor management

	2011/12	2012/13	2013/14	2014/15	2015/16	Overall Trend	Overall Risk	Action
Total Cash (R'000)	12 885	28 839	25 793	27 149	32 425			
Total Creditors	11 331	19 107	19 351	27 155	19 832		Moderate	
Creditors as a % of total cash	88%	66%	75%	100%	61%			
Creditors less than 25% of total cash	City of Cape Town, Nelson Mandela Bay							
Creditors between 25% and 50% of total cash	Buffalo City, Ekurhuleni, eThekewini							
Creditors between 50% and 75% of total cash	City of Johannesburg							
Creditors more than 75% of total cash	City of Tshwane, Mangaung							