O.R.Tambo
District municipality in Eastern Cape

Population 1 366 044
1 217.0 square kilometres
1 122.5 people per square kilometre

MUNICIPAL MANAGER
Mr Owen Ngubende Hlazo
047 501 6407
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Secretary
Ms Mongikazi Mpayipeli
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mongikazim@ortambo.gov.za

DEPUTY MAYOR/EXECUTIVE MAYOR
Mr Robert Zamuxolo Nogumla
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rznogumla@gmail.com

CHIEF FINANCIAL OFFICER
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tau46@gmail.com
Secretary
Ms Lona Sikuza
047 501 6447
lonasikuza@gmail.com

Contact Details last updated: October 2019

SOURCE: Municipal Audit Reports

Audit outcomes

<table>
<thead>
<tr>
<th>Year</th>
<th>Qualification</th>
<th>Read report</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>Qualified</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>Qualified</td>
<td></td>
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<tr>
<td>2016</td>
<td>Qualified</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>Qualified</td>
<td></td>
</tr>
</tbody>
</table>

DID YOU KNOW?
There are 5 types of audit outcomes.

Unqualified Opinion
No Findings
The Auditor-General can state, without reservation, that the financial statements of the municipality fairly represent the financial position of the municipality and are in line with Generally Recognised Accounting Practices (GRAP)

Unqualified Opinion
Emphasis of Matter Items
Same as an Unqualified Opinion with no findings, but the Auditor-General wants to bring something particular to the attention of the reader.

Qualified Opinion
The Auditor-General expresses reservations about the fair presentation of the financial statements. There is some departure from the Generally Recognised Accounting Practices (GRAP) but is not sufficiently serious as to warrant an adverse opinion or disclaimer of opinion.

Adverse Opinion
This is expressed when the auditor concludes that the annual financial statements do not present the municipality’s financial position, results of operations and cash flows in line with Generally Recognised Accounting Practices (GRAP).

Disclaimer of Opinion
The Auditor-General does not have all of the underlying documentation needed to determine an opinion. For example, the lack of underlying documentation and the amounts in question may be so great so that it is impossible to give any opinion on all.

An Outstanding Opinion
Means that the Auditor General raised queries with the municipality and therefore has not submitted another opinion.

Cash Balance  July 2017 - June 2018

R 214 654 514 😊

Cash balance at the end of the financial year.

About 20 percent higher than similar municipalities in Eastern Cape: R 180 243 676

More than double the cash balance for similar municipalities nationally: R 100 576 003

DID YOU KNOW?
A municipality’s cash balance refers to the money it has in the bank that it can access easily. If a municipality’s bank account is in overdraft it has a negative cash balance. Negative cash balances are a sign of serious financial management problems. A municipality should have enough cash on hand from month to month so that it can pay salaries, suppliers and so on.
**Cash Coverage** July 2017 - June 2018

**1.7 months 😊**

Months of operating expenses can be paid for with the cash available.

- **About the same as similar municipalities in Eastern Cape:** 1.7 months
- **A little higher than similar municipalities nationally:** 1.6 months

**REFERENCE:** State of Local Government Finances

**FORMULA:**

\[
\text{Cash available at year end} = \text{Cash Flow item code 4200, Audited Actual}
\]

**Spending of Operating Budget** July 2017 - June 2018

**9.2% overspent 😞**

Difference between budgeted operating expenditure and what was actually spent.

- **More than double the underspending or overspending for similar municipalities in Eastern Cape:** -3.3%
- **About the same as similar municipalities nationally:** 9.4%

**REFERENCE:** Over and under spending reports to parliament

**FORMULA:**

\[
\text{Difference} = \frac{\text{Actual Operating Expenditure} - \text{Budget Operating Expenditure}}{\text{Budgeted Operating Expenditure}}
\]

**Spending of Capital Budget** July 2017 - June 2018

**32.18% underspent 😞**

Difference between budgeted capital expenditure and what was actually spent.

- **About the same as similar municipalities in Eastern Cape:** -32.84%
- **About 10 percent higher than similar municipalities nationally:** -29.3%

**REFERENCE:** Over and under spending reports to parliament

**FORMULA:**

\[
\text{Difference} = \frac{\text{Actual Capital Expenditure} - \text{Budgeted Capital Expenditure}}{\text{Budgeted Capital Expenditure}}
\]
FORMULA: \[
\frac{\text{(Capital item code 4100, Total Assets, Audited Actual} - \text{Capital item code 4100, Total Assets, Adjusted Budget)}}{\text{Capital item code 4100, Total Assets, Adjusted Budget}}
\]

## Capital Projects

<table>
<thead>
<tr>
<th>PROJECT DESCRIPTION</th>
<th>BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROSEDALE / HIBURB WTW</td>
<td>R 176.5 million</td>
</tr>
<tr>
<td>MQANDULI SECONDARY BULK WATER SUPPLY</td>
<td>R 77.2 million</td>
</tr>
<tr>
<td>NTSONYINI - NGQONGWENI REG WATER SUPPL</td>
<td>R 74.0 million</td>
</tr>
<tr>
<td>NGQELENI SECONDARY BULK WATER SUPPLY</td>
<td>R 66.4 million</td>
</tr>
<tr>
<td>ROSEDALE EXT LIBODE WATER SUP-VILLAG RET</td>
<td>R 55.3 million</td>
</tr>
</tbody>
</table>

Click here to see more capital projects in this municipality.

## Spending on Repairs and Maintenance

**July 2017 - June 2018**

1.46% 🚫

**Spending on Repairs and Maintenance as a percentage of Property, Plant and Equipment.**

- More than the spending for similar municipalities in Eastern Cape: 0.0%
- More than the spending for similar municipalities nationally: 0.0%

<table>
<thead>
<tr>
<th>Year</th>
<th>0.0%</th>
<th>1.6%</th>
<th>1.5%</th>
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<tbody>
<tr>
<td>2015</td>
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<tr>
<td>2018</td>
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</tbody>
</table>

**REFERENCE:** Circular 71

**FORMULA:**

\[
\frac{\text{Repairs and maintenance expenditure}}{\text{(Property, Plant and Equipment + Investment Property)}}
\]

\[
\frac{\text{Capital Acquisition item code 4100, Audited Actual}}{\text{(Balance Sheet item code 1300, Audited Actual + Balance Sheet item code 1401, Audited Actual)}}
\]

**DID YOU KNOW?**

Infrastructure must be maintained so that service delivery is not affected. This indicator looks at how much money was budgeted for repairs and maintenance, as a percentage of total fixed assets (property, plant and equipment). For every R10 spent on building/replacing infrastructure, R0.80 should be spent every year on repairs and maintenance.

This translates into a Repairs and Maintenance budget that should be 8 percent of the value of property, plant and equipment.

## Fruitless and Wasteful Expenditure

**July 2015 - June 2016**

120.29% 🚫

**Unauthorised, Irregular, Fruitless and Wasteful Expenditure as a percentage of operating expenditure.**

- More than double the expenditure for similar municipalities in Eastern Cape: 5.31%
- More than double the expenditure for similar municipalities nationally: 19.24%

<table>
<thead>
<tr>
<th>Year</th>
<th>1.5%</th>
<th>120.3%</th>
<th>222.5%</th>
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<tbody>
<tr>
<td>2014</td>
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<td>2015</td>
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</table>

**REFERENCE:** Circular 71

**FORMULA:**

\[
\frac{\text{Unauthorised, Irregular, Fruitless and Wasteful Expenditure}}{\text{Actual Operating Expenditure}}
\]

\[
\frac{\text{Unauthorised, Irregular, Fruitless and Wasteful Expenditure item codes}}{\text{Income & Expenditure item code 4600, Audited Actual}}
\]

**DID YOU KNOW?**

Unauthorised expenditure means any spending that was not budgeted for or that is unrelated to the municipal department's function. An example is using municipal funds to pay for unbudgeted projects. Irregular expenditure is spending that goes against the relevant legislation, municipal policies or by-laws. An example is awarding a contract that did not go through tender procedures. Fruitless and wasteful expenditure concerns spending which was made in vain and would have been avoided had reasonable care been exercised. An example of such expenditure would include paying a deposit for a venue and not using it and losing the deposit.

**NOTE:** Since calling expenditures unauthorised, fruitless and wasteful or irregular can involve quite a lot of debate, the numbers used are the restated audited amounts 18 months after the financial year end - part of the Medium Term Revenue and Expenditure Framework.

## Current Ratio

**July 2018 - June 2019 Quarter 2**

120.29% 📈

**Unauthorised, Irregular, Fruitless and Wasteful Expenditure as a percentage of operating expenditure.**

- More than double the expenditure for similar municipalities in Eastern Cape: 5.31%
- More than double the expenditure for similar municipalities nationally: 19.24%

<table>
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<th>Year</th>
<th>1.5%</th>
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<th>222.5%</th>
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<tr>
<td>2017</td>
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</tr>
</tbody>
</table>

**REFERENCE:** Circular 71

**FORMULA:**

\[
\frac{\text{Unauthorised, Irregular, Fruitless and Wasteful Expenditure}}{\text{Actual Operating Expenditure}}
\]

\[
\frac{\text{Unauthorised, Irregular, Fruitless and Wasteful Expenditure item codes}}{\text{Income & Expenditure item code 4600, Audited Actual}}
\]

**NOTE:** Since calling expenditures unauthorised, fruitless and wasteful or irregular can involve quite a lot of debate, the numbers used are the restated audited amounts 18 months after the financial year end - part of the Medium Term Revenue and Expenditure Framework.
4.07
The value of a municipality’s short-term assets as a multiple of its short-term liabilities.
About the same as similar municipalities in Eastern Cape: 4.07
More than double the ratio for similar municipalities nationally: 1.77

reference: Circular 71
formula: \[
\text{Circular 71} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\text{Balance Sheet item code 2150, Monthly Actual}}{\text{Balance Sheet item code 1600, Monthly Actual}}
\]

note: The quarterly summary looks at the state at the end of each quarter. If the monthly data is missing for the last month in the quarter, the previous month in that quarter. If all months are missing, that quarter is shown as blank.

3.69
The municipality’s immediate ability to pay its current liabilities.
More than double the ratio for similar municipalities in Eastern Cape: 0.84
More than double the ratio for similar municipalities nationally: 0.89

reference: Municipal Budget and Reporting Regulations
formula: \[
\text{Liquidity Ratio} = \frac{(\text{Cash} + \text{Call Investment Deposits})}{\text{Current Liabilities}} = \frac{\text{Balance Sheet item codes 1800, 2200, Monthly Actual}}{\text{Balance Sheet item code 1600, Monthly Actual}}
\]

note: The quarterly summary looks at the state at the end of each quarter. If the monthly data is missing for the last month in the quarter, the previous month in that quarter. If all months are missing, that quarter is shown as blank.

81.01%
The percentage of new revenue (generated within the financial year) that a municipality actually collects.
About 25 percent higher than similar municipalities nationally: 63.89

reference: Municipal Budget and Reporting Regulations
formula: \[
\text{Current Debtors Collection Rate} = \frac{\text{Collected Revenue}}{\text{Billed Revenue}} = \frac{\text{Cash Flow item codes 3010, 3020, 3030, 3040, 3050, 3060, 3070, 3100Monthly Actual}}{\text{Income and Expenditure item code 0200, 0300, 0400, 1000, Monthly Actual}}
\]

note: The quarterly summary looks at the state at the end of each quarter. If the monthly data is missing for the last month in the quarter, the previous month in that quarter. If all months are missing, that quarter is shown as blank.
Where does O.R.Tambo get its money from?

1. Money Generated Locally July 2017 - June 2018

21.74%
From residents paying for water & electricity, rates, licenses & fines, and from interest and investments.

2. Money from National Government July 2017 - June 2018

78.26%
From the Equitable Share of taxes, and Grants from National Government.

DID YOU KNOW?
The more a municipality is able to generate its own income, the more self-sufficient it is. Municipalities should not be too reliant on transfers and grants from other spheres of government.

Where money comes from

DID YOU KNOW?
This shows how much of a municipality’s income it is able to generate itself (through property rates, service charges, etc), compared with how much it receives as transfers and grants from national government. The more a municipality is able to generate its own income, the more self-sufficient it is.

SPENDING - How money is spent

DID YOU KNOW?
Employee-related costs are typically the largest portion of operating expenditure, but they should not grow so large that they threaten the sustainability of the operating budget. The normal range for this indicator is between 25% - 40% of total operating expenditure. Municipalities must guard against spending too much on staff while also making sure they have the people they need to deliver services effectively.

Staff Wages and Salaries July 2017 - June 2018

36.18%
Staff salaries and wages as a percentage of operating expenditure.

DID YOU KNOW?
Employee-related costs are typically the largest portion of operating expenditure, but they should not grow so large that they threaten the sustainability of the operating budget. The normal range for this indicator is between 25% - 40% of total operating expenditure. Municipalities must guard against spending too much on staff while also making sure they have the people they need to deliver services effectively.

FORMULA: \[ \frac{Wages \ & \ Salaries \ + \ Social \ Contributions}{Actual \ Operating \ Expenditure} \times \frac{Income \ & \ Expenditure \ item \ code \ 3000, \ 3100, \ Audited \ Actual}{Income \ & \ Expenditure \ item \ code \ 4600, \ Audited \ Actual} \]
Contractor Services  July 2017 - June 2018

15.21%

Costs of contractor services as a percentage of operating expenditure.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>within norms</td>
<td>0.0%</td>
<td>2.2%</td>
<td>12.6%</td>
<td>15.2%</td>
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<tr>
<td>outside norms</td>
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<td></td>
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<tr>
<td>up to 5%</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>more than 5%</td>
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</tbody>
</table>

FORMULA: 
= Contracted Services / Actual Operating Expenditure
= Income & Expenditure item code 4200, Audited Actual / Income & Expenditure item code 4600, Audited Actual

What is Money Spent On?

- Governance, Administration, Planning and Development
- Public Safety
- Waste Water Management
- Water
- Community & Social Services
- Environmental Protection
- Health
- Housing
- Other
- Road Transport
- Sport And Recreation

DID YOU KNOW?

Private contractors are sometimes needed for certain work, but they are usually more expensive than municipal staff. This should be kept to a minimum and efforts should be made to provide services in-house, where possible. This measure is normally between 2 percent and 5 percent of total operating expenditure.

DID YOU KNOW?

Municipalities spend money on providing services and maintaining facilities for their residents.

DID YOU KNOW?

Your municipal bill is made up of property rates, basic electricity levy, electricity consumption charge, basic water levy, water consumption charge, sanitation, refuse removal and 'other'. The property values, water consumption and electricity consumption of a household in an income category may differ from municipality to municipality.

Household Bills

Monthly Total for Income Levels Over Time
Monthly Bills for Middle Income Over Time

6.0%
Increase from the previous year financial year

DID YOU KNOW?
A middle income household use as base a property value of R700 000, consumption of 1 000 kWh electricity and 30kl water.
The bill is made up of property rates, service charges for electricity, water, sanitation and refuse removal and various other charges which are typically small.
Minimum service standards may differ between municipalities. These standards form part of the municipality’s budget which is consulted with citizens in the period 1 April to 31 May each year.

Monthly Bills for Affordable Income Over Time

6.0%
Increase from the previous year financial year

DID YOU KNOW?
The statistical standard set for affordable income households is a base property value of between R500 000 and R700 000, consumption of 500 kWh electricity and 25kl water.
A basic levy is a fixed monthly charge that does not change with the amount of service consumed. Not all municipalities use basic levies.

Monthly Bills for Indigent Income Over Time

6.0%
Increase from the previous year financial year

DID YOU KNOW?
Free basic service (FBS) is defined as the minimum amount of basic levels of services, provided on a day to day basis, sufficient to cover or cater for the basic needs of the poor households.
Various sector departments have set minimum standards outlining basic amount of services or quantity to be supplied to the indigents with regards to water, energy, sanitation and refuse removal.
Only indigent households qualify for FBS and the programme is solely intended to assist them. Municipalities subject all applications to means tests to determine whether households applying meet the criteria set by their municipality to qualify for indigent status.
There are different categories of subsidies as set out by the various indigent by-laws/policies of the municipalities. In some municipalities, households qualify for 100% subsidies while other qualify for less that 100% depending on the criteria set.
The bill represented in the graph reflects what it costs the municipality to render the services to indigent households, not what each indigent household needs to pay as these costs are covered by the Equitable Share grant allocation.
Understanding Municipal Finance

- Treasury's Municipal Finance website is filled with resources on municipal finance.
- Circular 71 explains many of the financial norms and indicators used to gauge the financial performance of Municipalities.
- MFMA Return Forms submitted by Municipalities to National Treasury. Understanding these forms can help you understand the information on Municipal Money.
- A Million Bags of a Million Rand - a video by the Auditor General's office which simplifies audit outcomes.
- Understanding the Standard Charter of Accounts - a video by the National Treasury on mSCOA.

Financial Reports

Read more about Local Government Finances and learn about how your money is spent.

- Annual Financial Statements of municipalities since 2002-2003. These include the Notes to the Annual Financial Statements where you can find explanations of specific accounting practises and calculations used by the municipality in its financial reporting and some decision making.
- State of Local Government Finances reports are published every year by National Treasury and describe in detail how Municipalities are performing.

Further Reading

Resources from the South African and international community.

- Local Government in South Africa – Part 5, Finances, 19 March 2014 by Corruption Watch
- Infographic: South Africa: Public Participation Mechanisms in Fiscal Matters, 01 July 2015 by Global Initiative for Fiscal Transparency (GIFT)
- Infographic: Open Budget Survey 2015 by International Budget Partnership (IBP)
- Open Budget Survey 2015 by International Budget Partnership (IBP)