### Audit outcomes

<table>
<thead>
<tr>
<th>Year</th>
<th>Opinion Type</th>
<th>Read Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>Unqualified - Emphasis of Matter Items</td>
<td><a href="#">Read report</a></td>
</tr>
<tr>
<td>2017</td>
<td>Unqualified - Emphasis of Matter Items</td>
<td><a href="#">Read report</a></td>
</tr>
<tr>
<td>2016</td>
<td>Unqualified - No findings</td>
<td><a href="#">Read report</a></td>
</tr>
<tr>
<td>2015</td>
<td>Unqualified - No findings</td>
<td><a href="#">Read report</a></td>
</tr>
</tbody>
</table>

**SOURCE:** Municipal Audit Reports

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

### FINANCIAL PERFORMANCE

#### City of Cape Town
- **Metro municipality in Western Cape**
- **Population:** 3 740 031
- **Area:** 2 446.4 square kilometres
- **Density:** 1 528.8 people per square kilometre

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Balance</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>R3 793M</td>
<td>State of Local Government Finances</td>
</tr>
<tr>
<td>2016</td>
<td>R3 804M</td>
<td>Cash Flow item code 4200, Audited Actual</td>
</tr>
<tr>
<td>2017</td>
<td>R3 774M</td>
<td>-</td>
</tr>
<tr>
<td>2018</td>
<td>R5 807M</td>
<td>-</td>
</tr>
</tbody>
</table>

**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.

**REFERENCE:** Municipal Money - municipalmoney.gov.za

**FORMULA:**
- **Cash** available at year end
- **Cash Flow item code 4200, Audited Actual**
**Cash Coverage** July 2017 - June 2018

**2 months 😞**

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

About 20 percent higher than similar municipalities nationally: 1.7 months

<table>
<thead>
<tr>
<th>Good</th>
<th>More than 3 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>Between 1 and 3 months</td>
</tr>
<tr>
<td>Bad</td>
<td>Less than 1 month</td>
</tr>
</tbody>
</table>

**FORMULA:**

Cash available at year end / Operating Expenditure per month

Cash Flow item code 4200, Audited Actual / (Income & Expenditure item code 4600, Annual Audited Actual / 12)

If Cash available at year end is negative, we say Cash Coverage is zero months.

**REFERENCE:** State of Local Government Finances

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

**8.6% underspent 😞**

Difference between budgeted operating expenditure and what was actually spent.

More than double the underspending or overspending for similar municipalities nationally: -1.6%

<table>
<thead>
<tr>
<th>Good</th>
<th>Up to 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>Between 5% and 15%</td>
</tr>
<tr>
<td>Bad</td>
<td>More than 15%</td>
</tr>
</tbody>
</table>

**FORMULA:**

(Actual Operating Expenditure - Budget Operating Expenditure) / Budgeted Operating Expenditure

(Income & Expenditure item code 4600, Audited Actual - Income & Expenditure item code 4600, Adjusted Budget) / Income & Expenditure item code 4600, Adjusted Budget

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

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

**27.2% underspent 😞**

Difference between budgeted capital expenditure and what was actually spent.

More than 1.5 times the underspending or overspending for similar municipalities nationally: -16.24%

<table>
<thead>
<tr>
<th>Good</th>
<th>Up to 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>Between 5% and 15%</td>
</tr>
<tr>
<td>Bad</td>
<td>More than 15%</td>
</tr>
</tbody>
</table>

**FORMULA:**

(Actual Capital Expenditure - Budgeted Capital Expenditure) / Budgeted Capital Expenditure

(Capital item code 4100, Total Assets, Audited Actual - Capital item code 4100, Total Assets, Adjusted Budget) / Capital item code 4100, Total Assets, Adjusted Budget

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

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**Capital Projects**
### Spending on Repairs and Maintenance

**July 2017 - June 2018**

8.6% 😊

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

More than double the spending for similar municipalities nationally: 1.94%

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spending</td>
<td>8.8%</td>
<td>8.8%</td>
<td>9.0%</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

**REFERENCE:** Circular 71

**FORMULA:**

\[
\text{Spending on Repairs and Maintenance} = \frac{\text{Capital Acquisition item code 4100, Audited Actual}}{\text{Balance Sheet item code 1300, Audited Actual} + \text{Balance Sheet item code 1401, Audited Actual}}
\]

### Fruitless and Wasteful Expenditure

**July 2015 - June 2016**

0.0% 😊

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

Less than 10 percent of the expenditure for similar municipalities nationally: 5.92%

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

**REFERENCE:** Circular 71

**FORMULA:**

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

**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.

### Current Ratio

**July 2018 - June 2019 Quarter 4**

1.74 😊

The value of a municipality's short-term assets as a multiple of its short-term liabilities.

About 25 percent higher than similar municipalities nationally: 1.38

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2018q4</th>
<th>2019q1</th>
<th>2019q2</th>
<th>2019q3</th>
<th>2019q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>1.7</td>
<td>2.6</td>
<td>2.5</td>
<td>2.0</td>
<td>1.7</td>
</tr>
</tbody>
</table>

**REFERENCE:** Circular 71

**FORMULA:**

\[
\text{Current Ratio} = \frac{\text{Short-term Assets}}{\text{Short-term Liabilities}}
\]

**NOTE:** The current ratio compares the value of a municipality's short-term assets (cash, bank deposits, etc) compared with its short-term liabilities (creditors, loans due and so on). The higher the ratio, the better. The normal range of the current ratio is 1.5 to 2 (the municipality has assets more than 1.5 to 2 times its current debts). Anything less than that and the municipality may struggle to keep up with its payments.
**Liquidity Ratio** July 2018 - June 2019 Quarter 4

0.93 😞

The municipality’s immediate ability to pay its current liabilities

Nearly double the ratio for similar municipalities nationally: 0.505

More than 1  
Less than 1

**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.

**DID YOU KNOW?**

Liquidity ratios show the ability of a municipality to pay its current liabilities (monies it owes immediately such as rent and salaries) as they become due, and their long-term liabilities (such as loans) as they become current.

These ratios also show the level of cash the municipality has and/or the ability it has to turn other assets into cash to pay off liabilities and other current obligations.

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**Current Debtors Collection Rate** July 2018 - June 2019 Quarter 4

106.21% 😊

The percentage of new revenue (generated within the financial year) that a municipality actually collects

About 10 percent higher than similar municipalities nationally: 94.16%

95% or more  
Less than 95%

**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.

**DID YOU KNOW?**

Municipalities don't manage to collect all of the money they earn through rates and service charges. This measure looks at the percentage of new revenue that a municipality collects. It is also referred to as the Current Debtors Collection Ratio.

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**Where does City of Cape Town get its money from?**

1. Money Generated Locally July 2017 - June 2018

80.01%

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

**REFERENCE:** Local Government Equitable Share

**SOURCE:** Income & Expenditure Audited Actual

2. Money from National Government July 2017 - June 2018

19.99%

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

**REFERENCE:** Municipal Budget and Reporting Regulations

**FORMULA:** = Collected Revenue / Billed Revenue

**SOURCE:** Local Government Equitable Share

**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

| Source: Income & Expenditure Audited Actual and Original Budget |

SPENDING - How money is spent

Staff Wages and Salaries July 2017 - June 2018

32.17%
Staff salaries and wages as a percentage of operating expenditure.

- Within norms 25% to 40%
- Outside norms less than 25% or more than 40%

Contractor Services July 2017 - June 2018

13.17%
Costs of contractor services as a percentage of operating expenditure.

- Within norms up to 5%
- Outside norms more than 5%

What is Money Spent On?

- Property rates
- Service Charges
- Rental income
- Interest and investments
- Fires
- Licenses and Permits
- Agency services
- Government Transfers for Operating Expenses
- Government Transfers for Capital Expenses
- Other

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.

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.

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.

Source: Income & Expenditure Audited Actual and Original Budget
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.

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 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

-71.02%
Increase from the previous year financial year

Monthly Bills for Indigent Income Over Time

-57.82%
Increase from the previous year financial year

Did You Know?
The statistical standard set for affordable income households is a basic 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.

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 to the municipality.

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

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)
- Open Budget Survey 2015 by International Budget Partnership (IBP)
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.