The Big 5 False Bay was disestablished on 3 August 2016 and amalgamated into Big Five Hlabisa.

## 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.

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### Cash Balance

**July 2017 - June 2018**

**Not available**

**What does this mean?**

Cash balance at the end of the financial year.

- **About 10 percent** of the cash balance for similar municipalities in KwaZulu-Natal: R 18 941 481
- **About one-third** of the cash balance for similar municipalities nationally: R 5 428 727

**Formula:**

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

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### Cash Coverage

**July 2017 - June 2018**

**Not available**

**What does this mean?**

A municipality's cash coverage 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.
Months of operating expenses can be paid for with the cash available.

Less than 10 percent of the coverage for similar municipalities in KwaZulu-Natal: 2.6 months

Less than 10 percent of the coverage for similar municipalities nationally: 12 days

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>good</td>
<td>More than 3 months</td>
</tr>
<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>

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

**DID YOU KNOW?**
Cash coverage measures the length of time, in months, that a municipality could manage to pay for its day-to-day expenses using just its cash reserves. So, if a municipality had to rely on its cash reserves to pay all short-term bills, how long could it last? Ideally, a municipality should have at least three months’ of cash cover.

Spending of Operating Budget July 2017 - June 2018

**Not available**

**What does this mean?**
Difference between budgeted operating expenditure and what was actually spent.

More than the underspending or overspending for similar municipalities in KwaZulu-Natal: 0.0%

More than 1.5 times the underspending or overspending for similar municipalities nationally: 6.4%

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>good</td>
<td>Up to 5%</td>
</tr>
<tr>
<td>average</td>
<td>Between 5% and 15%</td>
</tr>
<tr>
<td>bad</td>
<td>More than 15%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>-11.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**DID YOU KNOW?**
This indicator is about how much more a municipality spent on its operating expenses, than was planned and budgeted for. It is important that a municipality controls its day-to-day expenses in order to avoid cash shortages. If a municipality significantly overspends its operating budget this is a sign of poor operating controls or something more sinister.

Overspending by up to 5 percent is usually condoned; overspending in excess of 15 percent is a sign of high risk.

Spending of Capital Budget July 2017 - June 2018

**Not available**

**What does this mean?**
Difference between budgeted capital expenditure and what was actually spent.

Less than 10 percent of the underspending or overspending for similar municipalities in KwaZulu-Natal: -13.76%

Less than 10 percent of the underspending or overspending for similar municipalities nationally: -13.58%

<table>
<thead>
<tr>
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<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>good</td>
<td>Up to 5%</td>
</tr>
<tr>
<td>average</td>
<td>Between 5% and 15%</td>
</tr>
<tr>
<td>bad</td>
<td>More than 15%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>0.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**DID YOU KNOW?**
Capital spending includes spending on infrastructure projects like new water pipes or building a library. Underspending on a capital budget can lead to an under-delivery of basic services. This indicator looks at the percentage by which actual spending falls short of the budget for capital expenses. Persistent underspending may be due to underresourced municipalities which cannot manage large projects on time.

Municipalities should aim to spend at least 95 percent of their capital budgets. Failure to spend even 85 percent is a clear warning sign.

**Capital Projects**

<table>
<thead>
<tr>
<th>PROJECT DESCRIPTION</th>
<th>BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Spending on Repairs and Maintenance  July 2017 - June 2018

Not available

What does this mean?
Spending on Repairs and Maintenance as a percentage of Property, Plant and Equipment.
Less than 10 percent of the spending for similar municipalities in KwaZulu-Natal: 1.18%
Less than 10 percent of the spending for similar municipalities nationally: 0.85%

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>good</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>bad</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

REFERENCE: Circular 71

FORMULA: Repairs and maintenance expenditure / (Property, Plant and Equipment + Investment Property)
= Capital Acquisition item code 4100, Audited Actual / (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 2017 - June 2018

Not available

What does this mean?
Unauthorised, Irregular, Fruitless and Wasteful Expenditure as a percentage of operating expenditure.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>good</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>bad</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

REFERENCE: Circular 71

FORMULA: Unauthorised, Irregular, Fruitless and Wasteful Expenditure / Actual Operating Expenditure
= 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.

Current Ratio  July 2015 - June 2016 Quarter 4

1.15 😞
The value of a municipality’s short-term assets as a multiple of its short-term liabilities.

<table>
<thead>
<tr>
<th></th>
<th>2015q4</th>
<th>2016q1</th>
<th>2016q2</th>
<th>2016q3</th>
<th>2016q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>good</td>
<td>1.4</td>
<td>1.3</td>
<td>1.1</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>average</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>bad</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

REFERENCE: Circular 71

FORMULA: Current Ratio

DID YOU KNOW?
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 2015 - June 2016 Quarter 4

0.07 😞

The municipality’s immediate ability to pay its current liabilities

About 90 percent of the ratio for similar municipalities in KwaZulu-Natal: 0.08
About 90 percent of the ratio for similar municipalities nationally: 0.08

GOOD More than 1
BAD Less than 1

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.

Current Debtors Collection Rate  

July 2015 - June 2016 Quarter 4

71.83% 😞

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

About three-quarters of the rate for similar municipalities in KwaZulu-Natal: 98.47%
About the same as similar municipalities nationally: 71.83%

GOOD 95% or more
BAD Less than 95%

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.

INCOME

Where does The Big 5 False Bay get its money from?

1. Money Generated Locally  
   July 2017 - June 2018
   Not Available
   From residents paying for water & electricity, rates, licenses & fines, and from interest and investments.

2. Money from National Government  
   July 2017 - June 2018
   Not Available
   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

Staff Wages and Salaries July 2017 - June 2018

Not available

What does this mean?

Staff salaries and wages as a percentage of operating expenditure.

2015 2016 2017 2018

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.

Contractor Services July 2017 - June 2018

Not available

What does this mean?

Costs of contractor services as a percentage of operating expenditure.
**FORMULA:**

\[ \text{Contracted Services} / \text{Actual Operating Expenditure} = \frac{\text{Income & Expenditure item code 4200, Audited Actual}}{\text{Income & Expenditure item code 4600, Audited Actual}} \]

**What is Money Spent On?**

**Community & Social Services**

SOURCE: Income & Expenditure Audited Actual and Original Budget

**RESOURCES**

**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 Chart of Accounts, a video by the National Treasury on mSCOA.
- Understanding the Public Finance Management Act & Municipal Finance Management Act, a video by the National Treasury on irregular expenditure and material irregularity.

**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.
- In-year Management, Monitoring and Evaluation of Municipal Finances, Annual and quarterly PDF and Excel reports on Municipal finances since 2007.

**About Municipal Money**

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Contribute on GitHub