



BRIEFING SESSION

SELECT COMMITTEE

OF FINANCE

WEDNESDAY 19 September 2007

09H00 - 16H30

M201, Marks Building

Parliament RSA, Cape Town

BUDGET 2007/2008

The budget for Dihlabeng comprises of the following:

EXPENDITURE

• TOTAL OPERATING EXPENDITURE	2007/2008	R306,140,559
• TOTAL OPERATING EXPENDITURE	2006/2007	R286,814,997
• TOTAL INCREASE ON EXPENDITURE		R 19,325,562

The increase represents a 6.74%

INCOME

• TOTAL OPERATING INCOME	2007/2008	R306,140,559
• TOTAL OPERATING INCOME	2006/2007	R281,982,372
• TOTAL INCREASE ON INCOME		R 24,158,187

The increase represents a 8.57% (Tariffs were increased to 7.5% excluding electricity)

Dihlabeng had a balanced budget for the financial year 2007/2008get with Retained Earnings of R4, 432,678. A debt strategy recovery plan has been drawn is the process of implementation for recovery of outstanding debts, which is estimated at R174, 8m as on 31 August 2007. A provision for Irrecoverable debts of R82.8m exists. A further possibility is the selling of municipal property in the form of available stands to broaden the tax base and vat recovery audit over the past 5 years.

The Capital Budget for 2007/2008 is made up as follows:

• MIG Funding	R29,319,000
• Internal funding	R24,270,000

Internal funding depends on the cash flow

Government Grants and subsidies allocated are: R51 983,016 and for Indigents is R 29, 319,000 for MIG projects .Currently they are 9 452 indigents.

The Salary budget is 36.49% of the total budget. If council decides to fill all vacant positions, the budget will go up to 47.65%

The current position of the budget is as follows:

- The expenditure as at 31 August 2007 is 14.84% while the 2 months spending should be 16.66%
- The income is 19.23% against 16.66%.
- The capital spending is 19.89% because of the MIG projects.

Municipality's relations and collaborations with national and provincial departments

Assistance is received from both national and provincial department through the providing workshops, advises and correspondence of related financial circulars.

Provincial Treasury and Provincial Department of Local government's assistance to municipalities on implementation of the MFMA and Municipalities compliance with MFMA.

Assistance is received and the municipality is striving to implement internal controls which will ensure compliance with the MFMA.

Provincial and Local Government on the MIG, MSIG and the Project Consolidate.

- Our MIG grant spending is 25.4% up to 31 August 2007 where as the percentage should be 16.66%. The previous year we spend the total grand approved to us.
- MSIG was approved for Dihlabeng was R150 000 and we spent 100% for the purpose of the council's compliance to IMFO, GAMAP to GRAP.
- Dihlabeng appointed 3 Interns with the grant received.

Capacity constraints of the Municipality.

- Debt collection – we have on average collection rate of 60%. Currently our financial system cannot assist with collections and we make use of Dept Pack program. And with the appointment of debt collection manager and interns we are implementing the approved debt recovery plan.
- DPLG has also recommended service providers who are assisting the municipality in reconciling the accounts of Public sector account e .g schools, health, police etc.
- Property Rates policy and valuations are also in process with the help of DPLG. We accept that we are behind, but we strive to catch up to be up to date.
- Training of officials
 - ❖ Officials needs training on GAMAP and GRAP
 - ❖ finance management for improving skills
 - ❖ Infrastructure capacity need of skilled personnel as resigning officials in the Public Works Department
- Water pipe to be erected from Bethlehem to supply water to Rosendale and Paul Roux
- The road towards Rosendal over Paul Roux is a gravel road. If one wants to go to Rosendal from Bethlehem, you have to drive over to Ficksburg or Senekal, which is 120km. But if it could be a tarred road, then it is +/- 25km from Paul Roux. (Bethlehem to Paul Roux = 30km & Paul Roux to Rosendal = 25km, total 65km)

Performance agreements

The performance agreements have not been signed with the section 57 managers as result of the resignation of the former Municipal Manager. Interviews will be held on the 21/09/2007 and appointment is scheduled for the end of September 2007.

FINANCIAL STATUS 2005/2006, 2006/2007

(i) FINANCIAL SYSTEMS

The municipality has got the following financial systems:

- (a) Finstel - Accounting system
- (b) VIP - Salaries system
- © BAUD system - Asset Management system

Of the three systems only Finstel is outdated. It will be replaced during October 2007 by e-Venus from Business Connexions. The finance department will be fully operating by the end of February

2008. At this stage it will only operate as a financial system but it can be extended to all relevant departments such as Community Services, Corporate Services, Public Works and Housing when funds are available.

(ii) AUDIT OUTCOMES

For the past three years the Municipality had the disclaimer on the following grounds:

- (a) Outstanding Debtors
- (b) Existence and ownership of Fixed assets
- © No supporting documentation provided to various queries
- (d) Understatement of Provisions and Accounts Payables 2006/7 the provision were rectified
- (e) Funds and Reserves not cash backed - no investments to support those funds
- (f) Lack of Policies and internal control
- (g) The Municipality is not a going concern

These matters were addressed and will be addressed in the new financial year.

(iii) RISKS

The Municipality does not have a properly staffed internal audit division, and no audit committee has been appointed for the past 2 years.

Lack of policies poses a huge risk. A lot of vacancies exists in the Finance Department due to financial constraints. Outstanding Debtors of R169 million - non recoverable of debtors hampers service delivery and fewer projects from income can be executed.

(iii) LOANS

Total external loans of R49,5 million for 2005/6 and R50,2 million for 2006/7 were due to the improvement of infrastructure over the past 25 years. Included in the 2006/7 amount is a new loan of R3,2 million for the purchasing of new vehicles for the following services:

- (a) Solid Waste Management
- (b) Water Management
- © Electricity

(iv) INVESTMENTS

Investments decreased from R7,9 million (2005/6) to R1,1 million (2006/7) because projects from income were financed with the investments.

(v) CAPITAL EXPENDITURE

The total cost price of Fixed Assets amounts to R543, 8 million (2006/7). The expenditure on Fixed Assets amounted to R55 million (2006/7) and the previous year it was R50 million. The following services were upgraded:

- (a) Water and Electricity
- (b) Eradication of Bucket system
- © Upgrading of roads

(vi) OPERATIONAL AND PERSONNEL EXPENDITURE

The income for 2006/7 increased by 20, 11% from R209 million to R251 million. The expenditure increased from R218 million to R242 million which is an increase of 10, 89%.

The total sum of personnel expenditure decreased to 32,59% which is an expenditure of R78, 9 million. In 2005/6 the total sum of expenditure percentage was 32, 79%. Due to vacancies which are not filled, the percentage of 32,59 is not the true reflection of the total personnel expenditure.

(vii) National /Provincial Relations

The is good relationship with both national and provincial workshops , monitoring visits and correspondence in terms of circulars with regard to.

THANK YOU