

Reference: T12/2/6

## **TREASURY CIRCULAR MUN NO 34/2014**

THE MAYOR, CITY OF CAPE TOWN: MS P DE LILLE  
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY: MR JH CLEOPHAS  
THE MAYOR, MATZIKAMA MUNICIPALITY: MR J BOTHA  
THE MAYOR, CEDERBERG MUNICIPALITY: MS L SCHEEPERS  
THE MAYOR, BERGRIVIER MUNICIPALITY: MR EB MANUEL  
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR F SCHIPPERS  
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN  
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY: MR N DE BRUYN  
THE MAYOR, WITZENBERG MUNICIPALITY: MR J KLAZEN  
THE MAYOR, DRAKENSTEIN MUNICIPALITY: MS G VAN DEVENTER  
THE MAYOR, STELLENBOSCH MUNICIPALITY: MR CJ SIDEGO  
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MS A STEYN  
THE MAYOR, LANGEBOEG MUNICIPALITY: MS D GAGIANO  
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY: MR L DE BRUYN  
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MR CB PUNT  
THE MAYOR, OVERSTRAND MUNICIPALITY: MS N BOTHA-GUTHRIE  
THE MAYOR, CAPE AGULHAS MUNICIPALITY: MR R MITCHELL  
THE MAYOR, SWELLENBAM MUNICIPALITY: MR N MYBURGH  
THE MAYOR, EDEN DISTRICT MUNICIPALITY: MR V VAN DER WESTHUIZEN  
THE MAYOR, KANNALAND MUNICIPALITY: MR J DONSON  
THE MAYOR, HESSEQUA MUNICIPALITY: MS E NEL  
THE MAYOR, MOSSEL BAY MUNICIPALITY: MS M FERREIRA  
THE MAYOR, GEORGE MUNICIPALITY: MR C STANDERS  
THE MAYOR, OUDTSHOORN MUNICIPALITY: MR G APRIL  
THE MAYOR, BITOU MUNICIPALITY: MR M BOOYSEN  
THE MAYOR, KNYSNA MUNICIPALITY: MS J WOLMARANS  
THE MAYOR, CENTRAL KAROO DISTRICT MUNICIPALITY: MR E NJADU  
THE MAYOR, LAINGSBURG MUNICIPALITY: MR W THERON  
THE MAYOR, PRINCE ALBERT MUNICIPALITY: MR G LOTTERING  
THE MAYOR, BEAUFORT WEST MUNICIPALITY: MR HT PRINCE

THE MUNICIPAL MANAGER, CITY OF CAPE TOWN: MR A EBRAHIM  
THE MUNICIPAL MANAGER, WEST COAST DISTRICT MUNICIPALITY: MR H PRINS  
THE MUNICIPAL MANAGER, MATZIKAMA MUNICIPALITY: MR M BOLTON (ACTING)  
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR I KENNEDY  
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: ADV H LINDE  
THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: MR L SCHEEPERS  
THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ  
THE MUNICIPAL MANAGER, CAPE WINELANDS DISTRICT MUNICIPALITY: MR M MGAJO  
THE MUNICIPAL MANAGER, WITZENBERG MUNICIPALITY: MR D NASSON  
THE MUNICIPAL MANAGER, DRAKENSTEIN MUNICIPALITY: MR J METTLER  
THE MUNICIPAL MANAGER, STELLENBOSCH MUNICIPALITY: MS C LIEBENBERG  
THE MUNICIPAL MANAGER, BREEDE VALLEY MUNICIPALITY: MR G MATTHYSE  
THE MUNICIPAL MANAGER, LANGEBOEG MUNICIPALITY: MR SA MOKWENI  
THE MUNICIPAL MANAGER, OVERBERG DISTRICT MUNICIPALITY: MR D BERETTI (ACTING)  
THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MR HSD WALLACE  
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: MR C GROENEWALD  
THE MUNICIPAL MANAGER, CAPE AGULHAS MUNICIPALITY: MR D O'NEILL  
THE MUNICIPAL MANAGER, SWELLENBAM MUNICIPALITY: MR CM AFRICA  
THE MUNICIPAL MANAGER, EDEN DISTRICT MUNICIPALITY: MR GW LOUW  
THE MUNICIPAL MANAGER, KANNALAND MUNICIPALITY: MR M HOOGBAARD  
THE MUNICIPAL MANAGER, HESSEQUA MUNICIPALITY: MR J JACOBS  
THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: DR M GRATZ

THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: MR T BOTHA  
THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR R LOTTERING (ACTING)  
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR A PAULSE  
THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MS L WARING  
THE MUNICIPAL MANAGER, CENTRAL KAROO DISTRICT MUNICIPALITY: MR S JOOSTE  
THE MUNICIPAL MANAGER, LAINGSBURG MUNICIPALITY: MR P WILLIAMS  
THE MUNICIPAL MANAGER, PRINCE ALBERT MUNICIPALITY: MR H METTLER  
THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR J BOOYSEN

THE CHIEF FINANCIAL OFFICER, CITY OF CAPE TOWN: MR K JACOBY  
THE CHIEF FINANCIAL OFFICER, WEST COAST DISTRICT MUNICIPALITY: MR J KOEKEMOER  
THE CHIEF FINANCIAL OFFICER, MATZIKAMA MUNICIPALITY: MR M BOLTON  
THE CHIEF FINANCIAL OFFICER, CEDERBERG MUNICIPALITY: MR E ALFRED  
THE CHIEF FINANCIAL OFFICER, BERGRIVIER MUNICIPALITY: MR JA VAN NIEKERK  
THE CHIEF FINANCIAL OFFICER, SALDANHA BAY MUNICIPALITY: MR S VORSTER  
THE CHIEF FINANCIAL OFFICER, SWARTLAND MUNICIPALITY: MR K COOPER  
THE CHIEF FINANCIAL OFFICER, CAPE WINELANDS DISTRICT MUNICIPALITY: MS FA DU RAAN-GROENEWALD  
THE CHIEF FINANCIAL OFFICER, WITZENBERG MUNICIPALITY: MR C KRITZINGER  
THE CHIEF FINANCIAL OFFICER, DRAKENSTEIN MUNICIPALITY: MR J CARSTENS  
THE CHIEF FINANCIAL OFFICER, STELLENBOSCH MUNICIPALITY: MR M WÜST  
THE CHIEF FINANCIAL OFFICER, BREEDE VALLEY MUNICIPALITY: MR D McTHOMAS  
THE CHIEF FINANCIAL OFFICER, LANGEBERG MUNICIPALITY: MR CF HOFFMANN  
THE CHIEF FINANCIAL OFFICER, OVERBERG DISTRICT MUNICIPALITY: MR J TESSELAAR  
THE CHIEF FINANCIAL OFFICER, THEEWATERSKLOOF MUNICIPALITY: MR D LOUW  
THE CHIEF FINANCIAL OFFICER, OVERSTRAND MUNICIPALITY: MS S REYNEKE-NAUDE  
THE CHIEF FINANCIAL OFFICER, CAPE AGULHAS MUNICIPALITY: MR H VAN BILJON  
THE CHIEF FINANCIAL OFFICER, SWELLENDAM MUNICIPALITY: MR H SCHLEBUSCH  
THE CHIEF FINANCIAL OFFICER, EDEN DISTRICT MUNICIPALITY: MS L HOEK  
THE CHIEF FINANCIAL OFFICER, KANNALAND MUNICIPALITY: MR N DELO  
THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS HJ VILJOEN  
THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR HF BOTHA  
THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR K JORDAAN  
THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR RF BUTLER (ACTING)  
THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR F LÖTTER  
THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MR G EASTON  
THE CHIEF FINANCIAL OFFICER, CENTRAL KAROO DISTRICT MUNICIPALITY: MR N NORTJE (ACTING)  
THE CHIEF FINANCIAL OFFICER, LAINGSBURG MUNICIPALITY: MS A GROENEWALD  
THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR J NEETHLING  
THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR J BOOYSEN (ACTING)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)  
THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)  
THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR Z HOOSAIN)  
THE HEAD: PUBLIC POLICY SERVICES (MR H MALILA) (PRO TEM)  
THE HEAD: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)  
THE HEAD: LOCAL GOVERNMENT PUBLIC FINANCE (MR H MALILA) (PRO TEM)  
THE HEAD: ASSET MANAGEMENT (MR IG SMITH)  
THE HEAD: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)  
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)  
THE HEAD: OFFICE OF THE FINANCE MINISTRY (ADV E PRETORIUS)  
THE SENIOR MANAGER: BUSINESS INFORMATION AND DATA MANAGEMENT (MR PP PIENAAR)  
THE SENIOR MANAGER: FINANCIAL GOVERNANCE (MR B VINK)  
THE SENIOR MANAGER: FISCAL POLICY (MR H MALILA) (PRO TEM)  
THE SENIOR MANAGER: INFRASTRUCTURE (MS JD GANTANA) (PRO TEM)  
THE SENIOR MANAGER: LOCAL GOVERNMENT ACCOUNTING (MS N OLIPHANT)  
THE SENIOR MANAGER: LOCAL GOVERNMENT BUDGET OFFICE (MR ML BOOYSEN)  
THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR F SABBAT)  
THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)  
THE SENIOR MANAGER: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR TL RADEBE)  
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT ACCOUNTING (MR A REDDY)  
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS M KORSTEN)  
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK)  
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)  
THE SENIOR MANAGER: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS A SMIT)  
THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT

THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS – NATIONAL TREASURY (MR J HATTINGH)

THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

## **MUNICIPAL ACCOUNTING FORUM (MAF) – 8 AUGUST 2014 IN WORCESTER**

1. This circular serves to confirm that the Municipal Accountants Forum will take place on Friday, 8 August 2014, in Worcester. In this regard all Municipal Managers and Chief Financial Officers are requested to ensure that the Heads of Budget and Treasury Offices (together with the relevant team members, i.e. accountants) attend the meeting.
2. It is imperative that each municipality in the province is adequately represented given the significance of the forum and the topics to be worked through at the session. The topics on the agenda for the day include amongst others the following:
  - a) Feedback Accounting Working Committee.
  - b) Consolidated comments on ED 122 / Low Cost Housing (Principal vs. Agent).
  - c) Completeness of Audit File.
  - d) Provincial Unspent Grants Roll-over process.
  - e) The Library function within municipalities (VAT treatment on grant, depreciation on assets and admin fees, etc.).
3. Municipalities are requested to submit any additional items for the agenda by no later than 24 July 2014.
4. The logistics for the Municipal Accounting Forum meeting are as follows:

**Date : Friday, 8 August 2014**

**Time : 08:00 – 13:30**

**Venue : Cape Winelands District Municipality, Council Chambers,  
51 Trappe Street, Worcester, 6850**
5. For catering requirements, confirmation of attendance or apologies should reach Provincial Treasury by no later than 24 July 2014.
6. Please direct your communication to:

Attention: Mr Stephan Jantjies  
Tel: 021 483 5665/6299  
Fax: 021 483 4411/7356  
Email: [Stephan.Jantjies@westerncape.gov.za](mailto:Stephan.Jantjies@westerncape.gov.za)

7. Your co-operation in this regard will be appreciated.

Yours faithfully

A handwritten signature in black ink, appearing to read 'F Sabbat', written over a light blue rectangular background.

**MR F SABBAT**

**CHAIRPERSON AND FACILITATOR – MAF**

**DATE:** 14/7/2014

# AGENDA

## MUNICIPAL ACCOUNTING FORUM (MAF)

**FRIDAY, 8 AUGUST 2014**

**Cape Winelands District Municipality, Council Chambers,  
51 Trappe Street, Worcester, 6850**

NO.	ITEM	FACILITATOR	TIME
1.	Opening and Welcome	Programme Facilitator	08:00 - 08:05
2.	Approval of Agenda and New Items	Mr Frans Sabbat	08:05 - 08:10
3.	Minutes & Matters arising	Programme Facilitator	08:10 - 08:30
4.	Feedback: Accounting Working Committee	LG Accounting	08:30 - 09:30
5.	Consolidated comments on ED 122	LG Accounting	09:30 - 10:30
<b>TEA BREAK (10:30 – 11:00)</b>			
6.	Completeness of Audit File	LG Accounting	11:00 - 11:30
7.	Provincial Unspent Grants Roll-over process.	Mr Z Zonyane	11:30 - 11:55
8.	The Library Grants	DCAS	11:55 - 12:25
9.	General	All	12:25 – 12:40
<b>LUNCH and DEPARTURE</b>			

**Date of next meeting: Quarter 4 - 2014**

Friday, 7 November 2014, West Coast District Municipality Council Chambers – Vredenburg



Reference: T12/2/1

**MINUTES OF THE MUNICIPAL ACCOUNTING FORUM (MAF) MEETING ON 9 MAY 2014  
AT THE GEORGE MUNICIPALITY, CONFERENCE HALL, GEORGE**

ITEM NO	DISCUSSION
1.	<b>OPENING AND WELCOME</b>
	Mr Sabbat opened the meeting in the council chambers by welcoming all the delegates from their respective municipalities who could attend the MAF meeting.
	<b>ATTENDANCE AND APOLOGIES</b>
	<b>In attendance</b>  <b>From: Provincial Treasury</b>  <i>Fiscal and Economic Services</i> F Sabbat S Cupido S Jantjies Governance and Asset Management T Madondile S Nzimande I Toffey N Manyathi
	<b>From: Western Cape Municipalities</b> I Engelmohr – Drakenstein CJM Arangie – Cape Winelands District M Lesch – Cape Winelands District L Crotz – Drakenstein H Cupido – Breede Valley J Petro – Breede Valley X Skade – Stellenbosch M Johannessen – Stellenbosch A Morgan – Knysna N Douse – Knysna

ITEM NO	DISCUSSION
	<p>A Sunkar – Knysna  G Malgas – Oudtshoorn  GH Juthe – Oudtshoorn  B Beukes – Oudtshoorn  W Stassen – Overberg  K Meyer – George  M Cupido – George  CL Domingo – Eden District  J Adams – Eden District  Z van Rooyen – George  H Le Roux – Mossel Bay  V Basson - Mossel Bay  A Groenewald - Laingsburg  S Arendse - Bitou  IJ Pretorius - Bitou  MAC Bolton - Matzikama  F Bergh – Hessequa  J Neethling – Prince Albert  K Cooper - Swartland  A Raubenheimer- Witzenberg  B Brown – Langeberg  H v Biljon – Cape Agulhas</p> <p><b>Apologies</b></p> <p><b>From: Provincial Treasury</b>  <i>Fiscal and Economic Services</i>  M Sigabi  P Mngeni  E Johannes  Governance and Asset Management  N Oliphant</p> <p><b>From: Western Cape Municipalities</b>  Overstrand Municipality  Beaufort West Municipality  Cederberg Municipality  Bergrivier Municipality  Central Karoo District</p>

ITEM NO	DISCUSSION
	City of Cape Town
<b>2.</b>	<b>Setting/Approval of Agenda and New Items</b>
	<p>The agenda was approved with three additional points:</p> <ul style="list-style-type: none"> <li>➤ <b>One Account for municipal payments</b></li> <li>➤ <b>FAQ – ASB/PSF (IGRAP1) – Traffic fines</b></li> <li>➤ <b>Housing: Accreditation and Allocation</b></li> </ul>
<b>3.</b>	<b>Minutes &amp; Matters arising</b>
	<p>The facilitator, Mr Sabbat briefly discussed and summarised the previous MAF minutes of 7 March 2014 with the delegates.</p>
<b>4.</b>	<b>New Matters: Municipal Budgets - MTEC</b>
	<p>Mr Sabbat did a presentation on the Municipal Budgets A-schedules. He indicated that tables A-10 and A-9 are the most inaccurate budget tables currently. With the focus that has changed from the technical assessment towards a service delivery assessment during the MTEC process, budget tables A-10 and A-9 has become very important.</p> <p>Mr Jan Hattingh of National Treasury (NT) recently urged municipalities to accurately complete all the A-schedule tables including A-10 and A-9. Mr Sabbat also reiterated that municipalities complete the budget tables A-10 and A-9 as accurately as possible.</p> <p>Delegates expressed concern with regards to the interpretation of the Cost to free basic service (CFBS) as the accounting treatment thereof is applied differently by municipalities.</p> <p>Mr Sabbat also said that the Equitable Share (EQS) also goes hand-in-hand with the respective budget tables as certain municipalities incorrectly account for lower CFBS totals which inadvertently reflect that the EQS amount received are too much. This poses a major risk to municipalities.</p> <p>He recognised the shortcomings to the template but urged municipalities to spend more time with the completion of the budget tables because it must be credible. In terms of the Revenue Foregone template as indicated on the supporting table SA1, Mr Sabbat suggested to Mr Madondile that the technical group should take the definite, possible errors on the template forward to the CFOF and subsequently to the TCF.</p> <p>A critical aspect pertaining to budget tables A-10 and A-9 is accurate municipal household numbers. Currently the Census 2011 household numbers are used as the common baseline by many municipalities. However if NT and PT uses Census 2011 statistics as a baseline while municipalities uses a different set of numbers than discrepancies in the interpretation of the numbers will exist.</p> <p>Mr Sabbat stated that the Census 2011 will be the common baseline for municipalities to obtain the household numbers but that each municipality should also use their own internal records which should be more accurate. Municipalities using its own statistics are supported but they must update the information also on a regular basis.</p>



ITEM NO	DISCUSSION
	<p>Certain delegates concurred with Mr Sabbat while other delegates disagreed with his statement since some municipalities obtain these household numbers differently.</p> <p>Delegates indicated that rates bills are sent to farm owners therefore record are also kept of the households on the respective farms. The same applies to Eskom areas, where services are rendered to households by the municipality. Mr Sabbat indicated that the key risk in this regard, is that the account goes to the farm owners and not the households.</p> <p>Other delegates indicated that a general property valuer will value the buildings but will not indicate the households on the property. It was stated that it is basically impossible to accurately determine the correct number of households within a municipal area. Delegates suggested that when a building is erected that the building plans be scrutinised to determine the number of properties.</p> <p>Mr Sabbat furthermore indicated that it cannot be assumed that 1 house/building is equal to 1 household. He urged municipalities to obtain and utilise their own internal records in this regard. Mr Sabbat urged all municipalities to acknowledge the risk involved and encouraged them to implement measures to ensure that households are accounted for.</p> <p>Mr Sabbat indicated that he will verify with the City of Cape Town regarding the methodology used in the gathering of the statistics relating to the number of households within the municipal boundaries. The information that will be obtained from the City of Cape Town together will be taken to the following MAF meeting for further discussion.</p> <p>Delegates to the meeting gave a different interpretation to what CFBS and Revenue Foregone are. These indifferent interpretations confirm the risk in this regard with the accounting treatment thereof. It was suggested that the municipal tariff cost be adequately structured to make provision also for overhead costs.</p> <p>Mr Sabbat suggested that municipalities continue with their processes as is. He also committed himself to continue this matter within the following 9 to 10 months as it clearly also will impact the A-10 budget table.</p> <p><u>Budget Templates</u></p> <p>Mr Sabbat discussed the budget template sheets and reminded the delegates that budget template sheets are interlinked. He cautioned delegates that any changes made to the budget template sheets may cause the links to be broken and that Budget totals will not flow through correctly. You may run the risk that the whole file will then be corrupt.</p> <p>Mr Sabbat urged delegates to during the month of February as part of the submission of the monthly (IYM) Cash Flow Actual (CFA) return form to adjust the anticipated cash flow projections for the remaining months as the closing balance will be the anticipated opening balance in the new financial year.</p> <p>The Cash and Cash equivalent balances are reconciled from IYM reports which the municipalities submit to NT and PT and are verified with supporting documents i.e., the</p>

ITEM NO	DISCUSSION
	<p>bank statements and investment portfolio.</p> <p>In terms of supporting sheet SA-30, Mr Sabbat said that when comparing the revenue and expenditure performance with the debtors, the supporting sheet cannot show 100% but that it should reflect the performance of the past 9 months or current performance.</p> <p><u>Budget table A8 (Cash Backed reserves/Accumulated surplus reconciliation)</u></p> <p>Mr Sabbat demonstrated and informed the delegates that all cash flow information flows to one point on the budget template and that NT perform tests to determine whether a municipality's' budget are cash funded or not using the A7 and SA10 tables.</p> <p>He urged municipalities to their use trend analysis in the process of determining outstanding cash commitments. Unspent roll-overs must be treated as "not yours" and treated as a liability. Mr Sabbat acknowledged that there is a difference in the interpretation of SA19 in terms of unspent grants expenditure. Unspent Borrowings is a stand-alone item and are reserved for capital purposes which should be ring-fenced. VAT is statutory required, other working capital requirements and also to be included are Long term investments committed.</p> <p>Mr Sabbat thanked the delegates for their input and suggested that the A8-Cash commitments be taken forward to the following MAF meeting.</p> <p>No Municipality can show 100% for cash spending (delivery) of capital expenditure. 100% is not realistic. Mr Sabbat informed the delegates that you cannot adjust your budget during year-end (AFS) for the sake of recording a better performance.</p> <ul style="list-style-type: none"> <li>- The 'Roll-over' Adjustment Budget is the first adjustment budget for the new Budget.</li> <li>- 'Unauthorised expenditure' Budget is a Special Adjustment Budget during year-end time (Annual Report approval process).</li> </ul>

ITEM NO	DISCUSSION
5.	<b>Long-Term Financial Plans</b>
	<p>Mr Sabbat informed the meeting that he will conduct a presentation on Long-term Financial Plans (LTFP) during the regional IMFO conference 2-3 June 2014. He indicated that Hessequa Municipality completed their LTFP in the style that PT endorses but continues improvement will be done.</p> <p>The LTFP takes into account the socio-economic information, all existing master (sector) plans that will have financial implications, foreword project from the current base for the future. Also required is a policy making and strategy to be adopted to bring in change or interventions.</p> <p>Mr Sabbat indicated to municipalities that another round of financial support for the development of LTFPs will be considered and municipalities are encouraged to apply for assistance immediately.</p>
6.	<b>Risks on GRAP Standards 13, 31, 103 and 24</b>
	<p>Mr Thobelani Madondile introduced the LG: Accounting team which was going to present the four GRAP Standards.</p> <p>Ms Nzimande conducted a presentation wherein she highlighted the risk pertaining to GRAP 31 and GRAP 13. She indicated that there is a thin line between the right of use of an asset and the right under licensing of an asset.</p> <p><u>Overview</u></p> <p>In terms of GRAP 24, comparisons are made on the information that has been made publicly available, which could include other comparisons for other statements of the set of financial statements. With GRAP 103 accounting for heritage assets that were not accounted for in the previous year.</p> <p><b><u>GRAP 31</u></b></p> <p>Ms Nzimande indicated that GRAP 31 applies to an Intangible Asset which is identifiable, a non-monetary asset without physical substance. She defined Research as an original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.</p> <p>The intangible item must be separable meaning that it must be capable of being separated, sold, transferred, licensed, rented or exchanged. The arrangement should have arisen from a binding arrangement which should include rights from contracts or an arrangement that confers similar rights and obligations on the parties to it as if it was in the form of a contract.</p> <p><u>Control of an Asset</u></p> <p>Legal enforceability of a right is not a necessary condition for control because an entity may be able to control the future economic benefits or service potential in some other way.</p> <p><u>Recognition</u></p> <p>The asset must meet the definition of an intangible asset; and the cost or fair value can be measured reliably.</p>

ITEM NO	DISCUSSION
	<p><b>Paragraph 24 of GRAP 31</b></p> <p>States that an entity shall assess the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.</p> <p><b>Paragraph 25 of GRAP 31</b></p> <p>States that an entity uses judgement to assess the degree of certainty attached to the flow of future economic benefits or service potential that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.</p> <p>GRAP 31 also makes provision for exclusions of the Standard and highlights cases where grey areas might exist.</p> <p>Ms Nzimande explained that there are discrepancies between GRAP and the South African Heritage Association (SAHA) pertaining to the definitions of what heritage assets is.</p> <p><b><u>GRAP 13</u></b></p> <p>A brief description of GRAP 13 was provided with reference to the application of the Standard. It was mentioned that transactions and other events are accounted for and presented in accordance with their substance and financial reality and not merely with legal form.</p> <p>Ms Nzimande furthermore explained the categories within which operating leases and finance leases are classified.</p> <p><b><u>IGRAP 3</u></b></p> <p>A brief explanation of the IGRAP 3 Standard was provided with reference to the initial assessment and the reassessment of the lease arrangement. The application of lease accounting was also clarified.</p> <p><b><u>GRAP 24 &amp; 103</u></b></p> <p>Ms Ielhaam Toffey conducted a presentation on GRAP 24 and GRAP 103. The presentation was based on the consolidated Auditor-General findings.</p> <p>GRAP 24</p> <p>A brief explanation of the GRAP 24 Standard was provided with reference to the comparison of the budget documents that needs to be disclosed.</p> <p>GRAP 103</p> <p>Ms Toffey described GRAP 103 in terms of the recognition of heritage assets and the Municipality's duty towards the treatment thereof.</p>

<b>ITEM NO</b>	<b>DISCUSSION</b>
	<p><b><u>Conclusion</u></b> Formal feedback on the resolutions taken at the Accounting Working Committee (PT), NT and PSAF will be discussed in the next MAF.</p>

ITEM NO	DISCUSSION
7.	<b>Roll-out of MFMA Circular 71 – Financial Ratio's</b>
	<p>Mr Thobelani Madondile conducted a presentation on the use of the financial ratio's referred to in MFMA circular 71.</p> <p><b><u>Legal Mandate &amp; Introduction</u></b></p> <ul style="list-style-type: none"> <li>•S 216 (1) (c) of the Constitution provides National Treasury to prescribe uniform treasury norms and standards to ensure transparency and expenditure control in Municipalities.</li> <li>•MFMA further enables National Treasury to develop uniform financial ratios/ indicators and suitable norms applicable to the Municipal environment to ensure transparent, consistent application and interpretation.</li> <li>•Currently there is inconsistent application and interpretation of financial ratios by various institutions in the municipal environment.</li> <li>•NT has embarked on this project to ensure consistent application and interpretation of financial ratios by various institutions in the municipal sector.</li> </ul> <p><b><u>Objectives</u></b></p> <ul style="list-style-type: none"> <li>•Aims to bring consistency in interpretation and application of certain financial information using standardised financial ratios.</li> <li>•It is important that any one of these ratios should not be read in isolation of one another, as this could lead to distortions in interpretation.</li> <li>•Ideally, a number of interrelated ratios should be analysed together in order to get a broader picture of a municipality's or municipal entity's financial performance.</li> <li>•Financial ratios to be used to assess/ determine the financial position and performance of Municipalities</li> </ul> <p><b><u>Ratios categorizations</u></b></p> <p>Financial Position</p> <ul style="list-style-type: none"> <li>• Asset Management/Utilisation; Debtors Management; Working Capital Management</li> <li>• Liability Management</li> </ul> <p>Financial Performance</p> <ul style="list-style-type: none"> <li>• Efficient Management /Utilisation of Resources; Distribution Losses; Revenue Management</li> <li>• Expenditure Efficiency; Grant dependency</li> </ul> <p>Budget Implementation</p> <ul style="list-style-type: none"> <li>• Capital Implementation; Operating Implementation</li> </ul> <p><b><u>NT Feedback meeting</u></b></p> <ul style="list-style-type: none"> <li>•It is important to note that the municipalities must be aware that there is a window period of 2 years before the promulgation of the Regulation on these ratios.</li> <li>• A consultation process in ongoing and municipalities can approach PT with any</li> </ul>

ITEM NO	DISCUSSION
	<p>challenges they have in the use of these ratios.</p> <ul style="list-style-type: none"> <li>•Lastly the municipalities has a transitional period before these ratios becomes compulsory.</li> <li>•Importantly to note that NT informed AGSA not to use these ratios as part of their audit until NT has issue the Regulation of Directive.</li> <li>•The project is a work in progress and comments are welcome based on Circular 71.</li> <li>•Consultation by NT and PT is likely to take place in September 2014.</li> <li>•The exact dates have not been determined for the workshops, NT and PTs are tasked to come up with a more appropriate time and methodology to roll – out this project.</li> <li>•Municipalities are free to suggest the format in which the workshops should take place.</li> </ul> <p><b><u>Way Forward</u></b></p> <p>Mr Madondile encouraged delegates to start using the ratios and the assessment thereof at their respective municipalities to test the financial viability. NT provided a window period of two years for any objections / comments / challenges before NT issues a regulation applicable to all municipalities.</p> <p>He said that the AGSA was categorically informed not to use circular 71 in its auditing processes to determine whether the municipalities applied the provisions thereof or not. That was done in view of the transitional period before the regulation is issued by NT.</p> <p>Any objections / comments / challenges regarding the ratios can be send to the PT at <a href="mailto:PT.helpme@westerncape.gov.za">PT.helpme@westerncape.gov.za</a></p> <p>Consultations are currently ongoing with the George municipality financial statements that was used for the ratios and which was subsequently assessed. The assessment is available for other municipalities with the permission of George municipality.</p> <p>Workshops will be held throughout the province but the dates and platform has not been finalised.</p> <p>Mr Sabbat to Mr Madondile suggested that each ratio be dealt with during the next MAF.</p> <p>Delegates expressed their appreciation to the use of ratios as a management tool at municipalities but however expressed concern when NT and PT use the ratio analysis to do comparatives. The actual facts and information must also be taken into account when applying the ratio analysis to compare municipalities with one-another. The belief that the one set of ratios, fits all municipalities equally cannot be applied without appreciating the historic context and facts simultaneously.</p> <p>Mr Madondile agreed to the statement saying that assumptions cannot be made when doing the ratio interpretation. The interpretation of ratios requires enough data and facts as possible.</p> <p>Mr Sabbat thanked Mr Madondile and his team for the input provided.</p>

ITEM NO	DISCUSSION
8.	<b>General</b>
	<ul style="list-style-type: none"> <li data-bbox="296 286 831 315">• <b>FAQ – ASB/PSF (IGRAP 1) – Traffic fines</b></li> </ul> <p data-bbox="296 376 1490 510">Mr Engelmohr reported what the Accounting Standards Board (ASB) ito SAQ unofficially clarified; "that an entity should recognise the full amount of revenue at the transaction date when there is uncertainty with the entity's ability to collect such revenue based on past history.</p> <p data-bbox="296 528 1490 589">It is therefore inappropriate to conclude that revenue due to an entity will not be collected as it has an obligation to collect all revenues due to it.</p> <p data-bbox="296 607 1490 667">As such, entities may not consider or assess the probability of collecting the revenue at the transaction date because this is a subsequent measurement event".</p> <p data-bbox="296 728 1490 831">In simple terms, Mr Engelmohr says that when a fine is issued the full amount must be recognised as revenue. At year-end an assessment must be done on the collectability and recognise a provision for doubt.</p> <p data-bbox="296 891 1490 952">Mr Sabbat suggested that the matter be further discussed during the next MAF meeting after the ASB provided more information regarding IGRAP1 interpretation.</p> <ul style="list-style-type: none"> <li data-bbox="296 1012 951 1041">• <b>Mossel Bay Municipality Housing Accreditation</b></li> </ul> <p data-bbox="296 1102 1490 1379">Mr Le Roux of Mossel Bay Municipality stated that the Province, on various occasions, indicated that the Municipality are not accredited only CoCT. He said that Mossel Bay Municipality is accredited at level 1 which means that the Municipality cannot award contracts etc. It therefore means that municipalities with accreditation level 1 act as an Agent. Mr Le Roux stressed that serious problems might be highlighted should the AGSA assess the application of circular 72 at the municipality. He said that the municipality will be viewing the matter as a technical point and will argue the matter as aforementioned. To agree to disagree.</p> <p data-bbox="296 1440 1246 1469">The Housing/Agency matter will also be discussed at the next CFO Forum.</p> <ul style="list-style-type: none"> <li data-bbox="296 1529 568 1559">• <b>Spatial Reflection</b></li> </ul> <p data-bbox="296 1619 1490 1722">Mr Sabbat indicated to the delegates that the IDP and SDF must be properly aligned to the resource allocation which is the budget. He suggested that the PT is serious in providing assistance with regards to capacity constraints at municipalities.</p>
	<b>Close of Meeting</b>
	<p data-bbox="296 1787 1490 1912">In closure Mr Sabbat expressed appreciation to the officials and staff of George Municipality for arranging the venue and refreshments for the MAF meeting. He also thanked all the delegates who could attend the meeting as well as Provincial Treasury for the logistical arrangements.</p> <p data-bbox="296 1946 727 1975"><b>Date and venue of next meeting:</b></p>



<b>ITEM NO</b>	<b>DISCUSSION</b>
	Friday, 8 August 2014, Cape Winelands District – Worcester

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**Mr Frans Sabbat**

**MAF Facilitator**

**Date:**