

Reference: T12/2/6

## **TREASURY CIRCULAR MUN NO 46/2014**

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, LANGEBERG 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, SWELLENDAM 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 KENNED  
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, LANGEBERG MUNICIPALITY: MR SA MOKWENI  
THE MUNICIPAL MANAGER, OVERBERG DISTRICT MUNICIPALITY: MR D BERETTI  
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, SWELLENDAM 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, LANGEBOEG 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: ADV F HUMAN (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 F SABBAT

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) (MS CUPIDO) (ACTING)  
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 ACCOUNTANTS FORUM (MAF) – 7 NOVEMBER 2014 IN STELLENBOSCH MUNICIPALITY**

1. This circular serves to inform that due to logistical issues the Municipal Accountants Forum scheduled for **7 November 2014** as per the Provincial Treasury Circular No 49/2013, dated 5 December 2013, will now be held at the **Council Chambers of the Stellenbosch Municipality**.
2. Provincial Treasury wishes to apologise for any inconvenience that might have been caused by this postponement and change in venue.
3. 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: Municipal Accounting Working Committee (MAWC) - LG Accounting,
  - b) Costing presentation - Mrs Naiemah Ismail – Manager: Performance Budgeting, CoCT
  - c) SCOA update – LG Accounting,
  - d) Cash Flow Reporting,
  - e) MGRO.
4. Furthermore, Municipalities are requested to submit any additional items for the agenda by no later than 24 October 2014.
5. The logistics for the Municipal Accountants Forum meeting are as follows:

**Date: Friday, 7 November 2014**  
**Time: 08:00 – 13:30**  
**Venue: Stellenbosch Municipality, Council Chambers, 16 Plein Street, STELLENBOSCH, 7599**
6. For catering requirements, confirmation of attendance or apologies should reach the Secretariat at the Provincial Treasury by no later than **24 October 2014**.
7. 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)

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

Yours faithfully

A handwritten signature in black ink, consisting of a stylized initial 'J' followed by a horizontal line that ends in a small arrowhead pointing to the right.

**ACTING SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP 1)**

**DATE: 23 SEPTEMBER 2014**



Reference: T12/2/1

**MINUTES TO THE MUNICIPAL ACCOUNTANTS FORUM (MAF) MEETING OF 15 AUGUST 2014  
AT THE CAPE WINELANDS DISTRICT MUNICIPALITY, COUNCIL CHAMBERS, 51 TRAPPE STREET,  
WORCESTER.**

ITEM NO	DISCUSSION
1.	<b>OPENING AND WELCOME</b>
	Mr Sabbat opened the meeting and welcomed all the representatives from their respective municipalities who could attend the meeting.
	<b>ATTENDANCE AND APOLOGIES</b>
	<p><b>In attendance</b> <b>From: Provincial Treasury</b> <i>Fiscal and Economic Services</i> F Sabbat B Misrole S Cupido ZZ Zolani E Paulse F Daniels P Mngeni S Jantjies</p> <p><i>Governance and Asset Management</i> A Hardien N Oliphant M Fortuin S Nzimande I Toffey N Manyathi D Jantjies</p>

ITEM NO	DISCUSSION
	<p><b>From: Department of Human Settlements (DHS)</b> F de Wet (CFO)</p>
	<p><b>From: Department of Cultural Affairs and Sport (DCAS)</b> M Simema - Municipal Support Services</p>
	<p><b>From: Western Cape Municipalities</b></p> <p>A Saulse – Cederberg  J Kearns – Saldanha Bay  N Koikantang - Saldanha Bay  W Crafford – Overberg District  J Johnson - Overberg District  S de Jager - Overberg District  C Ranna –Swartland  B Kova - Bitou  IJ Pretorius - Bitou  Z van Rooyen – George  J Adams – Eden District  F Bergh – Hessequa  H v Biljon – Cape Agulhas  JF v Wyk – Stellenbosch  WP Mars - Witzenberg  M Johannessen – Stellenbosch  PE Pienaar – Stellenbosch  C Roland – Cape Winelands District  L Crotz – Drakenstein  K Fredericks – Drakenstein  WM Blom – Breede Valley  B Volschenk – Breede Valley  B Beukes – Oudtshoorn  N Nel – Oudtshoorn  O Bezuidenhout – Oudtshoorn  BA King – Overstrand  A Ebrahim – City of Cape Town  M Safodien - City of Cape Town  MAC Bolton - Matzikama</p>

ITEM NO	DISCUSSION
	<p><b>Apologies</b></p> <p><b>From: Provincial Treasury</b>  Fiscal and Economic Services  M Sigabi  E Johannes  Governance and Asset Management  Z Hoosain  N Oliphant</p> <p><b>From: Western Cape Municipalities</b>  Beaufort West Municipality  Bergrivier Municipality  Central Karoo District  Knysna Municipality</p>
<b>2.</b>	<b>Setting/Approval of Agenda and New Items</b>
	<p>The agenda was accepted with one additional point.</p> <ul style="list-style-type: none"> <li>• <b>Standard Chart of Accounts (SCOA) Update</b></li> </ul>

ITEM NO	DISCUSSION
3.	<b>Minutes &amp; Matters arising</b>
	Due to time constraints the minutes of the previous meeting was not discussed.
	<b>Feedback from previous agenda points</b>
	Cash and Cash equivalents – A8, SA30
	<p>Mr Sabbat started the session with a discussion of the Cash Flow tables in the current budget schedules. Mr Sabbat highlighted a weakness or flaw that exists in the Cash and Cash equivalents budget tables. He said that PT tests whether the municipalities populates the sheets correctly. Budget tables A8 must reflect the same balances as reflected on the SA30.</p> <p>At year-end the Cash commitments must play-off against the Cash and cash equivalents. Therefore it is important to look at the closing balances. However Mr Sabbat said that municipalities interpret the related sheets indifferently. The Cash and cash equivalents sheet are used to determine whether the cash available covers the cash commitments at year-end. Mr Sabbat feels that amounts in the Cash and cash equivalents for revenue at year-end are duplicated as the totals already include the cash receipts amounts. Only a few municipalities are submitting the Cash and cash equivalents and commitments to Treasury at year-end therefore it's not easy to determine if the municipality are in a favourable position or not. This can lead to municipalities having to request for a bank overdraft etc. Mr Sabbat indicated that he will need to proof this matter to NT, adequately, in order to have the Cash and cash equivalent sheets amended accordingly.</p> <p><b>Mr Sabbat suggested that Cash Flow Reporting be placed on agenda for the next MAF in November 2014.</b></p>
	<p><b>Discussion: Section 72</b></p> <p>Mr Bolton of Matzikama municipality followed up on a matter previously discussed at the MAF. He queried the applications of the provisions of section 72 in terms of submitting the roll-over budget by 25 August 2014 against NT's requirement for the unaudited AFS to be submitted by end of August 2014. The unaudited AFS will be used to determine whether the municipality have sufficient cash in the bank to fund the roll-over. Mr Bolton however states that the action is contrary to the budget regulations with regards to the submission of the roll-over budget the end of August 2014.</p> <p>Mr Sabbat indicated that roll-overs, most of the time, relates to capital grants but that operating grants are also treated the same. The roll-over application process, in terms of NT, only relates to when own funding sources are used. However, Mr Sabbat disagreed to this process of NT as the legislation does not split the funding sources. In terms of the provisions of DoRA, municipalities must apply for the roll-over of unspent conditional grants at year-end. Municipalities are also required to proof that the funds are committed.</p> <p>Mr Sabbat indicated that he is uncertain what criteria NT is using as most of the roll-over applications are rejected. He also indicated that the DoRA is silent on the section 71 NT requirement. Mr Sabbat suggested that municipalities ensure that period-13 (pre-audited AFS) numbers are as complete as possible. He however said that the current S71</p>



ITEM NO	DISCUSSION
	<p>verification process and the monthly and quarterly process of reporting make NT not to rely on the numbers which could affect the roll-over application process. He urged municipalities to spend the funding of the conditional grants rather. He also urged municipalities to go to council by 25 August 2014 with their roll-over applications.</p> <p>Mr Sabbat cautioned delegates that virements at year-end can allow for many questions to be raised. Virements are legit but municipalities must ensure that their virement policies are in place. He indicated that virements must only be passed at vote level and cautioned against doing virements at year-end to make the financial statements look good.</p> <p>Mr Sabbat reminded the delegates that there are two months where the council cannot meet at the end of the month i.e. August, January (and December when councillors go on recess). He also reminded all that the Schedule of key deadlines that is due at the end of August must at least have the key dates for: The Roll-over budget. The special adjustment budget can only be approved by a council meeting when the annual report is being dealt with. The annual reports time-line is not beyond 31 January.</p>

ITEM NO	DISCUSSION
4.	<b>Feedback: Municipal Accounting Working Committee (MAWC)</b>
	<p>Ms Toffey of LG: Accounting conducted a PowerPoint presentation on the feedback from the first MAWC meeting held on 20 June 2014. The objective of the MAWC was discussed with the delegates in detail and the resolutions taken were highlighted.</p> <p>Resolutions taken at the MAWC meeting were:</p> <ul style="list-style-type: none"> <li>• Provincial Treasury official will draft a <b>technical position paper</b> in this regard to technical issues (GRAP23, IGRAP1 &amp; FAQ); Mr Engelmohr to give inputs with regards to practical implementation of GRAP 23 and IGRAP 1. - <b>achieved</b></li> <li>• The <b>final position paper</b> to be sent to NT by the PAG's office. - <b>achieved</b></li> <li>• Mr April (West Coast District) should send Mr Hendricks the updated transfer of fire services agreement. - <b>achieved</b></li> <li>• A list should be drafted of all municipalities who raised a provision for the clearing of alien vegetation. – <b>in progress</b></li> <li>• Municipal representatives to follow-up procedures that should be performed regarding <b>task back-pay</b>.</li> <li>• PT to have a follow up meeting to be held with the Department of Human Settlements. - <b>achieved</b></li> <li>• The next MAWC meeting will be held in September where the following will be discussed: <ul style="list-style-type: none"> <li>• Arising transversal audit queries;</li> <li>• Feedback from NT relating to IGRAP 1 implementation guide;</li> <li>• Update on new amendments on the Standards of GRAP; and</li> <li>• Any other emerging topics.</li> </ul> </li> </ul> <p>Mr Hardien informed the meeting that IGRAP1 relates to the accounting application of Traffic fines in your financial statements. In terms of the Accounting Standard Board (ASB), a municipality has to account for a traffic fine when the municipality issues the fine. NT, subsequently, issued a guideline on how to account for traffic fines which basically says that estimations must be done for traffic fines issued by the municipality as well as for traffic fines outsourced to service providers.</p> <p>Provincial traffic fines must be accounted for on a cash basis. This IGRAP1 will have a significant impact on municipal budgets, unauthorised expenditure as well as other non-cash items that needs to be accounted for. He cautioned delegates that the officials of the Auditor-General (A-G) will definitely scrutinise the application of the IGRAP1 at municipalities. The IGRAP1 will also impact on the accounting treatment of VAT at municipalities. Mr Van Wyk expressed concern with the application of the GRAP23 and conceded that directive 3 was not applied appropriately. He indicated that he was in the process of drafting a document which will explain the impact the new regulations will have on the municipalities in general.</p>

ITEM NO	DISCUSSION
<b>5.</b>	<b>Consolidated comments on Exposure Draft (ED)122</b>
	<p>Ms Nzimande of LG: Accounting conducted a PowerPoint presentation on ED122. She highlighted the definitions for an Agent, a Principal and of the Principal-agent arrangement as highlighted in the proposed standard.</p> <p>The beneficial control of an entity and the power of an entity in terms of activities were also discussed with the MAF delegates. Disclosure requirements were also discussed and comments of concern were raised by the forum. Treasury Circular 26/2014 was issued on 02 June 2014 to invite municipalities to comment. Ms Oliphant indicated that municipalities can still submit comments on the proposed ED 122 before the submission date. She also said that the detail of the contracts signed between municipalities and the Department of Housing will determine how the specific municipality will account for it in their books.</p> <p>Since the Treasury Circular was issued to the 30 municipalities, 5 municipalities commented. 1 municipality, Comments submitted directly to ASB: 1. Consolidated comments will be submitted to the ASB on the 01 September 2014. Mr Hardien urged municipalities to provide comment as the ED will have a wider effect than only low cost housing and the road agency function.</p> <p>Mr De Wet indicated that in terms of budget circular 72, the City of Cape Town, which has accreditation, will account for the ED slightly differently in their books compared to the other municipalities. Mr Hardien urged municipalities to provide comment as the ED will have a wider effect than only low cost housing and the road agency function. Mr De Wet indicated that in terms of budget circular 72, the City of Cape Town, which has accreditation, will account for the ED slightly differently in their books compared to the other municipalities.</p>
<b>6.</b>	<b>The Library Grants</b>
	<p>Mr Simema of DCAS conducted a PowerPoint presentation on the Municipal Support Services (MSS)-unit which was established in 2013 under the Library Service-directorate. The MSS sub-directorate is responsible for the management of 2 Library Services grants.</p> <p>The Conditional Grant (CG) and the Municipal Replacement Funding (MRF) grant. These grants are aimed at supporting library services at municipal level and the bulk of these grants are transferred to municipalities.</p> <p>The CG is a national fund and played a vital role in enhancing the quality of library services in the WC. As from July 2014 the CG started to address the underfunded mandate at the 9 B1 and B2 category municipalities. Initially it will only be partial funding, which will gradually increase over several financial years. The aim is to eventually eliminate the under-funded mandate by providing full funding for the library function to all municipalities. In future the CG will expand and will move towards fully funding the personnel of the budget and start funding their operational budgets.</p> <p>Both the MRF and CG's funding are based on the principle of executive assignment. An Executive assignment refers to the transfer of all the responsibilities to the municipalities. Only 15 municipalities are benefiting from the MRF grant. Between MRF and CG the 24 B category municipalities will receive the total amount of R115 million in 2014/15 to directly</p>

ITEM NO	DISCUSSION
	<p>address the underfunded mandate. This is 74% of the expected total spending on libraries by the B category municipalities in 2014/15. Mr Mbulelo acknowledged that municipalities experience challenges with hidden costs such as security, insurance, maintenance while water and electricity are not ring-fenced on budget as separate library costs.</p> <p>Mr Simema also informed the delegates of his departments' future plans which was already submitted to NT for approval. Other challenges highlighted were Administration costs, standard: 5% of national budget excluding capital for libraries. Depreciation and the treatment of VAT are also issues that municipalities must take into account.</p> <p>Certain delegates requested support regarding the treatment of VAT but questioned the accounting treatment of VAT against the DCAS's requirement that municipalities must report on the full amount allocated to them.</p> <p>However Mr De Wet indicated that circular 58 are not applicable in this regard since the Library Service grant is a provincial grant. Circular 58 is only applicable with regards to DoRA grant allocation. Library Services receives their funding via DoRA from NT.</p> <p>Mr Hardien informed the delegates that Ultimax will have a VAT Workshop on 16 September 2014 at the Sports Science Institute. Costs are R850 per person. Ms Oliphant suggested that the PT also move closer to the <i>Transfer of functions to municipalities</i>-plan of DCAS as it will have implications on related accounting standards.</p> <p><b><u>Resolution:</u> Mr Sabbat suggests that the LG: Accounting unit establishes closer ties with the DCAS research team on the transfer of functions.</b></p>

ITEM NO	DISCUSSION
7.	<p data-bbox="300 174 695 208"><b>Completeness of the Audit File</b></p> <p data-bbox="300 224 1484 629">Mr Kearns of Saldanha Bay Municipality (SBM) demonstrated how the municipality went about in compiling and providing the A-G with a complete electronic audit file. He said that previously the SBM completed the electronic audit file using Caseware. Currently the financial statements is compiled in excel format as it previously was not practical enough for the A-G. The electronic audit file was compiled with hyperlinks build in to guide the A-G to the related source documents and lead sheets. Mr Kearns explained the SBM's year-end procedures, the audited outcomes as well as the application of the NT and A-G checklists. A hardcopy file is also kept for inspection. The checklist was compiled to indicate how many days the responsible person has left to do what is required from him/her. Mr Kearns also had regular meetings and daily updates with managers on specific delays with regards to certain deliveries in the process.</p> <p data-bbox="300 663 1484 880">Ms Oliphant thanked Mr Kearns for his contribution and commended the SBM for creating their own excel tool. She also informed the meeting that the A-G prefers to use the electronic version of the audit file. It's a similar tool used by Breede Valley and Langeberg municipalities and needs to be shared by the other municipalities as well. Mr Sabbat also suggested that backups of the electronic version are done on a regular basis to prevent the information to be lost or damaged.</p> <p data-bbox="300 913 659 947"><u>Comment on Audit Queries</u></p> <p data-bbox="300 958 1484 1238">Mr Hardien informed the meeting that in 2013 the Management Reports of all WC municipalities was used to compile a consolidated management report. The report was distributed to all municipalities in preparation of the 2014-audit period. Currently the Public Finance Management Act (PFMA) findings are being summarised to identify the PFMA issues that might spill over into the municipal sphere. He conceded that the accounting standards are interpreted differently by different officials. He urged municipalities to email him any audit queries to whom they are in disagreement to. PT will offer support, where applicable, but will also discuss the audit queries in the technical meeting with the A-G.</p> <p data-bbox="300 1249 1484 1507">Various delegates explained their municipality's predetermined arrangements with the A-G regarding the issuing of Communications on audited findings (Comaf's). Mr Hardien indicated that in terms of auditing standards the A-G cannot just issue a Comaf. The A-G first will have to discuss the matter with the municipality before it can issue a Comaf. He proposed that he will distribute the Comaf's received from certain municipalities to all the other municipalities (without names), to allow other municipalities to have an advantage on similar issues that might be raised by the A-G.</p>
8.	<p data-bbox="300 1545 1414 1579"><b>Municipal Governance Review &amp; Outlook (MGRO) Criteria – Revenue and Expenditure</b></p> <p data-bbox="300 1590 1484 1736">Ms Cupido of LG: Public Finance conducted a PowerPoint presentation on the MGRO process. She gave a brief introduction and background to where the process is at the moment particularly to the MGRO 2 process. She indicated that the MGRO process is basically an assessment of the financial capability of a municipality.</p> <p data-bbox="300 1769 1484 1803">Ms. Cupido explained that the MGRO model is underpinned by 3 core objectives namely:</p>

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	<p>Fiscal sustainability, Allocative efficiency and Value for money.</p> <p><u>The Fiscal sustainability</u>: How well the municipality finds a balance between revenue and expenditure and how well it ensures' its fiscal sustainability for a medium term and long term.</p> <p><u>Allocative/ economic efficiency</u>: How well resources are used to reflect government priority.</p> <p><u>Value for money</u>: How well are we doing things? How well are we using resources? This will be measured ito the 3 E's: Efficiency, economy and effectiveness.</p> <p>In terms of the Financial Management Capability Maturity Model (FMCMM), Ms. Cupido only focused on revenue, expenditure and cash. The FMCMM has been created to assess municipalities' ito there maturity and capability. The purpose of this model is to measure management financial capability within municipalities, to identify gaps ito your financial systems as well as to assist your leadership and assess skills and structure and identify any identification matters. It's an early warning mechanism for municipalities. Assist municipalities with A-G checklists and determine the key non-financial processes.</p> <p>The model is underpinned by levels of maturity wherein municipalities can move from a low level to a top level. There are no specific questions but there are guidelines and each particular question has an associated risk. The model/ tool are based on a scoring mechanism, starting from 1 to 3. There are 21 modules covering financial processes, it is excel-based, with electronic applications available. For the MGRO-2 process, the FMCMM criteria will be used for revenue, expenditure and cash management. Ms. Cupido demonstrated to the delegates how the municipalities can complete the self-assessment questions. She urged the municipalities to comment on the MGRO 2 process should they have any questions or inputs etc. The MGRO assessment is a once-off assessment.</p> <p><b>Mr. Sabbat suggested:</b> that the MGRO process be placed on the agenda for the next MAF meeting again as the delegates did not experienced the process yet.</p> <p>Ms Oliphant expressed appreciation for the MGRO presentation and indicated that it will provide an even better understanding to all involved in the process. She said that the MGRO will be rolled out for all the provinces and encouraged all municipalities to comment on the tool. Ms. Misrole suggested that the tool also be linked with the evidence so that it can become auditable at the same time.</p>

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	<b>Standard Chart of Accounts (SCOA) - Update</b>
	<p>Ms. Fortuin of the LG: Accounting unit conducted a PowerPoint presentation on the latest SCOA updates. She introduced the LG: Accounting-SCOA team and indicated that pilot municipalities will be used to test the SCOA classification framework and will also be used to test the system functionality which will be implemented on 1 July 2015. The Integrated Consultative Forum (ICF) was established on 1 August 2014, at a forum held at NT. She introduced that all metropolitan municipalities are now SCOA pilot municipalities.</p> <p>Pilot municipalities in the Western Cape are City of Cape Town, Knysna, Hessequa, Drakenstein, Overstrand and Bergriver. Ten (10) system vendors were approved for piloting following system evaluation sessions held at NT.</p> <p>NT is the custodian and project sponsor of SCOA, which is now in phase 4 of implementation. NT is responsible for overall project management and will set the milestones. DCOG is NT's partner in the SCOA reform while PT's are the key stakeholders and role-players in the SCOA reform. PT will participate in the SCOA ICF and will take the lead in the province with NT's assistance by managing the ICT risk register and supporting the municipalities, municipal SCOA structures etc.</p> <p>Ms Fortuin also informed the meeting that the current system vendors will directly be responsible for system confinements, driving SCOA at local municipality. She cautioned that system developers cannot pass the costs to municipalities at once. The system costs must be staggered. It will be compulsory for system developers to attend ICF every 6 weeks. The next SCOA ICF 18-19 September 2014 in Cape Town and will rotate from Province to Province, the one in October will take place in Durban.</p> <p>Non-pilot municipalities have to attend the provincial CFO forums on a regular basis as well as the MAF. Currently municipalities are matching current general ledger to SCOA resolutions and with busy with data cleansing. Municipalities will be updated on SCOA info via the CFO Forum, MAF and the SCOA working group.</p> <p>The A-G is a key stakeholder in all the projects and attends all the ICF's, vendor assessments and ICT units of the A-G. NERSA &amp; Department of Water Affairs (DWA) support technical assistance to NT, attend all the ICF's, they assist the piloting and non-piloting muni's, they will remain the custodian of reporting information. The SCOA manuals are being accredited and will be rolled out for training. The local ICF will have regular workshops and information sessions will be held outside the MAF and CFO forum meeting dates. All municipalities need to regularly report challenges in each meeting of the PT forum.</p> <p>Ms Fortuin said that the working team SAP, City of Cape Town works closely with NT in developing a blue print, this technical specifications of the financial systems that are able to accommodate SCOA. She said that her unit will closely be monitoring SCOA implementation plans of municipalities. PT Circular 38 notifies municipalities that PT has designed a HelpDesk, which will be technically focused on all issues related to SCOA and a working group was established with representatives of all the units within PT to ensure</p>

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	<p>that SCOA goes live by 1 July 2015</p> <p><b>Questions:</b> Certain delegates expressed concern about the SCOA co-ordination processes. Proper workshops explaining SCOA are also requested. There are still municipalities that are not on the same level of understanding what SCOA is about and reporting. Municipalities will be monitored against what?</p> <p><b>In reply,</b> Ms Fortuin said that municipalities will be monitored against their own SCOA implementation plans. Mr Hardien also explained that with the implementation of SCOA, municipalities will need to account for every transaction. It's a single accounting system that allows you all the reporting responsibilities. In October 2014 a resolution needs to be taken to council informing them of the impact SCOA has on your municipality. In February 2015 municipalities need to table a SCOA implementation plan. An integrated SCOA committee is needed within every municipality.</p> <p>Mr Hardien also advised all the delegates that everybody will be going live on 1 July 2017. All pilot municipalities need to go live on 1 July 2016. A standardised development costs invoice will be brought in for municipalities. Development costs are now expensed, so SARS will be asked what they are expensing and what are they capitalising. SCOA will be a standing matter on the MAF agenda.</p> <p>It was suggested that at the minimum, municipalities must have charted the GL by now already.</p>



ITEM NO	DISCUSSION
9.	<b>Provincial Unspent Grants Roll-over process</b>
	<p>Mr Zonyane conducted a PowerPoint presentation on the rollover process in respect of unspent provincial allocations to municipalities. He provided a background on how the process came about to regulate the roll over process. Unspent provincial allocations within municipalities triggered the provincial process. Awareness was raised in the 2011 and 2012 CFO fora.</p> <p>Mr. Zonyane also explained that the challenges experienced in 2013. Late applications by few municipalities delayed the process. Amounts in application letters not reconciling with draft AFS amounts. Delayed responses from municipalities on follow-up queries, delayed responses (recommendations) from provincial departments on their recommendations.</p> <p>The Provincial Unspent Grants Roll-over process included the issuing of Treasury Circular no. 28/2014 dated 04/06/2014. Engagements were made with the majority of the transferring provincial departments between 9 and 23/07/2014. The due date for roll-over applications is 29/08/2014. The roll-over applications will be consolidated and sent to departments for recommendations by 15/09/2014. Departments will submit recommendations to PT by 03/10/2014. PT will provide consolidated responses to municipalities by 24/10/2014. Mr De Wet informed the meeting that the City of Cape Town (CoCT) has a level 2 accreditation and must apply for all their unspent funds in their housing fund to be appropriated for capital and for interest. However interest is not applicable in terms of their agreements.</p> <p>Mr De Wet also said that Other municipalities must apply for transfers. The CoCT do not get funding via claims but per transfer payments schedule. Therefore they must apply for roll-overs and for the appropriation of all the unspent funds. Municipalities must also apply for roll-overs for other grants (Transfers) received from the WC Department of Human Settlements (DHS). He foresees that the rollover system will work very well this year. Delegates cautioned municipalities to first obtain a letter of approval for roll-over before taking the roll-over grant amounts up in the budget. Further to that Mr Sabbat said that the respective grants must only be taken up in the following Adjustment Budget once approval for roll-over was received.</p>
10.	<b>General</b>
	<p><b>Parliamentary Questions</b></p> <p>Mr Sabbat informed the delegates that PT will from time-to-time distribute Parliamentary Questions to municipalities for feedback to the Western Cape Provincial Legislature (WC Parliament). It is the responsibility of the PT to provide the MEC of finance with an appropriate and accurate response to be communicated in the WC Provincial Legislature. He urged municipalities to respond promptly to PT once feedback is required relating to Parliamentary Questions in future.</p>
	<p><b>Previously allocated housing related grants</b></p> <p>Mr Sabbat urged municipalities, who still have old allocated funds on their books relating to previously allocated housing grants issued to them (e.g. housing consumer education grant), to write to Mr De Wet of the DHS to request if the funds can be recognised as</p>

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	revenue or if the funds can be used for housing related purposes. Mr Sabbat suggested that municipalities concerned urgently act upon the request.
	<b>Close of Meeting</b>
	<p>In closure, Mr Sabbat informed the delegates that he is leaving PT at the end of August 2014. He expressed appreciation to the all the municipalities for their contributions and support throughout his term at PT. He also thanked the officials and staff of CWDM for arranging the venue and refreshments for the MAF meeting. Furthermore he thanked all the delegates who could attend the meeting as well as PT for the logistical arrangements.</p> <p>Ms Oliphant said that Mr Sabbat, as a very creative and open person, will be a great loss to PT and thanked him for his contribution. She wished him well and said that his unique style of facilitation and managing the issues raised at the MAF will be missed by every MAF delegate. However, as the newly appointed CFO to the Beaufort-West municipality, he will still engage with PT on a regular basis. Ms Oliphant appealed to the MAF delegates to allow some time for the new facilitator to, once appointed; take over the duties which Mr Sabbat has performed so well.</p> <p><b>Date and venue of next meeting:</b>  Friday, 7 November 2014  Saldanha Bay Municipality – Council Chambers, Vredenburg</p>

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**Mr Frans Sabbat**  
**MAF Facilitator**  
**Date:**

Kindly find the download live-links of the Municipal Accountants Forum (MAF) presentations of 15 August 2014 in Worcester (below).

[http://www.westerncape.gov.za/assets/departments/treasury/Documents/Presentations/CFO-forum/m\\_a\\_f\\_15-08-2014.zip](http://www.westerncape.gov.za/assets/departments/treasury/Documents/Presentations/CFO-forum/m_a_f_15-08-2014.zip)

[http://www.westerncape.gov.za/assets/departments/treasury/Documents/Presentations/CFO-forum/fmcm - maf - s\\_cupido.pptx](http://www.westerncape.gov.za/assets/departments/treasury/Documents/Presentations/CFO-forum/fmcm - maf - s_cupido.pptx)

[http://www.westerncape.gov.za/assets/departments/treasury/Documents/Presentations/CFO-forum/cfo\\_forum - 4 september 2014.zip](http://www.westerncape.gov.za/assets/departments/treasury/Documents/Presentations/CFO-forum/cfo_forum - 4 september 2014.zip)