

Reference: T12/2/6

TREASURY CIRCULAR MUN NO 18/2015

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, 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 J SWARTZ (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, 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: MR G EASTON (ACTING)
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 MK 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 (MR Z HOOSAIN)
THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)
THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR A HARDIEN) (ACTING)
THE HEAD: PUBLIC POLICY SERVICES (MS M KORSTEN)
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 (MS S DAVIDS) (ACTING)
THE SENIOR MANAGER: INFRASTRUCTURE (MR P CHANDAKA)
THE SENIOR MANAGER: LOCAL GOVERNMENT ACCOUNTING (MR Z HENDRICKS) (ACTING)
THE SENIOR MANAGER: LOCAL GOVERNMENT BUDGET OFFICE (MR ML BOOYSEN)
THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MS L MCCARTNEY)
THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)
THE SENIOR MANAGER: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT ACCOUNTING (MR A REDDY)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS M KORSTEN) (PRO TEM)
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) – 22 MAY 2015 - HESSEQUA MUNICIPALITY (RIVERSDALE)

1. This circular serves to confirm that the Municipal Accountants Forum will take place on Friday, 22 May 2015 in Riversdale. In this regard all Municipal Managers and Chief Financial Officers are requested to ensure that the Heads of Budget, Accounting 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 covered at the session. The topics on the agenda for the day include amongst others the following:
 - a) IGRAP 1: Revenue recognition (Traffic fines)
 - b) GRAP 24 –Appropriation Statement
 - c) Accounting and disclosure of Capital Commitments
 - d) NERSA: Tariff modelling and tariff applications
 - e) Update: mSCOA
3. Municipalities are requested to submit any additional items for the agenda by no later than 18 May 2015.
4. The logistics for the Municipal Accountants Forum meeting are as follows:

Date : Friday, 22 May 2015

Time : 08:30 – 13:30

**Venue : Hessequa Municipality, Council Chambers,
Van der Berg Street, Riversdale 6670**
5. Confirmation of attendance or apologies should reach Provincial Treasury by no later than 18 May 2015.
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

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

A handwritten signature in black ink, appearing to read 'L McCartney', written in a cursive style.

MS L MCCARTNEY

MUNICIPAL ACCOUNTANTS FORUM: FACILITATOR

DATE: 13 May 2015



Reference: T12/2/1

**MINUTES TO THE MUNICIPAL ACCOUNTANTS FORUM (MAF) MEETING OF 13 FEBRUARY 2015
AT THE STELLENBOSCH MUNICIPALITY, COUNCIL CHAMBERS, 16 DORP STREET, STELLENBOSCH.**

ITEM NO	DISCUSSION
1.	OPENING AND WELCOME
	Mr Elton Johannes, as the facilitator of the meeting, welcomed all the municipal and provincial treasury representatives to the MAF. He allowed each attendee to introduce him/herself to the rest of the forum and reminded all to sign the attendance register.
	ATTENDANCE AND APOLOGIES
	<p>In attendance From: Provincial Treasury <i>Fiscal and Economic Services</i> E Johannes M Sigabi S Cupido E Wenn B Galant K Neethling C Maharaj W Mohamed F Daniels S Jantjies <i>Governance and Asset Management</i> M Fortuin Z Hendricks T Madondile D Manuel N Dayeni M Pendu D Jantjies M Joseph M Mallick</p>

ITEM NO	DISCUSSION
	<p>From: Western Cape Municipalities</p> <p>M Lesch – West Coast District J Swanepoel – West Coast District C Roland – West Coast District PR April – West Coast District W Crafford – Overberg District W Rossouw – Swartland J Adams – Eden District H v Biljon – Cape Agulhas M Steyl – Stellenbosch J van Wyk – Stellenbosch A Treurnich – Stellenbosch M Johannessen – Stellenbosch I Engelmohr – Drakenstein G Haas – Breede Valley N Williams – Breede Valley J Fourie – Mossel Bay P Lekay– City of Cape Town E Vergotine - Saldanha Bay J Kearns - Saldanha Bay A Sause - Cederberg J Sass - Bergrivier B Kova - Bitou IJ Pretorius - Bitou</p> <p>Apologies</p> <p>From: Provincial Treasury Governance and Asset Management A Hardien</p> <p>From: Western Cape Municipalities</p> <p>Beaufort West George Hessequa Knysna Langeberg Matzikama Oudtshoorn Overstrand Prince Albert</p>

ITEM NO	DISCUSSION
	<p>Swellendam Municipality <i>Theewaterskloof</i> Witzenberg</p>
2.	Setting/Approval of Agenda and New Items
	The agenda was accepted with no additional points.
3.	Minutes & Matters arising
	The minutes of the previous MAF meeting of 7 November 2014 were approved.
4.	Overview and Expectations
	<p>Mr Johannes informed the delegates that Ms Shanaaz Cupido would provide an overview of the results of the evaluations/survey conducted at the last MAF held during November 2014. Ms Cupido said the delegates, generally, wanted the MAF to be more inter-active and cover more topical matters. In this regard she requested the delegates of the municipality to provide, on a sheet of paper, any questions or issues they might have as well as their challenges and expectations of the MAF meeting.</p> <p>In summary of the collective expectations and requests received by the delegates, Mr Johannes briefed it as follows: Delegates wanted discussions on Budgeting and Management Accounting reporting, GRAP standards, more case studies and more practical examples. Requests were also made to align the MAF agenda towards the MFMA calendar and to clarify the duplication of reporting between NT and PT. Delegates also wanted to discuss the Cash management and reporting requirements into the stamped bank statements and NERSA.</p> <p>To answer some of the enquiries of the delegates Mr Johannes allowed the responsible PT officials to respond.</p> <ul style="list-style-type: none"> - Provincial Treasury Reporting requirements <p>Ms Beryl Galant explained that in terms of section 71 (6) the provincial treasury must by no later than 22 working days after the end of each month submit to the National Treasury a consolidated statement in the prescribed format on the state of the municipalities' budgets, per municipality and per municipal entity. She said that municipalities must submit the required input forms and C-schedule to the NT database as this information forms the base of the consolidated statement.</p> <p>PT circular no. 50 of 2014, which amongst others, deals with the reporting on Cash And Cash Equivalents; Investments and Long Term Borrowing in municipalities was compiled due to the low level of compliance. Municipalities must submit the required returns and documentation in line with MFMA circular no 67 and PT circular 10 of 2013. Provincial Treasury will review compliance/conformance, credibility of the IYM reporting, and the cash/sustainability of the municipality and make recommendations in this regard.</p> <ul style="list-style-type: none"> - PT Capacity building initiatives <p>Cash management training</p> <p>Ms Shanaaz Cupido explained that the Cash management training has already taken place but urged delegates to forward any challenges to be considered for future training roll outs.</p> <ul style="list-style-type: none"> - Budget preparation process

ITEM NO	DISCUSSION
	<p>Ms Cupido said that PT will be rolling out training in respect of the Annual Budget and IYM which will be limited to only 40 seats. The training will be practical and will cover A-schedule tables, relevant circulars and be based on version 2.71. The training session is scheduled for 2 - 4 March 2015 in Worcester.</p> <p><u>Questions / Comments</u></p> <p>Mr Patrick Lekay of CoCT informed the delegates that NT does not understand the complexities that municipalities are experiencing. The cash based accounting principle applied by NT is different to the GRAP (accrual based) accounting principles applied by municipalities and therefore the discrepancies that exists. He indicated that major accruing takes place within municipalities. He urged NT to start applying the GRAP accounting principles to get a better understanding of the complexities with which municipalities grapple.</p> <p>With reference to the GRAP accounting principle, Mr Lekay also said that once a municipality owes money to a debtor then the municipality must account the debtor as a creditor. The CoCT has large amounts of advanced payments which are reflected and disclosed as creditors. He further indicated that most of the cash flow reporting problems will be solved if NT applies the same accounting standard.</p> <p>Mr Van Biljon of Cape Agulhas municipality expressed appreciation towards the PT with regards to the monitoring and oversight role it plays over the municipalities. He however urged PT to also refer to the projections made by the municipalities when comparing the capital spending during the in-year monitoring (IYM) process as municipalities, during the first half of the year municipalities, experience low capex due to the SCM processes and planning phases. Capex usually increases as of February onwards therefore it is important to also refer to the capital projections of the municipality during the IYM reporting process.</p> <p>In terms of Government debt, Mr Van Biljon also requested assistance, as his municipality has applied all the debt collecting processes for monies owed to the municipality by government departments.</p> <p>Mr Van Biljon also expressed concern on the negative reflection of non-compliance to a municipality during the submission of documents to the NT database. He said that often PT issues non-compliance notices when uploading problems occurs with the NT database or when the automated database-feedback reports are not processed timeously to the municipalities. Mr Van Biljon requested PT to be considerate during the reporting assessment process as the documents emailed to the NT-database are also CC-ed to the PT who can also confirm the timelines thereof.</p> <p>Mr Van Biljon also referred to the legislative requirements for the submission of Adjustment Budgets against the actual number of Adjustment Budgets which are submitted by municipalities and which are sometimes brought upon them by the PT roll-over allocations.</p> <p>Mr Jeff Adams of Eden District municipality expressed his appreciation in the rollout of the training initiatives by PT but requested PT to consider the limited number of attendees to the respective training courses.</p> <p><u>Feedback/responses</u></p> <p>Mr Johannes said that the Capex projections vs actual Capex is a valid point and will be considered in terms of future reporting. Mr Johannes also suggested that during the next MAF meeting that the preparation of Adjustment Budgets be placed on the agenda for</p>

ITEM NO	DISCUSSION
	<p>further discussion.</p> <p>Mr Zahier Hendricks, in response to Mr Lekay's comments said there is a disjuncture between the accounting for GRAP purposes and the accounting for Budgeting purposes. Either you comply with GRAP for audit purposes or you comply with the MFMA legislation for budgeting purposes as the disjuncture between the accounting principles will remain.</p> <p>Ms Elizabeth Wenn, in response to Mr Van Biljon's comments, said that PT operates in terms of section 44 of the MFMA which state that, "Whenever a dispute of a financial nature arises between organs of state, the parties concerned must as promptly as possible take all reasonable steps that may be necessary to resolve the matter out of court".</p> <p>Regarding the monthly municipal reporting of state debt Ms Wenn said that PT liaises with the respective government departments on resolving the outstanding accounts.</p> <p>Ms Shanaaz Cupido, in response to Mr Jeff Adams' comments, noted his concern. She said that due to financial constraints on the budget the number of attendees to the training sessions is limited as more attendees will require more funds for facilitators. She assured the delegates that the training sessions over the next 2 years will be dedicated only to municipal officials.</p>
5.	Preparation of Municipal Audit Action Plans
	<p>Mr Thobelani Madondile conducted a powerpoint presentation on the Preparation of Municipal Audit Action Plans (AAP). He explained the legislative background regarding the process of dealing with issues raised by the Auditor-General (A-G) in the audit report. Section 131 of the MFMA says that the municipality must address any issue raised by the A-G in the audit report. The mayor of a municipality must ensure compliance by the municipality with this subsection.</p> <p>Mr Madondile also explained that, the MEC for local government in the province must assess all annual financial statements of municipalities in the province, the audit reports on such statements and any responses of municipalities to such audit reports, and determine whether municipalities have adequately addressed any issues raised by the Auditor-General in the audit reports. The MEC must also report to the provincial legislature any omission by the municipality to adequately address those issues within 60 days.</p> <p>The management report will provide the issues and details raised in the audit report. The management report provides the action that needs to be taken to resolve the issues raised by the A-G. Mr Thobelani informed the meeting that the LG Accounting unit summarised the 2013/14 municipal COMAF issues/findings that were raised in the Management Reports and distributed it to all the WC municipalities. This was done to assist municipalities in the preparation of their AAP.</p> <p>Mr Madondile informed the meeting that the A-G always scrutinizes the previous year audit issues to ascertain whether the municipality has resolved/addressed the finding(s) adequately or not. The AAP must be clear and reasonable with achievable timelines. Municipalities must submit their AAP to Provincial Treasury to comment on the adequacy of AAP. To this end, only 5 municipalities submitted their APP.</p> <p>Mr Madondile informed the meeting that PT provides a summary progress report on municipal actions taken to address audit findings to the relevant stakeholders' i.e NT, COGTA, SCoLG etc. PT engages with the relevant stakeholders on behalf of municipalities on issues that need third party interventions i.e. Accounting Standards Board, National Treasury, and Auditor-General etc.</p>

ITEM NO	DISCUSSION
	<p>In terms of LGA support to minimise audit queries, PT (amongst other) conducts a high level technical review of AFS to identify gaps (prior year audited and the current year draft) in order to raise awareness of such gaps to municipalities. PT requests that municipalities should forward their AAP by no later than 20 February 2015.</p> <p><u>Questions / Comments</u></p> <p>Mr Patrick Lekay of CoCT informed the meeting that the AFS, which is part of the Annual Report, are made available for scrutiny by the public during the public participation process in January. Should the Annual Report after the public participation process be changed or amended due to a poor critical performance indicator then the AAP similarly must be changed.</p> <p>Mr Lekay said the discussions that take place during the council meetings of the CoCT are very robust hence the inclusion of a disclaimer in the AAP. During the month of February, the audit committee (independent body) revise the AAP of the CoCT with recommendations. The recommendations of the audit committee may cause the AAP to change should it be of a significant nature. Mr Lekay expressed concern regarding the implementation of the applicable legislation and the timelines for the submission of the AAP and Audit Report.</p> <p>Mr Madondile noted the concern expressed by Mr Lekay of the City of Cape Town.</p>
6.	Municipal Budget Performance Outcomes – 31 Dec 2014
	<p>Ms Wafeeqah Mohamed conducted a powerpoint presentation on the Municipal Budget Performance Outcomes as at 31 December 2014. The presentation, amongst other, provided an overview of the in-year municipal performance in the Western Cape, the Overall Budget Summary with regards to Operating and Capital Budget Performance, Cash Flow performance, Debtors, Creditors and the way forward.</p> <p>Ms Mohamed commended the municipalities for the 100 percent compliance level achieved for 31 December 2014 and urged the delegates to continue submitting the respective Appendix B return forms before the 10th working day to prevent unnecessary technical or uploading errors on the NT database. She provided the delegates with the summarised aggregate performance on the operating and capital budgets for the period up to 31 December 2014. The year-to-date capital performance in aggregate for the Province amounts to R2.45 billion or 27.3 per cent of the Adjustment Budget. The CoCT capital spending amounts to R1.79 billion or 27 per cent of an Adjustment Budget of R6.61 billion.</p> <p>In terms of the capital performance actual vs planned capital performance per municipality she said that only 9 out of 30 WC municipalities are on par with their capital spending and indicated that capital spending remains a major concern. With regards to cash flow, Ms Mohamed said that cash and cash equivalents, is at R9.88 billion of the Adjusted budget with the CoCT the biggest contributor.</p> <p>The total outstanding debtors, older than 90 days, amounts to R6.27 billion and it equates to 70.7 per cent (69.6% at the end of November 2014) of the total aggregated outstanding debtors. On average the debtors over 90 days increased by 6.8 per cent per year over the 5 year period and increased year-on-year by 6.3 per cent. An increase of 13.4 per cent for organs of state (over 90 days) per year over the five year period.</p> <p>Ms Mohamed stated that Creditors outstanding for more than 30 days amounts to R19.16</p>

ITEM NO	DISCUSSION
	<p>million or 2.9 per cent of the total outstanding creditors but are mainly due to disputes and queries. PT noted variances between Annual Financial Statements and reported creditors. She reminded delegates of section 65(e) of the MFMA which provides that all monies owing by the municipality must be paid within 30 days of receiving the relevant invoice or statement. Reporting on creditors remains a challenge for some municipalities and they are urged to adhere to this provision.</p> <p>In conclusion Ms Mohamed urged municipalities to:</p> <ul style="list-style-type: none"> • Improve on compliance levels especially Cash requirements in terms of PT circular 50 of 2014; • Expedite spending on Grants and the Capital Budget to prevent Retention of monies, review the return of capital investment not yielded, meet service delivery targets; • Explore creative, yet robust methods of increasing their debt collection rate through revenue efficiency and management practices; and to • Review their standard operating procedures for creditors.
7.	<p>Implementation of Accounting Standards: Accounting for Non-Cash Items, Implementation of GRAP 24 - Appropriation Statement, Accounting and disclosure of Capital Commitments</p>
	<p><u>Accounting for Non-Cash Items</u></p> <p>Ms Deidre Manuel conducted a powerpoint presentation on the Accounting for Non-Cash Items. Ms Manuel provided the delegates with an animated timeline of the key dates within the MFMA on the annual budget process. She divided the audit query process into two sections, namely Part A and Part B.</p> <p>In terms of Part A, information is gathered throughout the year. Depreciation and amortisation calculations should be done monthly. During the quarterly asset count and physical verification process, municipalities should assess the objective signs of impairment. Obtain preliminary amounts for provisions such as employee benefits and rehabilitation of landfill sites etc.</p> <p>She encouraged municipalities to keep the supporting documents should the A-G dispute any aspects thereof.</p> <p>Part B makes provision for compliance and leaves no room for negotiation. Examples of how to mitigate audit findings pertaining to unauthorised expenditure as a result of non-cash items: Journal entries processed as a result of audit findings can be seen as unforeseen and unavoidable expenditure if such journal entries are not passed in an adjustment budget within 60 days of the date such journal entries were processed, then it will be regarded as unauthorised expenditure and section 32 of the MFMA will apply. The cut-off date for such adjustment budgets is 30 January.</p> <p>Mr Hendricks said that PT wants to assist municipalities to focus on doing things that they can do during the financial year to reduce the burden at the end of the financial year in terms of the budgeting process.</p> <p><u>Questions/Comments</u></p> <p>Mr Lekay said that when the Actuarial Evaluation amount of the CoCT was found to be insufficient, they had to table an Adjustment Budget to council in terms of section 28(1)(f) of the MFMA. The Council was assured that there will be no cash outflow in the process as it was only an accrual entry.</p> <p>Mr Van Biljon of Cape Agulhas municipality expressed appreciation for the information</p>

ITEM NO	DISCUSSION
	<p>shared by Mr Lekay and suggested that other municipalities should learn from it and apply it where applicable.</p> <p>In terms of iGRAP1, Mr Hendricks suggested that it be placed on the Agenda of the next MAF meeting.</p> <p><u>Implementation of GRAP 24 - Appropriation Statement</u></p> <p>Mr Mahier Joseph conducted a powerpoint presentation on GRAP 24 which deals with the budget information on the financial statements. Mr Joseph explained that MFMA circular no 72 (Budget circular 2014/15) and MFMA circular no 74 (Budget Circular 2015/16) require municipalities to present and compare the original and adjusted budgets to the actual outcome in the AFS. Though all municipalities were required to include an appropriation statement in the 2012/13 AFS, many municipalities did not.</p> <p>Mr Joseph, amongst other, also focussed on the processes when entities make their budget available and the discloser of budget information in the primary AFS. NT circular 72 and 74 makes reference to the Appropriation Statement for the comparison of budgeted to actual information. GRAP 24 references a "Statement of Comparison of budget and actual amounts" or a "similarly titled statement".</p> <p>The Appropriation Statement that is currently being included as an appendix is an example of a similarly titled statement and must include a comparison of budget (approved & final) & actual amounts. This must be included as a financial statement in the AFS and be subjected to an audit including supporting information.</p> <p>Mr Hendricks indicated that municipalities might have challenges with understanding and implementing the 'basis of comparison' as is required by the standard.</p> <p><u>Questions/Comments</u></p> <p>Mr Lekay of the COCT expressed caution regarding GRAP 24. He said that when the A-G interpreted the standard it found the CoCT's Appropriation Statement not compliant to GRAP24. This has prompted the CoCT to include a statement thereto as a separate part after the net assets but also included a reconciliation as an appendix to the AFS to meet NT's requirements.</p> <p>Ms Cupido, in response to Ms Monique Steyl's request for more information on GRAP 24, suggested that the LG: Accounting unit draft a template on how municipalities should disclose the comparative information in order to meet the requirements of GRAP. Mr Hendricks however questioned whether the information of the municipal budgets is comparable to the information on the AFS.</p> <p>Delegates also noted that an Appropriation Statement template is also available on the website which can be used by other municipalities.</p> <p>Mr Van Biljon of Cape Agulhas municipality highlighted inconsistency by both the A-G and the NT in terms of scrutinising and interpretation the GRAP standard.</p> <p>Mr Johannes suggested that for the next MAF that the LG: Accounting unit prepares practical guidelines and case studies to assist the delegates in the 2014/15 AFS preparation.</p> <p><u>Accounting and disclosure of Capital Commitments</u></p> <p>Mr Hendricks indicated that the request for the Accounting and disclosure of Capital Commitments agenda point came from the Saldanha Bay municipality. However, Mr Hendricks suggested that this topic be prepared for and be discussed in more detail at the next MAF meeting. He also suggested that Saldanha Bay municipality, in the interim,</p>

ITEM NO	DISCUSSION
	<p>provide the LG Accounting unit with the specific issues relating to Capital Commitments. National Treasury issued Accounting Guideline GRAP19 relating to Provisions, Contingent Liabilities and Contingent Assets. The GRAP19 guideline, Mr Hendricks said will also be used as the bases for the Municipal Accounting Working Committee during discussions of related issues.</p>
8.	National Treasury Budget Circular 74
	<p>Ms Shanaaz Cupido conducted a powerpoint presentation on 2015/16 Budget Process in terms of NT Budget Circular 74 of 2014.</p> <p>Ms Cupido gave a brief background to the MFMA budget circular 74 issued by NT to assist and guide municipalities during the budget preparation process. New issues discussed in the circular include, the Back-to-Basics approach by government, the Expansion of Municipal Debt Market, 6% Upper Boundary level, SCOA, Merging of Grants, Use of Consultants, Funded and Unfunded Mandates, Municipal Human Capacity Grant as well as a few changes within the budget tables.</p> <p>Ms Cupido highlighted the key focus areas for the 2015/16 budget process which amongst other, included the following; Medium term budget policy statement 2014, Grants and additional allocations, Changes in 2014 Division of Revenue Amendment Bill, Strengthening procurement to obtain value for money and combating corruption, and Local government budget and financial management reforms.</p> <p>Ms Cupido also informed the delegates that NT will issue a new circular during March 2015 which will be the last circular in the budget preparation process. She said that municipalities are reminded to improve their debt collection processes and to determine costs per service – know cost drivers. Use of Consultants: No standardised tariffs and rates - Refrain from using consultants for VAT returns – it is the responsibility of the CFO. Budgeting for unfunded/funded mandates - institutional and financial risk: non-core municipal functions.</p> <p>National Treasury has released Version 2.7 of Schedule A1 and all municipalities must use this version for the preparation of their 2015/16 Budget and MTREF. Municipalities are encouraged to prepare their annual budgets, adjustments budgets and in-year reports for the 2015/16 financial year in accordance with the MBRR. Ms Cupido advised municipalities to submit all the required policies and not only the amended / revised policies.</p> <p><u>Questions / Comments</u></p> <p>In terms of Long-term Financial policies (LTFP), Mr Lekay indicated that the CoCT will not adopt a long term strategy because the Executive Mayor is very dynamic and because the IDP is revised every 5 years. The CoCT is part of a big bond market and with the management of bonds it, in affect means the utilisation of a long-term strategy. The CoCT is very hesitant to agree to any long-term policy as it may be too restrictive on the measures which the CoCT may wish to take to improve any cash flow concerns, if necessary.</p> <p>Mr Johannes noted the comments from Mr Lekay and informed the meeting that when PT considers LTFPs various elements needs to be taken into account. These elements might include the socio-demographics, changes in socio-economic trends, financial health assessments, comprehensive investment plan etc. LTFPs are all about ensuring financial sustainability, risks management and change management.</p> <p>Mr Van Biljon of Cape Agulhas municipality cautioned municipalities against the effect of the high increase on bulk electricity tariffs set by NERSA and increases on the salary and</p>

ITEM NO	DISCUSSION
	<p>wage bill. These increases will have a severe impact on the long-term sustainability of municipalities.</p> <p>Ms Cupido concurred with the comments and urged municipalities to do more with less as the national fiscal is under pressure which creates many challenges.</p>
9.	Indicative Allocations by Provincial Government – 2015/16 MTREF
	<p>Ms Kim Neethling conducted a powerpoint presentation on the 2015/16 MTREF Local Government Indicative Allocations and provided a brief background of the process. She informed the delegates that Section 36(1) of the MFMA stipulates that in order to provide predictability and certainty about the sources and levels of intergovernmental funding for municipalities, the accounting officer of a national or provincial department responsible for the transfer, must notify municipalities on all the proposed allocations, and the projected amounts of those allocations, to be transferred to each municipality over the next three financial years.</p> <p>Ms Neethling also indicated that the final Provincial Government allocations will be made public and gazetted when tabled in the WC Provincial Parliament on 5 March 2015. These indicative allocations are communicated in time so that they can be included in the draft budgets which must be tabled at least 90 days before the start of the Municipal budget year. A 2nd Adjusted Estimate Gazette will be tabled on the 26th February 2015.</p> <p>Provincial Treasury plan to avail a total of R93.372 million over the MTEF with R24.831 million for 2015/16. Municipal-specific allocations will be based on needs identified through the MGRO and the LG MTEC 3 findings.</p> <p>Ms Neethling provided the delegates with the Preliminary Allocations for the 2015/16 Main Budget per department-table. It provides a breakdown how the respective departments will allocate funding to the municipalities. She informed the delegates that the detail to the amounts is made available in PT circular 6 of 2015 which was distributed to all the municipalities on 20 January 2015.</p>
10.	Feedback: Municipal Accounting Working Committee (MAWC)
	<p>Mr Zaahir Hendricks informed the meeting that the MAWC is in the process of convening meetings. He indicated that of the topics of discussion will be Accounting Treatment of Capital Commitments as well as Revenue Foregone. He urged delegates to forward any topical issues to be discussed by the MAWC. Issues relating to training will also be highlighted.</p> <p>Mr Hendricks also confirmed that the first Accounting training session will be rolled out from 23 to 24 March 2015 in the West Coast District Area (Saldanha Bay). The related circular regarding the training rollout has been issued to municipalities and 60 trainees per session are planned. Municipalities are urged to send officials to the training sessions.</p> <p>Mr Ian Engelmoor of Drakenstein municipality informed the meeting that the Accounting Standards Board (ASB) has issued a revised Exposure Draft (ED) on Agent/Principal accounting transactions (ED 122) with comment period by 5 April 2015. ED 122 initially issued by the ASB was, upon comments received, amended and a revised ED subsequently issued.</p> <p>Mr Johannes suggested that the ED 122 issue, which is a very topical matter, be highlighted by the LG Accounting unit again during the next MAF meeting as it also affects the transfer payments to municipalities as well as the related roll-over process within the WC.</p>

ITEM NO	DISCUSSION
11	Western Cape SCOA ICF
	<p>Ms Micheline Fortuin conducted a powerpoint presentation on the mSCOA Implementation Strategy. Ms Fortuin informed the delegates that MFMA circular no. 74 states that there are a host of immediate activities that need to be undertaken by all municipalities concurrently to the piloting process in preparation for implementation in July 2017. These include, among others:</p> <ul style="list-style-type: none"> • Tabling the Municipal Regulations on Standard Chart of Accounts in the municipal council to bring about broader awareness; • Studying the Regulation, SCOA Project Document, associated Segments and Frequently Asked Questions which can be accessed at the above mentioned website; • Attendance of, among others, the provincial CFO Forums which will be used to provide feedback regarding the piloting process. In addition, there will be sessions scheduled, such as the recent provincial one day SCOA introductory sessions, which will provide further clarity as it relates to the SCOA classification framework. Attendance of these sessions by relevant officials, including the municipal SCOA project manager / coordinator, will be essential if the municipality is to proactively manage any hurdles in ensuring SCOA compliance. <p>Ms Fortuin also reminded the delegates that Municipalities are required to compile a high level project plan and associated activities. Municipalities must match the Function Segment of the SCOA classification framework to the current vote and cost centre structures and identify any anomalies. Municipalities must report progress, including a risk matrix at the municipal council on a quarterly basis.</p> <p>The National Treasury is in the process of finalising an MFMA circular that will specifically deal with guidance as it relates to the SCOA and SCOA Project Phase 4. The circular will be released early in 2015 and all municipalities are urged to diligently study the circular in preparation for full SCOA implementation.</p> <p>In addition, all queries, questions requiring clarity, challenges and associated issues relevant to SCOA can be directed to the following email address: lgscqa@treasury.gov.za. Currently no system vendor (financial systems) could demonstrate SCOA compliance. Municipalities are strongly advised not to proceed with any configuration or upgrades to their current core financial systems as this could potentially lead to fruitless and wasteful expenditure not to mention exposing the municipality to unnecessary risk as it relates to SCOA compliance.</p> <p>mSCOA cannot resolve difficulties/challenges experienced by the municipality such as non-compliance with critical accounting/legislative requirements nor can it resolve internal control deficiencies. The implementation and management of SCOA must be enabled by a web-based integrated software solution that incorporates the key functions and end-to-end business processes of a municipality, driven by a fully integrated Enterprise Resource Management (ERP) system, where the general ledger works as a central repository for accounting data transferred from all sub-ledgers like accounts payable, accounts receivable, cash management, fixed assets, purchasing, debt control, billing, prepaid and project.</p> <p>Ms Fortuin informed the delegates that a meeting will held for pilot municipalities during April 2015. The mass roll out to all accredited training will be post July 2015. National Treasury is still committed to reach the goal of mSCOA implementation on 1 July 2017.</p>

ITEM NO	DISCUSSION
	Way forward and Closure
	<p>In conclusion Mr. Johannes summarized the key issues raised during the meeting and also mentioned the points to be taken forward to the next MAF meeting:</p> <ul style="list-style-type: none"> ➤ The Adjustment Budget preparation processes, ➤ AFS preparation as it relates to GRAP24 (with guidelines and case studies) and IGRAP1, ➤ NERSA: Fiscal Policy unit present the tariff modelling and tariff applications, ➤ Accounting and disclosure of Capital Commitments, and ➤ Accounting treatment of ED122 <p>He also suggested that at least 1 or 2 municipalities be invited to conduct presentations at the next MAF on issues which are relevant, topical and appropriate to all municipalities. Mr. Johannes expressed appreciation to the all the delegates who could attend the meeting and thanked them for their contributions and inputs during the meeting. He wished them well with the final budget preparations and reminded them of the next MAF meeting at the Hessequa municipality. Gratitude was expressed to the officials and staff of Stellenbosch municipality for hosting the MAF meeting again. He also expressed appreciation to the Provincial Treasury team for all the logistical arrangements.</p> <p><u>Date of next MAF:</u> 22 May 2015</p> <p><u>Venue:</u> Eden District: Hessequa Municipality</p>

Mr Elton Johannes

MAF Facilitator

Date: