

Reference: RCS/C.5

TREASURY CIRCULAR MUN NO 15/2016

THE MAYOR, CITY OF CAPE TOWN: MS P DE LILLE
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY: MR JH CLEOPHAS
THE MAYOR, MATZIKAMA MUNICIPALITY: MR P BOK
THE MAYOR, CEDERBERG MUNICIPALITY: MR J MULLER
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 B KLAASEN
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, 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 PEKEUR (ACTING)
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR G MATTHYSE
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 CARSTENS (ACTING)
THE MUNICIPAL MANAGER, STELLENBOSCH MUNICIPALITY: MR R BOSMAN (ACTING)
THE MUNICIPAL MANAGER, BREEDE VALLEY MUNICIPALITY: MR D McTHOMAS (ACTING)
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 A PAULSE (PRO TEM)
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR A PAULSE
THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MR G EASTON
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 E VAN DER WESTHUIZEN (ACTING)
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 M BOLTON (ACTING)
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 R ONTONG (ACTING)
THE CHIEF FINANCIAL OFFICER, LANGEBERG MUNICIPALITY: MR B BROWN
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: MR F LÖTTER (ACTING)
THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR F LÖTTER
THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MS P GOBRIE
THE CHIEF FINANCIAL OFFICER, CENTRAL KAROO DISTRICT MUNICIPALITY: MR R DE BRUYN (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 DEPUTY DIRECTOR GENERAL: FISCAL AND ECONOMIC SERVICES (MR H MALILA)
THE DEPUTY DIRECTOR GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MR A HARDIEN)
THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (MR M BOOYSEN) (ACTING)
THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)
THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (MR M SIGABI) (ACTING)
THE CHIEF DIRECTOR: ASSET MANAGEMENT (MR IG SMITH)
THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR B VINK) (ACTING)
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)
THE HEAD: OFFICE OF THE FINANCE MINISTRY (ADV E PRETORIUS)
THE DIRECTOR: BUSINESS INFORMATION AND DATA MANAGEMENT (MR PP PIENAAR)
THE DIRECTOR: FINANCIAL GOVERNANCE (MS N PALMER) (ACTING)
THE DIRECTOR: FISCAL POLICY (MR D TSENG) (ACTING)
THE DIRECTOR: INFRASTRUCTURE (MR P CHANDAKA)
THE DIRECTOR: LOCAL GOVERNMENT ACCOUNTING (MR L BRINDERS)
THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MR ML BOOYSEN)
THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MS S CUPIDO) (ACTING)
THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR Z ZONYANE) (ACTING)
THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)
THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (MR A REDDY)
THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS R SLINGER)
THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK)
THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)
THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS A SMIT)
THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MS R ESACK) (ACTING)

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): 27 MAY 2016 – MOSSEL BAY MUNICIPALITY (EDEN DISTRICT)

PURPOSE

1. This circular serves to confirm that the Municipal Accountants Forum will take place on Friday, 27 May 2016 in Mossel Bay. 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.

BACKGROUND

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 are the following:
 - **MFMA Circular 82: Cost Containment Measures**
 - **Standing item: mSCOA – Feedback/Update**
 - **Budget verifications compliance Table A9 (Asset Management schedule)**
 - **LG MTEC 2015 - 2016 outcomes**
 - **AFS verification outcomes and lessons learned (challenges)**
 - **General matters**
3. Municipalities are requested to submit any additional items for the agenda by no later than 23 May 2016.

LOGISTICS

4. The logistics for the Municipal Accountants Forum meeting are as follows:

Date : **Friday, 27 May 2016**

Venue : **Mossel Bay Municipality, Bloumat Saal/Hall, 1 George Road**
(Opposite Santos express train-lodge)
MOSSEL BAY, 6500

Time : **08:30 – 13:30**

CONFIRMATION/CORRESPONDENCE

5. Confirmation of attendance or apologies should reach Provincial Treasury by no later than 23 May 2016.
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.



MRS S CUPIDO

ACTING DIRECTOR: LG REVENUE AND EXPENDITURE MANAGEMENT (GROUP 1)

DATE: 18 May 2016

Reference: PTR 16/2/1

MINUTES TO THE MUNICIPAL ACCOUNTANTS FORUM (MAF) TECHNICAL WORKSHOP OF 26 FEBRUARY 2016 AT THE STELLENBOSCH MUNICIPALITY (COUNCIL CHAMBERS), 16 PLEIN STREET, STELLENBOSCH

ITEM NO	DISCUSSION				
1.	OPENING AND WELCOME				
	<p>The forum facilitator, Mr Zolani Zonyane opened the MAF workshop to all National, Provincial and Local Government delegates and handed over to the Mr Richard Bosman, Stellenbosch municipality Municipal Manager (Acting), to welcome the delegates with some opening remarks.</p> <p>Mr Richard Bosman welcoming all the MAF delegates to Stellenbosch. He informed the meeting the next Stellenbosch Municipal Manager will be appointed after the 2016 LG elections. For the previous audit year the municipality achieved a clean audit outcome and is regarded as a huge achievement. He acknowledged the work that has been done with the MGRO process but suggested that focus should be on the sustainability of local governments. The mSCOA implementation is currently a major issue but wished everybody well with fruitful deliberations during the meeting.</p>				
2.	ATTENDANCE AND APOLOGIES				
2.1	<i>In attendance</i>				
	<p><i>From: National Treasury - mSCOA</i></p> <p><i>Ms Johanna Steyn</i></p> <p><i>From: Provincial Treasury</i></p> <table border="0" data-bbox="308 1576 1506 1986"> <tr> <td data-bbox="308 1576 895 1910"> <p><u><i>Local Government Public Finance</i></u></p> <p>Elton Johannes Zolani Zonyane Beryl Galant Angelique Africa Fiona Daniels Ezra Paulse Stephan Jantjies</p> </td> <td data-bbox="895 1576 1506 1910"> <p><u><i>Local Government Accounting</i></u></p> <p>Micheline Fortuin Zaahir Hendricks Thobelani Madondile Nontobeko Manyathi Debra Jantjies Deidre Manuel</p> </td> </tr> <tr> <td data-bbox="308 1910 895 1986"> <p><u><i>Governance and Asset Management</i></u></p> <p>Aziz Hardien</p> </td> <td data-bbox="895 1910 1506 1986"> <p><u><i>Local Government Budget Office</i></u></p> <p>Malcolm Booysen</p> </td> </tr> </table>	<p><u><i>Local Government Public Finance</i></u></p> <p>Elton Johannes Zolani Zonyane Beryl Galant Angelique Africa Fiona Daniels Ezra Paulse Stephan Jantjies</p>	<p><u><i>Local Government Accounting</i></u></p> <p>Micheline Fortuin Zaahir Hendricks Thobelani Madondile Nontobeko Manyathi Debra Jantjies Deidre Manuel</p>	<p><u><i>Governance and Asset Management</i></u></p> <p>Aziz Hardien</p>	<p><u><i>Local Government Budget Office</i></u></p> <p>Malcolm Booysen</p>
<p><u><i>Local Government Public Finance</i></u></p> <p>Elton Johannes Zolani Zonyane Beryl Galant Angelique Africa Fiona Daniels Ezra Paulse Stephan Jantjies</p>	<p><u><i>Local Government Accounting</i></u></p> <p>Micheline Fortuin Zaahir Hendricks Thobelani Madondile Nontobeko Manyathi Debra Jantjies Deidre Manuel</p>				
<p><u><i>Governance and Asset Management</i></u></p> <p>Aziz Hardien</p>	<p><u><i>Local Government Budget Office</i></u></p> <p>Malcolm Booysen</p>				

ITEM NO	DISCUSSION	
	From: Western Cape Municipalities	
	Jackie Sass - Bergrivier Busiswa Kova – Bitou Sakkie Pretorius – Bitou Unathi Poyo – Breede Valley Andre Crotz – Breede Valley Andile Gxoyiya – Breede Valley Hendelene Hansen – Breede Valley J Petro – Breede Valley Hannes v Biljon – Cape Agulhas Wayne Kemotie - Cape Agulhas Monique Steyl – Cape Winelands Clint Roland – Cape Winelands Jade Swanepoel - Cape Winelands Martin Lesch - Cape Winelands Stoffel Arangie - Cape Winelands Nico Smit – Cederberg Dominique Waso – City of Cape Town Johan Steyl - City of Cape Town Ian Engelmohr – Drakenstein Karen Fredericks – Drakenstein Alrico Viola – Drakenstein Cindy Lategan – Drakenstein Renaldo Coetzee – Eden District	Zanda v Rooyen – George Hannes Wiese – Langeberg Hennie le Roux – Mossel Bay Neville Nel – Oudtshoorn Wilma Stassen – Overberg District Dyllan Africa – Overberg District Santie Reyneke-Naude – Overstrand Bernard King – Overstrand Clint le Roux – Overstrand Veronica Allen – Overstrand Bertus Joubert – Prince Albert Sybrand Roets - Saldanha Bay Gregory Smit - Saldanha Bay Naomi Rossouw - Saldanha Bay Stefan Vorster – Saldanha Bay Richard Bosman – Stellenbosch (MM) Marius Wurst – Stellenbosch Alberto Julies – Stellenbosch Bandile Dlwathi – Stellenbosch Johan van Wyk – Stellenbosch Wesley Rossouw – Swartland Jasper Jonker – West Coast District A Raubenheimer – Witzenberg William Mars – Witzenberg
2.2	Apologies From: Western Cape Municipalities	
	Kannaland Matzikama Swellendam	Hessequa Knysna Beaufort West
	From: Provincial Treasury	
	<u>Local Government Public Finance</u>	
	M Sigabi E Wenn S Cupido	
3.	Setting/Approval of Agenda and New Items	
	The agenda was accepted with no amendments.	

ITEM NO	DISCUSSION
4.	Minutes & Matters arising
	<p>Mr Zonyane tabled the minutes of the previous MAF held on 12 November 2015 for approval. The minutes were accepted, as a true and correct reflection of the discussions that took place on the day, without further amendments.</p> <p>He however said that the resolutions drafted in the minutes for follow-up will be taken forward to the next MAF meeting in May 2016.</p>
5.	Workshop: Changes from mSCOA version 5.3 to mSCOA version 5.4
	<p>Ms Johanna Steyn of National Treasury (NT) conducted a presentation on the changes from mSCOA version 5.3 to version 5.4 and the considerations for a next update henceforth.</p> <p>Ms Steyn used an excel document text file which contains technical detail as well as change notes (excel) which is an aggregate summary drawn from the SCL comparison. The documents are detailed and give each and every single change on the tables. A 'dummy document' is also available which is in a less technical format.</p> <p>The excel file is a multi-coloured sheet where the changes to the description or definition are coloured in yellow colour with red font colour. However the definitions are an evolving process and the changes proposed to the definitions will be done by way of broadening the definitions to avoid adding accounts to the table.</p> <p>By using this colour method (yellow-red) it is easy to find out where the changes are. The current "breakdown allowed" has been changed to "breakdown required" as there is information which NT is interested in. Ms Steyn indicated that the service providers are not comfortable with the proposal on the table however NT cannot cater for everybody's needs.</p> <p>Ms Steyn informed the delegates that she issued a Powerpoint presentation with a summary of all the changes made to the mSCOA version 5.3. Other changes in mSCOA version 5.3 included;</p> <p><u>Costing Segment</u> - Split between "recoveries and charges",</p> <p><u>Regional Segment</u> - Posting level details added as received from municipalities,</p> <p><u>Function Segment</u> - Alignment of breakdown allowed indicators to the method applied for Departments SCOA, Revised all definitions,</p> <p><u>Funding Segment</u> - Unspecified added in Transfers and Subsidies except for National Government, Transfers and Subsidies detail accounts added for: National/Provincial Government District Municipalities – Western Cape Foreign Government and International Organisations, Posting/Breakdown Required checked and changed if necessary and Errors in same definitions fixed,</p> <p><u>Project Segment</u> - Buildings to include "other structures", Operating Cost, Non-infrastructure added Libraries and Zoo, Marine and Non-biological Animals, Non-infrastructure added Libraries and Zoo, Marine and Non-biological Animals, Non NERSA requirements for Infrastructure Projects, Added "New" to Infrastructure Transfers, Added "New" to Non-infrastructure and Transfers, Added Operational Projects including Infrastructure and Typical Work Stream.</p> <p><u>Item Segment – Liabilities</u> - Consumer Deposits, Other Current Financial Liabilities, Provision and Impairment, Transfers and Subsidies Payables, Transfers and Subsidies Unspent, Defined Benefit Obligations, Deferred Tax, Current and Non-current; Borrowing: "non-annuity loans", Provision and Impairment.</p>

ITEM NO	DISCUSSION
	<p><u>Item Segment – Current Assets</u> - Added accounts to Call Deposits and Investments, Add Receivables due to Construction Contract, Current Portion of Non-current Receivables/Non-current Receivables: Staff Loans/Recoveries Added Bursary Recoveries, Receivables from Non-exchange Transactions – changes in MPRA, Transfers and Subsidies – as per Fund.</p> <p><u>Item Segment – Non-current Assets - Investments:</u> Listed/Unlisted Bonds and Securities, Property, Plant and Equipment Libraries Zoo, Marine and Non-biological Assets Change Impairment, Intangibles Heritage Assets Biological Assets Changed Impairment. Trade and Other Receivables from Exchange Transactions: Trading and Customer Service Debtors (Impairment Changed/Interest Added) Intercompany/Parent Subsidiary Transactions – Impairment Deposits Transfers and Subsidies – Unspecified, Unauthorised, Fruitless and Wasteful and Irregular Expenditure.</p> <p><u>Item Segment – Expenditure</u> - Bulk Purchase: Green Electricity and Renewable, Contracted Services, Employee Related Cost (Discussion Paper related to Post Retirement Benefits and Obligations), Inventory Consumed, Operational Expenditure, Transfers and Subsidies.</p> <p><u>Item Segment – Revenue</u> - Non-exchange Revenue Property Rates, Agency Services – Western Cape/Kwazunatal/Eastern Cape Provincial Departments and District Municipalities, Operating Leases - Ad-hoc Rental, Library Fees, Sale of Goods and Services, Service Charges – Electricity: Non NERSA, Fines, Penalties and Forfeits: Fines – Pound Fees, Licences or Permits: Activities on Public Roads Drivers Licence Application and Duplicate Licence, Learner Licence Application, Transfers and Subsidies: Unspecified – refer to Fund.</p> <p>Anticipated changes to inform mSCOA version 5.5</p> <p>In terms of the anticipated changes to inform mSCOA version 5.5, Ms Steyn indicated the following;</p> <ul style="list-style-type: none"> • Regional indicators to be set-up as default based on the Demarcation Act, • Posting levels to be set-up for Transfers and Subsidies - Provincial Transfers and District Municipalities, • Posting levels for Agency Services, • Any changes identified from the compilation and finalisation of Discussion Papers to ensure that sufficient provision has been made in all material respects for the classifications to support presentation and disclosures in compliance with the Standards of GRAP, • Provide for any matters that may be identified from defining the reporting formats envisage for post mSCOA implementation, • Any matters that may be identified from Position Papers, • Any matters identified as relevant from the FAQ DB requests, • Potentially changes to align mSCOA to CIDMS, • VAT indicators, and • Borrowings further classification to be added to define by "type/institution".

ITEM NO	DISCUSSION
	<p><u>Q&A/Comments</u></p> <p>Mr Johan van Wyk who attended a SARS VAT indicators workshop said lots of queries were discussed on VAT – particularly to minimise the VAT liability relating to mSCOA. He suggested that the municipalities carefully consider their systems and processes pertaining to VAT. Mr Van Wyk also advised the MAF delegates that municipalities should consider the voluntary application of disclosure programme (VDP) as provided by SARS. Many potential issues are emanating from the mSCOA implementation process with unfortunate scenarios. He urged delegates to determine the exact departmental function/ functionalities within their respective municipalities and not to just scrutinise the expenditure reports. He reiterated the importance of reporting the correct function (and sub-functions) and item on the financial system. The Western Cape does comply with the VAT legislation but the Voluntary Disclosure Programme (VDP) of SARS should be considered. The municipality will remain responsible for VAT compliance.</p> <p>Ms Steyn said that the indicators will be included into the next mSCOA version as guidance to the municipalities.</p> <p>Ms Steyn said that the previous' days mSCOA discussions for pilot municipalities was very fruitful and burning matters was discussed. The changes to the format and options on the table were discussed in terms of the illustrated financial statements. A position paper that needs to be considered carefully as certain things are easier said than done. The position paper can be improved by dealing with typical examples using possible potential examples. Ms Steyn urged pilot municipalities to submit examples to her to improve the position paper. Mr Engelmoor volunteered to assist Ms Steyn with the finalisation of the position paper.</p> <p>Mr Aziz Hardien enquired on the possible revision MFMA circular no. 57 as indicated by the NT project manager during January 2016. Ms Steyn responded saying that circular no. 57 will be lifted during March 2016 and a revised circular will be issued by NT.</p> <p>Proposals for a transversal vendor with particular specifications will be going out in March 2016. It will be managed the office of the Chief procurement officer.</p> <p>Ms Micheline Fortuin informed the MAF delegates that the mSCOA pilot-municipalities discussed the chart including the challenges encountered with the chart. She encouraged the MAF delegates to raise any issue with Ms Steyn while she is present at the MAF meeting especially those municipalities who have worked through the chart already.</p> <p>Ms Steyn indicated that the AG was not prepared to impede on the independence of the municipalities. The AG will not be lenient, its business as usual including transversal audits of the different systems.</p> <p>In terms of the classification of the project segment, Ms Reyneke-Naude said that municipalities will not have the required detail for the mSCOA segments. Some municipalities might have it easier than others to obtain the necessary detail of the capital project segment components.</p> <p>Mr Hennie le Roux concurred with Ms Reyneke-Naude that municipalities will not have the necessary capital project information available at the initial stage of drawing up the budget. Particularly water, sanitation and electricity project information will only be available when a full breakdown of costs was obtained, after a tender process.</p>

ITEM NO	DISCUSSION
	<p>Ms Fortuin, with regards to the various queries received, it seems that some municipality's struggles with project segment 7. She also said that the project segment has a new methodology and that municipalities need to change their business processes to apply mSCOA properly especially when it comes to Asset Management and SCM processes.</p> <p>In terms of the impact of mSCOA on the comparative figures and restatements of non-pilot municipalities, Mr Stefan Vorster requested Mr Engelmohr to assist in drafting an impact list as well as highlighting any changes that needs to take place. Mr Engelmohr agreed saying that the impact list will also be in terms of Ms Steyn's proposed position paper.</p> <p>Mr Johan Steyl said that the issue of the comparatives figures has been discussed over the last 2 years. He expressed concern that should the matter not be resolved satisfactorily, the AG might issue qualified audit outcomes. This is despite formally raising the matter to the ASB, the NT Technical team and the office of the Accountant-General directly. The response is still outstanding.</p> <p>Subsequently it was learned that the special dispensation requested by the City of Cape Town will have to apply for two years as and when mSCOA evolves there might still be a problem with comparatives from the current year as well as the next year. Therefore the period of the mSCOA implementation will have problems with the comparative figures particularly the notes to the financial statements. Mr Steyl said that it is impossible to prepare or reconcile comparatives. He expressed utter horror and concern and said that the lack of formulating a position by the Accountant-General and the ASB is becoming embarrassing to all. He shared the concerns expressed by the MAF delegates. He also said that mSCOA is not GRAP compliant because there are 2 different legislative edits governing mSCOA which is the problem.</p> <p>Ms Steyn said that NT is well aware of the problem but said that under the income statement items the impact will be a restatement of comparatives. She said that the only way to determine the proper income statement comparatives is to analyse historical information. It is not impractical to do though very costly. However the auditor-general will give no leniency on this matter.</p> <p>Mr Hennie le Roux challenged the definition provided by NT in terms of the transaction description 'Definition by nature'. He said that NT did not consider the "Definition by nature" interpretation of municipalities which might be different to NT's interpretation. The definition might also be considered to be either GRAP compliant or not.</p> <p>He also enquired if municipalities will have access to the current position papers being drafted. He suggested that municipalities do have enough practical knowledge to comment on the position papers.</p> <p>Ms Steyn said that NT will circulate the position paper online during March 2016 for comment. She urged municipalities for practical examples/concerns for consideration otherwise NT will not be aware of the respective concerns.</p> <p>Ms Fortuin indicated the AG and PT are looking into the GRAP compliance matter and other challenges but cautioned that there are no easy solutions.</p>

ITEM NO	DISCUSSION
	<p>Mr Le Roux expressed concern regarding the processing of the monthly transactions of the control account for water services in terms of inventory as well as the level of detail required by municipalities in this account. He cautioned that the AG will focus on the control account as it is a prescribed account and they will raise the matter if municipalities do not attend to it.</p> <p>Mr Sybrand Roets stated that lots of confusion still exists on the project segment chart matter and requested Ms Steyn to draft a detailed note or communication to inform what municipalities need to do to better understand the mSCOA project segment chart and its application.</p> <p>Ms Steyn indicated that there are project summary documents currently on the NT website of with narrative explanations on each code and will be included with the documents to be sent or comment. She briefly explained, on higher level, the chart of the project segment to all the delegates.</p> <p>Mr Zonyane indicated that there is still lots of work to be done before implementation date of 1 July 2017 and foresees challenges on the mSCOA charts. Not all municipalities are on the same level of understanding the charts but encouraged municipalities to submit to NT all the challenges that they are experiencing.</p> <p>He urged PT mSCOA to also gear up to assists the municipalities with their challenges if and when it is required.</p> <p>Challenges on the mSCOA Project segment - Mossel Bay Municipality</p> <p>Mr Hennie le Roux of Mossel Bay municipality conducted a powerpoint presentation on the challenges experienced with regards to the mSCOA Project segment. He said that NT also did the mSCOA training at the Mossel Bay municipality in June 2015. Subsequently to the training a presentation/information session was held with the municipal steering committee members, managers, line-managers to assists with all the outstanding questions and misunderstandings on mSCOA.</p> <p>In terms of the Project segment, Mr le Roux informed the MAF delegates that:</p> <ul style="list-style-type: none"> • The Project Segment must be linked to the IDP – Mr Le Roux said that the IDP, currently, do not have the level of detail required by NT. The project segment should feed the budget. • All activities of the municipality would therefore need to be aligned to Projects segment, including institutional costs associated with the functioning of the municipality such as cost for the administrative and staff. • Project Segment distinguishes projects according to the nature of the expense whether it is capital or an operational expense. <p>Project segment - Def. Capital</p> <p>New</p> <p>Capital expenditure on new infrastructure projects. Specific projects to be added by the municipality.</p>

ITEM NO	DISCUSSION
	<p>Existing</p> <ul style="list-style-type: none"> • Rehabilitation and Refurbishment <ul style="list-style-type: none"> – Includes activities that are required due to neglect or unsatisfactory maintenance or degeneration of an asset. The action implies that the asset is restored to its original condition, enhancing the capacity and value of an existing (asset that has become Inoperative due to the deterioration of the asset). • Upgrades and additions <ul style="list-style-type: none"> – Includes activities aimed at improving the capacity and effectiveness of an asset above that of the intended purpose. The decision to renovate, reconstruct or enlarge an asset is a deliberate investment decision which may be undertaken at any time and is not dictated by the condition of the asset, but rather in response to a change in demand and or change in service requirements. <p>Transfers have not been included in the presentation as it is only applicable to district municipalities.</p> <p>Mr Le Roux provided a breakdown of Mossel Bay's Project Segment; Capital Infrastructure: Electricity, Water, Wastewater Management and the Capital Non-Infrastructure.</p> <p>Mr Le Roux provided a breakdown of Mossel Bay's Project Segment; Operational - Repairs and Maintenance & Operational Cost iro Infrastructure, Electricity, Water, Wastewater management, Non-Infrastructure Assets. He stressed that clear definitions is included with the spreadsheets and urged delegates to scrutinise the project segment chart thoroughly.</p> <p>Mr Le Roux urged NT to stick to the existing project segment chart as a breakdown level instead of having further breakdowns as the municipalities do not have the necessary information at the initial planning stage of the budget process to be allocated in detail.</p> <p>Project Segment: Operating Projects</p> <p>For Repairs and Maintenance (R&M) Mr Le Roux said that if R&M costs are project-related than it should be an item on the asset register. If it is not an item on the asset register then it cannot be assumed to be an operating costs or an M&R. He said there is a one-on-one relationship between the asset register, R&M and operating costs.</p> <p>The definitions provided on the chart should be consulted to determine which operating projects will fall under Typical Work Streams.</p> <p>Mossel Bay municipality used its IDP to determine which operating project will be utilised. All role-players agreed to this specific way of dealing with operating projects.</p> <p>Planned and unplanned maintenance costs were a challenge to the municipality. However the municipality is working with their service provider to align the asset register to the R&M in order to provide the necessary information in an applicable format.</p> <p>Municipal Running costs</p> <p>The Mossel Bay municipality will only utilise Municipal Running costs in the last resort.</p> <p>With regards to the Project Segment – Operational he cautioned delegates that -</p> <ul style="list-style-type: none"> • Maintenance & Repair and Operational Cost projects is linked to an Asset, if not it cannot be one of the two; and • If not allocated to R&M or Operational cost or Typical Work Stream then, and only then, it is allocated Municipal Running Cost.

ITEM NO	DISCUSSION
	<p>One of the municipality's challenges on the budget is to explain to the various officials internally as to what contracted services actually means to mSCOA. Previously contracted services were interpreted incorrectly.</p> <p>Concern was also expressed to water inventory item information that is required by mSCOA. Mr Le Roux said that the municipality also had to reconsider all its business processes to align to the mSCOA process, e.g. previously the municipality's organigram and the payroll did not align to one-another.</p> <p>Mr Zonyane also echoed Mossel Bay's example by encouraging other municipalities to also reconsider all their business processes to be aligned to the mSCOA process. In view of the implementation date of 1 July 2017 he also expressed concern in the pace of the development of mSCOA in the province. Mr Zonyane also suggested that the mSCOA item be a standing item on the agenda of the next MAF as the municipalities constantly need to engage on this matter.</p> <p>Ms Reyneke-Naude suggested that the non-pilot sites also be afforded the same opportunities as pilot municipalities to attend NT ICF meetings. She also suggested that PT considers quarterly ICF meetings for non-pilot municipality's to discuss burning mSCOA related issues of concern wherein NT also attends.</p> <p>Mr Zonyane indicated that PT should consider prioritising the request from Ms Reyneke-Naude sooner rather than later.</p> <p>Mr Thobelani Madondile requested municipalities who has mSCOA related enquiries or challenges to be more specific to ensure that their problem areas can be addressed appropriately and satisfactorily. He urged the attendees to also use the MAF platform to raise mSCOA related concerns or to forward issues to PT mSCOA FAQ mailbox.</p> <p>Ms Fortuin, on behalf of Mr Carl Stroud, conveyed a word of thanks and best wishes to the Western Cape as he will be leaving his position on 29 February 2016.</p>
6.	<p>MFMA BUDGET CIRCULAR NO. 78 FOR 2016/17 MTREF & LG MTEC PROCESS</p>
	<p>SUMMARY OF NT MFMA CIRCULAR NO. 78</p> <p>Mr Malcolm Booysen of the PT LG Budget Office conducted a powerpoint presentation on the NT MFMA Circular No. 78 and the LG MTEC process.</p> <p>Mr Booysen amongst other highlighted the contents of circular 78 as follows:</p> <ul style="list-style-type: none"> • Local government elections and the associated impacts on the budget process. • SA economic growth expectations and forecasts and guidance for inflation targets. • Changes to local government grant allocations. • mSCOA progress and readiness. • Eskom bulk tariff increases of 8 per cent; application to NERSA for possible further increases underway. • Water and sanitation tariff increases – full cost reflectivity should be considered when setting tariffs. • Employee related cost increases in line with 3 year collective salary and wage agreement for period 01 July 2015 to 30 June 2018. • Hand-over reports for the newly elected council. • Pledging of conditional grants. • Version 2.8 of Schedule A1 – minor changes to A10, SA1 and SA9.

ITEM NO	DISCUSSION
	<p>The financial implications of the Demarcation Process will have minimal impact on Western Cape municipalities. In terms of the 2016 local government elections and the budget process Mr Booysen said that the elections are likely to be scheduled between May and August 2016 and reminded municipalities of the 4 risks to be managed; 1. New tariffs approval, 2. Annual budget approval, 3. Election friendly budget and 4. Municipal public budget consultations.</p> <p>The mSCOA Regulations apply to all municipalities and municipal entities with effect from 1 July 2017 and only eleven months remain for preparation and implementation readiness as the 2017/18 MTREF budgets will all have to be aligned to mSCOA.</p> <ul style="list-style-type: none"> • The implementation of mSCOA must be considered a business reform and it requires a significant change in municipal business processes; and it involves systems conversion and/or re-implementation. Further, mSCOA requires organisational change as it is not only a financial reform that is being introduced. • The 2016/17 tabled budget or consolidated budget must include an annexure containing the municipality's mSCOA project plan and progress to date. <p>Outcomes of the Financial Management Capability Maturity Model (FMCMM).</p> <p>Mr Booysen emphasised the fact that municipalities should review the detailed analysis of the results of the FMCMM assessments to provide a holistic picture of the financial capability and sustainability of the municipality in upcoming MTREF decisions. Comments of these assessments and any related legislative advice on MFMA can be submitted to the MFMA helpdesk facility at MFMA@treasury.gov.za.</p> <p>Hand-over reports for the newly elected council</p> <p>Each municipal manager, working together with the Chief Financial Officer (CFO) and senior managers, is encouraged to prepare a hand-over report that can be tabled at the first meeting of the newly elected council. The aim of this hand-over report is to provide the new councils important orientation information regarding the municipality, the state of its finances, service delivery and capital programme, as well as key issues that need to be addressed. Submission of hand-over report - Municipal managers should submit their municipality's hand-over report to the relevant provincial department responsible for local government, provincial treasuries, the Department of Co-operative Governance (DCoG) and to National Treasury.</p> <p>Mr Booysen gave a brief overview of the key South African economy & inflation targets. He informed the delegates that the Global and national economic outlook weaker than anticipated.</p> <ul style="list-style-type: none"> • South African economy expected to grow by: <ul style="list-style-type: none"> – MTBPS forecast - 1.5 per cent in 2015, 1.7 per cent in 2016 and 2.6 per cent in 2017. – 2016 Budget - 1.3 per cent in 2015, 0.9 per cent in 2016 and 1.7 per cent in 2017. • Persistent high unemployment remains one of SA's most pressing challenges. • A conservative approach is advised for projecting revenue. <p>He said that municipalities are advised to use the 2016 Division of Revenue Bill (DoRB) to complete their 2016/17 MTREF.</p>

ITEM NO	DISCUSSION
	<p>In terms of changes to local government allocations he said that the equitable share baseline reduced by R300 million in 2016/17 but increased by R1.5 bn and R3 bn in 2017/18 and 2018/19. The reporting indicators are applicable to the 8 metro municipalities. Functional outcomes indicators are due to be finalised for next budget cycle. Work on the input and output indicators are ongoing. Over time these reforms will also be extended to non-metro municipalities. When finalised, these indicators will assist the process of standardising the SDBIP.</p> <p>The Revenue Budget</p> <p>Municipalities must justify in their budget documentation all increases in excess of 6.0 per cent. In terms of the multi-year price determination for Eskom's tariffs approved by NERSA, a tariff increase of 8 per cent has been approved for 2016/17. Municipalities should consider the full cost of rendering water and sanitation services when determining tariffs related to these services.</p> <p>Funding choices and management issues</p> <p><i>Employee Related Costs</i></p> <p>The South African Local Government Bargaining Council entered into a three-year salary and wage collective agreement for period 01 July 2015 to 30 June 2018.</p> <p><i>Remuneration of Councillors</i></p> <p>Municipalities are advised to budget for actual costs approved in accordance with the gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually by the Department of Cooperative Governance.</p> <p><i>Service Level Standards</i></p> <p>All municipalities are again advised to formulate service level standards which must form part of the 2016/17 MTREF tabled budget documentation.</p> <p>A framework was developed as an outline to assist municipalities in finalising their standards. This is available on the NT website.</p> <p><i>Pledging of Conditional Grants</i></p> <ul style="list-style-type: none"> • All conditions for considerations of the conditional grant pledge should be aligned with the provisions of section 46 of the MFMA regarding long term borrowing. • Municipalities are cautioned that pledging will only be approved for projects that have gone through a proper planning process as well as meeting the criteria for pledging as per MFMA Circular 51. <p>Mr Booysen explained the procedures to be followed with the submission of the Budget documentation and schedules for 2016/17. Budget reform returns must be submitted to lgdocuments@treasury.gov.za.</p>

ITEM NO	DISCUSSION
	<p>LG MTEC METHODOLOGY</p> <p>Mr Booysen provided a legislative background to the LG MTEC process of the Western Cape Government. He highlighted the LG MTEC Assessment Framework Structure as follows:</p> <p>Section 1: Executive Summary Section 2: Previous Unresolved LG MTEC Issues Section 3: Compliance Review Section 4: Integrated Planning Section 5: Environmental and Spatial Analysis Section 6: Assessment of Budget Responsiveness Section 7: Credibility & Sustainability Section 8: Main Points & Risks/Recommendations</p> <p>During the LG MTEC engagement the stakeholders are usually represented by the following members;</p> <p>Municipality</p> <ul style="list-style-type: none"> • Municipal Manager • S56 Managers • BTO & IDP officials • Interns <p>Province</p> <ul style="list-style-type: none"> • Provincial Treasury • Department of Local Government • Department of Development Planning and Environmental Affairs • Department of Premier • Relevant Sector Departments (eg. Human Settlements) • EDP <p>LG MTEC Process</p> <ul style="list-style-type: none"> • Tabling – 21 February to 31 March 2016 • Collection – Budget documentation collected on tabling dates (where possible) • Conformance letters to be issued after the tabling • Assessments • Reports to be issued 5 days before the engagement • Engagements – 14 April to 11 May 2016 • Final Budgets to be assessed – June to July • Approved SDBIPs to be assessed – July

