

Reference: RCS/C.5

## **TREASURY CIRCULAR MUN NO. 21/2016**

THE MAYOR, CITY OF CAPE TOWN  
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY  
THE MAYOR, MATZIKAMA MUNICIPALITY  
THE MAYOR, CEDERBERG MUNICIPALITY  
THE MAYOR, BERGRIVIER MUNICIPALITY  
THE MAYOR, SALDANHA BAY MUNICIPALITY  
THE MAYOR, SWARTLAND MUNICIPALITY  
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY  
THE MAYOR, WITZENBERG MUNICIPALITY  
THE MAYOR, DRAKENSTEIN MUNICIPALITY  
THE MAYOR, STELLENBOSCH MUNICIPALITY  
THE MAYOR, BREEDE VALLEY MUNICIPALIT  
THE MAYOR, LANGE BERG MUNICIPALITY  
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY  
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY  
THE MAYOR, OVERSTRAND MUNICIPALITY  
THE MAYOR, CAPE AGULHAS MUNICIPALITY  
THE MAYOR, SWELLEN DAM MUNICIPALITY  
THE MAYOR, EDEN DISTRICT MUNICIPALITY  
THE MAYOR, KANNALAND MUNICIPALITY  
THE MAYOR, HESSEQUA MUNICIPALITY  
THE MAYOR, MOSSEL BAY MUNICIPALITY  
THE MAYOR, GEORGE MUNICIPALITY  
THE MAYOR, OUDTSHOORN MUNICIPALITY  
THE MAYOR, BITOU MUNICIPALITY  
THE MAYOR, KNYSNA MUNICIPALITY  
THE MAYOR, CENTRAL KAROO DISTRICT MUNICIPALITY  
THE MAYOR, LAINGSBURG MUNICIPALITY  
THE MAYOR, PRINCE ALBERT MUNICIPALITY  
THE MAYOR, BEAUFORT WEST MUNICIPALITY

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, LANGE BERG 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, SWELLEN DAM 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: MR H HILL (ACTING)

THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: MR T BOTHA  
THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR A PAULSE (ACTING)  
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR D FRIEDMAN (ACTING)  
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  
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: MS C LATEGAN (ACTING)  
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 M MEMANI (ACTING)  
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)  
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUY)  
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 MF VAN NIEKERK) (ACTING)  
THE DIRECTOR: FISCAL POLICY (MR M BOOYSEN) (PRO TEM)  
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): 19 AUGUST 2016 – SWARTLAND MUNICIPALITY (WEST COAST)**

### **PURPOSE**

1. This circular serves to confirm that the Municipal Accountants Forum will take place on Friday, 19 August 2016 in MALMESBURY. 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, mSCOA project manager, etc.) 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:
  - o Integrated Financial Management Capacity building and training programmes for municipalities
  - o Preparations and Legal prescripts for Adjustment Budgets: A Municipal perspective
  - o 2017 MTREF budget process preparations
  - o Outstanding government debt: Strengthening of IGR process and reporting formats
  - o 2016/17 MTREF IYM Reporting Requirements including Budget verification outcomes
  - o Update on implementation of mSCOA regulations in the Western Cape
  - o Update from Municipal Accounting Working Group meeting
  - o Year-end audit preparation
  - o General matters
3. Municipalities are requested to submit any additional items for the agenda by no later than **Monday, 15 August 2016**.
4. The final draft agenda will be issued on Wednesday, 17 August 2016.

## LOGISTICS

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

**Date** : **Friday, 19 August 2016**

**Venue** : **SWARTLAND MUNICIPALITY - BANQUETING HALL**  
c/o Rainier and Church Street  
MALMESBURY

**Time** : **08:30 – 13:30**

## CONFIRMATION/CORRESPONDENCE

6. Confirmation of attendance or apologies should reach Provincial Treasury by no later than **Friday, 12 August 2016**.
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.



**MR M SIGABI**

**ACTING CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE**

**DATE:** 8 August 2016

Reference: PTR 16/2/1

**MINUTES TO THE MUNICIPAL ACCOUNTANTS FORUM (MAF) MEETING OF 27 MAY 2016 AT THE MOSSEL BAY MUNICIPALITY (BLOUMAT HALL), 1 GEORGE ROAD, MOSSEL BAY**

ITEM NO	DISCUSSION
1.	<b>OPENING AND WELCOME</b>
	<p>Mr Johannes greeted everyone present at the meeting and thanked the CFO of Mossel Bay Municipality for hosting the meeting. He also highlighted that:</p> <ul style="list-style-type: none"> <li>• The Chief Financial Officer (CFO) strategic forum where financial management matters are discussed.</li> <li>• There are technical engagements such as the Municipal Accounting Forum (MAF), which is a combination of the management accounting reporting and the financial accounting reporting.</li> <li>• The MAF is facilitated on a rotational basis between the Directorates: Local Government: Public Finance (Group 1) and Local Government: Accounting Services.</li> </ul> <p>Mr Hardien, the Provincial Accountant General, greeted everyone and asked that the session be interactive. Mr Hardien introduced the following Local Government Accounting Officials:</p> <ul style="list-style-type: none"> <li>• Mr Stuurman was introduced as the official appointed to assist all municipalities with mSCOA.</li> <li>• Mr Brinders was introduced as the new Director of the Local Government Accounting unit and the chairperson for the day's session.</li> </ul> <p>Mr Brinders greeted everyone and thanked Mr Hardien for the introduction. He reported that in order to stick to the scheduled timelines for the session and to accommodate officials who are travelling long distance, he might have to deal with certain issues at a different forum.</p> <p>Mr Botha, CFO of Mossel Bay Municipality, greeted and welcomed everyone present at the meeting. He read an excerpt on positive attitude versus negative attitude from a book titled "African wisdoms" by Dr Lynette Hatton.</p>

ITEM NO	DISCUSSION	
2.	<b>ATTENDANCE AND APOLOGIES</b>	
2.1	<b><i>In attendance</i></b>	
	<b><i>From: Provincial Treasury</i></b>	
	<u>Local Government Public Finance</u> E Johannes S Cupido B Galant A Africa S Jantjies <u>Governance and Asset Management</u> A Hardien	<u>Local Government Accounting</u> L Brinders T Madondile D Stuurman – mSCOA Coordination
	<b><i>From: Western Cape Municipalities</i></b>	
	J Sass - Bergrivier U Poyo – Breede Valley T Klein – Breede Valley A Crotz – Breede Valley S Stanley - Cape Agulhas J Stander - Cape Winelands M Steyl - Cape Winelands J Swanepoel - Cape Winelands S Arangie - Cape Winelands C Roland - Cape Winelands G Cloete – Cederberg E Visser - Cederberg K Fourie - City of Cape Town K Fredericks - Drakenstein L Crotz – Drakenstein R Coetzee - Eden D Booysen - Eden S Gunuza – George M Mkhobeni – George Z van Rooyen – George B Jumat – George	N Mokhali – George B Towisi – George R Roos – George K. Meyer – George L Viljoen - Hessequa N Delo - Kannaland R Meyers - Kannaland N Haai - Knysna N Barnard - Knysna I Grispe - Kannaland P Fundokubi – Mossel Bay J Fourie – Mossel Bay M Botha – Mossel Bay B Beukes - Oudtshoorn L Fortuin - Oudtshoorn W Crafford – Overberg B King - Overstrand M Johannessen - Stellenbosch M Bolton - Swartland W Mars - Witzenberg M Mofokeng – ReguCom & Kano (DPW)

ITEM NO	DISCUSSION	
2.2	<b>Apologies From: Western Cape Municipalities</b>	
	Langeberg Saldanha Bay Prince Albert	West Coast Matzikama Theewaterskloof
	<b>From: Provincial Treasury</b>	
	<u>Local Government Public Finance</u> M Sigabi Z Zonyane	
2.	<b>SETTING/APPROVAL OF AGENDA AND NEW ITEMS</b>	
	The agenda was accepted with no amendments.	
3.	<b>MINUTES &amp; MATTERS ARISING</b>	
	The minutes of the previous MAF meeting held on 26 February 2016 was tabled for approval. The minutes were accepted, as a true and correct reflection of the discussions that took place on the day, subsequent to the additions in respect of the mSCOA resolutions.	
3.1	<b>Matters arising from previous meeting</b>	
	<p>Mr Brinders referred to page 6 of the previous minutes whereby Johan Steyl mentioned that the Auditor General might issue qualified audit opinions should the matter of comparative figures not be resolved satisfactorily. Mr Hardien reported the following:</p> <ul style="list-style-type: none"> <li>• The issue of comparative figures came about during the transfer of municipal trial balances into a single chart of accounts for mSCOA, which might not present the same line items as some municipalities presented in previous years.</li> <li>• National Treasury has issued a Position Paper for comment regarding how to deal with mSCOA comparative figures, but such Position Paper is not comprehensive.</li> <li>• For example, a National Treasury circular state that repairs and maintenance should be 8 per cent, but after the reclassification of line items according to mSCOA the repairs and maintenance figure could be 40 per cent.</li> <li>• He asked National Treasury to exclude comparative figures from the mSCOA audit.</li> <li>• The Accounting Standards Board (ASB) will have to reiterate on this issue.</li> <li>• When municipal financial statements are audited, the auditors are looking for a GRAP compliant set of financial statements.</li> <li>• Municipalities might receive a 'non-compliance' audit remark if mSCOA is not complied with since mSCOA is a regulation, but municipalities cannot receive an audit qualification.</li> <li>• A municipal audit qualification will be linked to GRAP.</li> <li>• Out of the 278 municipalities in the country, National Treasury indicated the Western Cape is the first in terms of their traction for mSCOA.</li> <li>• Mr Stuurman will provide more information on mSCOA later.</li> </ul>	

ITEM NO	DISCUSSION
<b>4.</b>	<b>LG MTEC 2015 - 2016 OUTCOMES</b>
	<p>Ms Cupido presented an overview on the assessments done on municipal budget credibility and sustainability. Ms Cupido, amongst other, reported the following:</p> <ul style="list-style-type: none"> <li>• Provincial Treasury identifies areas that municipalities are struggling with and then develop support programs in order to assist municipalities to improve in such areas.</li> <li>• Provincial Treasury is currently in the process of consolidating a report to Cabinet regarding the findings in terms of the tabled budget to Cabinet. <ul style="list-style-type: none"> <li>○ The issues identified during the current year are the same as in the previous years.</li> <li>○ A number of municipalities have improved regarding their technical proficiency in completing the budget.</li> <li>○ All municipalities have submitted their budgets timeously.</li> </ul> </li> </ul> <p>There were still gaps in terms of conformance and reliability of information.</p> <p>Mr Hardien informed the municipal officials that the Minister of Finance will be meeting with MAYCO members of finance during October 2016, and he asked what budgetary issues he should take forward when meeting the Minister.</p> <p>In response to Mr Hardien's question, the following municipal complaints were raised:</p> <ul style="list-style-type: none"> <li>• There is political interference with regard to implementing the debtor control policy (i.e. Municipal admin staff cut municipal services when payments are not made, which is in line with an approved debtor policy, but the councillors insist that services not be cut-off).</li> <li>• Eskom appears to be dumping their issues on municipalities by increasing the mark-up on electricity by 9.5 per cent in the electricity bill that municipalities will receive. However, municipalities are only permitted to increase the electricity rates charged to consumers by 7.64 per cent and by 4 per cent in the case of indigents, so somewhere along the line municipalities will be providing electricity at a loss.</li> </ul>
<b>5.</b>	<b>MFMA CIRCULAR NO. 82 - COST CONTAINMENT MEASURES</b>
	<p>Mr Johannes delivered a presentation on MFMA Circular 82 - Cost containment measures. He, amongst other, reported that MFMA Circular 82, regarding cost containment measures, was issued in terms of section 168 of the MFMA. He also indicated that municipalities will be required to report on certain cost containment items.</p> <p>Mr Hardien reported the following:</p> <ul style="list-style-type: none"> <li>• The whole world is declining in revenues.</li> <li>• Municipalities should expect that when money is scarce donations and conditional grants will decrease, and therefore start relying solely on municipal own generated revenue.</li> <li>• The current economic growth rate in South Africa is 0.8 per cent and the projection for next year is 1.8 to 1.9 per cent.</li> <li>• Rating agencies such as Moody's have stated that if the country's economic growth rate is drops below investment grade then money will be pulled out of the country.</li> <li>• Municipalities are the engines of any country, so municipalities do have an effect on the ratings provided my rating agencies.</li> <li>• South Africa used to be the leading economy in Africa, India's economy and Kenya's economy are now growing faster than that of South Africa.</li> </ul>



ITEM NO	DISCUSSION
<b>6.</b>	<b>BUDGET VERIFICATIONS (A9 SCHEDULE)</b>
	<p>Ms Africa explained budget verifications are necessary as the information is needed to inform the IYM analysis process conducted by PT as well as to inform Parliamentary decisions, and therefore needs to be credible. She also reported the following:</p> <ul style="list-style-type: none"> <li>• The budget adopted by council and the electronic schedule submitted to PT has to reconcile (i.e. hard copies and the soft copies of the budget schedules must agree).</li> <li>• All appendix B forms should reconcile to the A-Schedules, and Western Cape municipalities appear to be struggling in that regard.</li> <li>• The audit outcomes should align to the audited AFS.</li> <li>• NT has to publish a set of budget statements for the province and therefore the budget verification process must be completed by 30 September 2016.</li> <li>• The easiest return to balance was the Statement of Financial Position.</li> <li>• Only 27 municipalities managed to verify the MTREF's B-Schedules.</li> <li>• All municipalities appear to be struggling with the Asset Management return.</li> <li>• Revenue forgone pertaining to service charges was a challenge on Schedule A2.</li> </ul>
<b>7.</b>	<b>AFS VERIFICATION OUTCOMES AND LESSONS LEARNED (CHALLENGES)</b>
	<p>Mr Madondile reported the following with regard to the NT AFS verification process:</p> <ul style="list-style-type: none"> <li>• The LG: Accounting unit was tasked to ensure that the audited historical data in the AFS agreed to what municipalities commuted in their budget returns and A-Schedules.</li> <li>• The first part of the exercise was to ensure that the returns agreed to the audited financial statements. If the returns did not agree to the audited financial statements then LG: Accounting asked the municipalities to correct such returns before re-submitting such returns to National Treasury. If there were reasonable explanations regarding why the returns could not be adjusted with the correct amount, the municipality should have informed Provincial Treasury and National Treasury in that regard.</li> <li>• The second part of the exercise was to ensure that the A-Schedules agreed to the submitted returns that in turn agreed to the audited financial statements, because the returns (i.e. input data) has to be 100 per cent aligned to the A-Schedules.</li> <li>• LG: Accounting experienced the following challenges with regard to the NT AFS verifications process: <ul style="list-style-type: none"> <li>○ Municipalities did not submit corrected returns timeously, as municipalities stated that returns would be re-submitted after they had completed the budgeting process. LG: Accounting explained that such explanations were not acceptable since the prior years' historical data has to be accurate as it will affect the budget.</li> <li>○ Various municipal officials are responsible for completing different returns, and there appears to be no back-up plan to ensure that certain returns are updated timeously when the responsible person is not in office.</li> <li>○ Often the adjustments to the AFS and the adjustments to the returns are done by different officials with little to no communication between these officials regarding adjustments to the AFS that should follow through to the returns.</li> <li>○ The returns do not present the same line items as what is presented in the AFS and municipal officials find it difficult to allocate such line items in the returns.</li> </ul> </li> </ul>

ITEM NO	DISCUSSION
	<ul style="list-style-type: none"> <li>• National Treasury is currently busy reviewing the returns and A-Schedules of the non-delegated municipalities, while LG: Accounting is busy reviewing the returns and A-Schedules for the delegated municipalities. However, National Treasury does perform a secondary check on delegated municipal budget documents, and they have indicated that the returns will not be closed until they are completely satisfied with the figures reported in such returns.</li> <li>• There are still municipalities who have not submitted their returns, and National Treasury has stated that municipalities are at risk if such returns are not submitted by the due date.</li> </ul> <p>Municipal officials stated that errors corrected retrospectively could mean correcting backward for 10 years, and wanted to know how many prior years' worth of returns should be submitted to National Treasury. In response to the question, Mr Madondile indicated that only the prior year return should be submitted. Mr Hardien concurred with Mr Madondile's statement and added that only the published information is required to be submitted.</p> <p>Mr Brinders indicated that whatever is submitted to National Treasury has to be aligned with the published audited Financial Statements.</p> <p>Mr Johannes reported the following:</p> <ul style="list-style-type: none"> <li>• There are two types of certificates that have to be included in the budget documentation, namely - <ul style="list-style-type: none"> <li>○ In terms of the budget and reporting regulations, the Municipal Manager has to certify that the budget has been prepared in accordance with the MFMA.</li> <li>○ Once the budget has been uploaded onto the financial system, the 'budget locking certificate' states that the numbers are the same.</li> </ul> </li> <li>• In terms of the accountability cycle, municipalities have to report on what is communicated in their IDP as follows - <ul style="list-style-type: none"> <li>○ In-Year-Reports</li> <li>○ Annual Report which includes the Audited Annual Financial Statements</li> </ul> </li> <li>• We are working toward answering the question "how does the budget translate into policy objectives, and are we achieving what we set out to achieve?", hence the annual publication called 'The Statement of Local Government finances' and the bi-annual publication called 'The Local Government Budget and Expenditure Review'.</li> </ul>

ITEM NO	DISCUSSION
<b>8.</b>	<b>mSCOA FEEDBACK</b>
	<p>Mr Stuurman asked how many municipal official present at the meeting are currently seriously involved in the mSCOA project teams within the municipalities. The show of hands indicated that quite a few mSCOA officials were represented at the meeting.</p> <p>Mr Stuurman also reported the following with regard to mSCOA:</p> <ul style="list-style-type: none"> <li>• He will be visiting municipalities on the N2 during the following week.</li> <li>• mSCOA Circular 4, issued on 22<sup>nd</sup> March 2016, states - <ul style="list-style-type: none"> <li>○ All municipalities must have a risk register.</li> <li>○ All municipalities must have an issues log.</li> <li>○ All municipalities should have started with the data purification exercise.</li> <li>○ Each member of the mSCOA steering committee must sign a code of ethics as well as a non-disclosure agreement.</li> <li>○ Certain documentation on 'Change management' has been included in circular 4 in order to assist municipalities.</li> <li>○ All municipalities should have submitted a completed 'self-assessment' tool by 15<sup>th</sup> April 2016.</li> </ul> </li> <li>• MFMA circular 80, issued on 8<sup>th</sup> March 2016, states - <ul style="list-style-type: none"> <li>○ Circular 80 replaced Circular 57.</li> <li>○ Updates municipalities and entities regarding the review of local government systems and business processes.</li> <li>○ National Treasury is in the process of updating mSCOA version 5.4 with slight amendments.</li> <li>○ The accountability for the delivery of the mSCOA project sits with the municipal council, while the responsibility for delivery sits with the Accounting officer (i.e. Municipal manager) thereby making the Municipal Manager the project sponsor.</li> </ul> </li> <li>• The expected progress to date is as follows - <ul style="list-style-type: none"> <li>○ The transversal tender is in process. Ms Fortuin has been appointed to sit on the evaluation panel for the transversal tender. The panel met two weeks ago and will be meeting again the week. National Treasury stated that hopefully the process will be finalised in the following week.</li> <li>○ All municipalities should have a council resolution stating the responsibility for preparing an mSCOA aligned budget in October/November.</li> <li>○ All municipalities should have a steering committee, but there are five municipalities that don't yet have a steering committee.</li> <li>○ All municipalities should have an mSCOA implementation team.</li> <li>○ All municipalities should have a 'Terms of Reference' document that sets out the rules for the mSCOA steering committee and the mSCOA implementation team.</li> <li>○ A high level project needs to be developed, and at the municipal visit municipalities will be given an example of what the high level project plan should look like.</li> </ul> </li> </ul>

ITEM NO	DISCUSSION
	<ul style="list-style-type: none"> <li>• mSCOA update from a National Treasury perspective -               <ul style="list-style-type: none"> <li>○ Audit evidence for mSCOA compliance should be submitted to the NT LG database.</li> <li>○ All municipalities should have been represented at the mSCOA awareness training, but the show of hands indicated that many municipal officials have yet to attend such aware training.</li> <li>○ NT will be rolling out accredited mSCOA training soon.</li> <li>○ There is currently a tender out for people to become trainers, and in addition NT is considering the suggestion for municipal officials to be trained as trainers.</li> </ul> </li> </ul> <p>Mr Hardien requested Provincials Treasury staff be forwarded emails regarding direct communication between pilot municipalities and National Treasury, so that Provincial Treasury can be kept informed. He also stated the following:</p> <ul style="list-style-type: none"> <li>• National Treasury will be coming to the Western Cape on 13<sup>th</sup> June 2016 so the municipal CFOs should be empowered to ask relevant questions relating to mSCOA.</li> <li>• There is a very tight process coming up regarding elections and the worse thing a municipality can go through is change of systems.</li> </ul>
<b>9.</b>	<b>GENERAL MATTERS</b>
	<p>Mr Mpho Mofokeng (ReguCom &amp; Kano), on behalf of National Public Works, presented a progress report on the Western Cape - phase 2 - Invoice verification project. He, amongst other, provided a summary of the government debt as at 31 March 2015. He also reported on provincial debt due and discussed the debt sign-off progress. A summary of the Western Cape debt per municipality was presented and he highlighted key challenges and lessons learned. He recommended that departments and municipalities work together to improve revenue collection in municipalities and billing anomalies.</p>
<b>10.</b>	<b>WAY FORWARD AND CLOSURE</b>
	<p>Mr Brinders summarised the key issues raised during the meeting and acknowledged all the contributions and inputs made by the presenters as well as the MAF delegates. Gratitude was expressed to the officials and staff of Mossel Bay Municipality for hosting the MAF meeting.</p> <p><b>Date of next MAF:</b> Friday, 19 August 2016</p> <p><b>Venue:</b> Swartland Municipality</p>