



PROVINCIAL TREASURY

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TREASURY CIRCULAR MUN 34 OF 2011

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THE MAYOR, WEST COAST DISTRICT MUNICIPALITY: MR JH CLEOPHAS (Acting)
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THE MAYOR, CEDERBERG MUNICIPALITY: MR B ZASS
THE MAYOR, BERGRIVIER MUNICIPALITY: MR EB MANUEL
THE MAYOR, SALDANHA BAY MUNICIPALITY: MS R JAGER
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY: MR N DE BRUYN
THE MAYOR, WITZENBERG MUNICIPALITY: MR S LOUW
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THE MAYOR, STELLENBOSCH MUNICIPALITY: ALDERMAN CP JOOSTE
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THE MAYOR, OVERBERG DISTRICT MUNICIPALITY: MR L DE BRUYN
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MR CB PUNT
THE MAYOR, OVERSTRAND MUNICIPALITY: MS N BOTHA-GUTHRIE
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THE MAYOR, SWELLENDAM MUNICIPALITY: COUNCILLOR N MYBURGH
THE MAYOR, EDEN DISTRICT MUNICIPALITY: MR V VAN DER WESTHUISEN
THE MAYOR, KANNALAND MUNICIPALITY: MR J DONSON
THE MAYOR, HESSEQUA MUNICIPALITY: MR CP TAUTE
THE MAYOR, MOSSEL BAY MUNICIPALITY: MR 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 HD PRINCE

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THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: MS C LE ROUX
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THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ
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THE MUNICIPAL MANAGER, DRAKENSTEIN MUNICIPALITY: MR D SMIT (Acting)
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THE MUNICIPAL MANAGER, LANGEBERG MUNICIPALITY: MR SA MOKWENI
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THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MR HD WALLACE
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: ADV W ZYBRANDT
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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 (Acting)
THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR M MOKGALE (Acting)
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR D DU PLESSIS (Acting)
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THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR J BOOYSEN

THE CHIEF FINANCIAL OFFICER, CITY OF CAPE TOWN: MR M RICHARDSON
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 THE CHIEF FINANCIAL OFFICER, CEDERBERG MUNICIPALITY: MR F LÖTTER
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 THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS HJ VILJOEN (Acting)
 THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR HF BOTHA
 THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: DR C KAPP (Acting)
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 THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR J NEETHLING (Acting)
 THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR D LOUW

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)
 THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)
 THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR TC ARENDSE)
 THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)
 THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)
 THE HEAD: FINANCIAL GOVERNANCE (MR A REDDY) (ACTING)
 THE HEAD: ASSET MANAGEMENT (MS N EBRAHIM) (ACTING)
 THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)
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 THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT (MS L NGXONONO)
 THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK)
 THE SENIOR MANAGER: BUDGET MANAGEMENT: PROVINCIAL GOVERNMENT (MS M SHERATON)
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 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)
 THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (MR F SABBAT)
 THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)
 THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS C HORTON)
 THE SENIOR MANAGER: IMMOVEABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)
 THE SENIOR MANAGER: MOVEABLE ASSET MANAGEMENT (MS N EBRAHIM)
 THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)
 THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS A SMIT)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT

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

MUNICIPAL ACCOUNTING SYSTEMS PROJECT: ENGAGEMENTS WITH MUNICIPALITIES AND SYSTEMS VENDORS

PURPOSE

1. This circular serves to inform municipalities with regard to the intended engagements between the various system vendors, municipalities and also the National and the Provincial Treasury. These engagements intends to address the current status and

linkages in terms of reporting requirements and the in-house municipal systems to deliver on the legislative mandates as required by the Municipal Finance Management Act, No 56 of 2003 (MFMA).

2. The intension of the engagements is to provide an interactive session between the respective stakeholders where all the relevant reporting requirements and relevant processes within the accounting systems will be discussed in order to clarify challenges and also to develop solutions for the way forward.
3. The Provincial Treasury has engaged with National Treasury and subsequently with the various service providers regarding the project and has secured their support and assistance in this regard.

BACKGROUND

4. The Western Cape Provincial Treasury (WCPT) up until the 2009/10 financial year used their own IYM Database which was populated from the Summary Version Appendix B forms. These Summary Version forms were implemented in order to ensure compliance as prescribed by S71 of the Municipal Finance Management, Act 56 of 2003 (MFMA). However, National Treasury considered this form of compliance insufficient to address their reporting and publication needs in terms of the Budget and Expenditure Reviews. To achieve uniform reporting on a range of different items, National Treasury developed the Budget and Reporting Regulations which were implemented for compliance by all municipalities by July 2009. Prior to this prescriptive date, NT held a range of engagements which included, amongst others, workshops, road shows, presentations at the CFO forums, pilot programs for implementation and best practice sessions.
5. In compliance to the requirements as set out by National Treasury, the WCPT made a decision to no longer use their own financial reporting tool (PT Database) but to use the information directly downloaded from the NT Database. During this process which took effect in July 2010 (for reporting as at June 2010), the WCPT discovered a range of challenges related to the compliance by municipalities in terms of the Full Version Appendix B forms which was part of the implementation of the Budget and Reporting Regulations.
6. With regards to Supply Chain Management, through the SCM assessments and other series of engagements with the Municipalities, it was established that most Accounting Systems utilised by the Municipalities (Western Cape Municipalities) do not meet the SCM legislative requirements or provide the Municipalities with SCM system interfaces for the drawing up of S71, S72 and other statutory required reports. However the information gathered through the assessments could not specifically signify whether the problem was due to the system configurations or the institution not fully utilising the system. Hence the need for engagement of this magnitude was deemed as a necessity in the interest of an improved SCM environment in the Province.

7. Prior to the introduction of the MFMA in 2004, the Accounting framework applicable to Municipalities was the Fund Accounting/Cash Basis of Accounting, also called the IMFO framework of Accounting. The MFMA, specifically section 122 (3), required the Accrual /GRAP Framework of Accounting to be implemented by all municipalities. The National Treasury issued a number of circulars with regard to the phasing in of accrual accounting at municipalities. Whereby the LG Accounting unit held a number of training sessions with municipalities in order to make the transition to GRAP easier. What has been discovered is that the Accounting Systems at municipalities were tailored towards cash/fund accounting and not towards accrual accounting. Extensive modifications to existing systems were required in order for the systems to become GRAP-compliant. Therefore, municipalities became heavily reliant on consultants utilising other systems to assist with their Annual Financial Statements being GRAP compliant and with the general transition to GRAP standards.
8. In light of the accounting system challenges that have become apparent to PT during the review of various reports from the municipalities, the PT endeavored to prioritise the issue of Accounting Systems Project. Furthermore, engagements were undertaken with vendors during September and October 2010 where the respective units within the PT met to discuss their particular issues of reporting as required by municipalities and the systems capabilities in terms of legislated reports.
9. The overall purpose of the exercise is to have an interactive workshop with all the affected stakeholders on the accounting systems to improve the integrity of financial data, the timely uploading of data, the extraction of reports for monitoring and evaluation, as well as to ensure timely periodic reports and possible improve the quality of Annual Financial Statements, amongst others.

FORMAT OF THE ENGAGEMENTS

10. The engagements with the respective stakeholders have been scheduled from the third week in October 2011 to the second week in November 2011. It is required and crucial that the officials who are directly responsible for performing the systems functions as legislated by the MFMA and other legislation attend the workshop in addition to the Chief Financial Officers. All municipalities are requested to make available a minimum of three and a maximum of five officials for each of the sessions. In addition, the service providers have also advised that the attendance of these officials are imperative and would add value to the engagements in discussion of the various topics.
11. Separate sessions have been scheduled with each of the vendors in order to discuss and workshop the specific issues. Individual one day sessions have been planned with all the vendors with the exception of SAMRAS as they have the largest amount of municipalities registered with them and therefore may require additional time in discussing their issues. The sessions have therefore been scheduled for one and a half days in order to cover the content of the agenda.

12. The details of the workshops is as follows:

R-Data as PROMUN

Date: 17 October 2011
Time: 08:00 – 16:00
Venue: Langeberg Council Chambers, Robertson

FUJITSU - PROMIS

Date: 18 October 2011
Time: 08:00 – 16:00
Venue: Cederberg Council Chambers, Clanwilliam

FUJITSU - ABACUS

Date: 31 October 2011
Time: 08:00 – 16:00
Venue: Breede Valley Municipality, Worcester

BYTES - SAMRAS (Session 1- West Coast and Cape Winelands Districts)

Date: 3 to 4 November 2011
Time: 08:00 – 16:00
Venue: Stellenbosch Council Chambers, Stellenbosch

BYTES - SAMRAS (Session 2 – Overberg and Eden Districts)

Date: 7 to 8 November 2011
Time: 08:00 – 16:00
Venue: George Council Chambers, George

BCX - VENUS

Date: 2 November 2011
Time: 08:00 – 16:00
Venue: Drakenstein Council Chambers, Paarl or Worcester

CONCLUSION

13. Should you require any further information with regard to the content of this circular, you are welcome to contact our office. Your cooperation and participation in the sessions is of key importance and would contribute to the success of the planned engagements. You can refer to Annexure A in terms of the draft agenda for your further perusal.

14. It would be appreciated if municipalities could advise of attendance by latest, Wednesday, 12 October 2011 to the following persons:

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Yours faithfully



MS L NGXONONO

SENIOR MANAGER: LOCAL GOVERNMENT ACCOUNTING

DATE: 7 October 2011