



# PROVINCIAL TREASURY

Provincial Government of the Western Cape

## MUNICIPAL CHIEF FINANCIAL OFFICER'S FORUM

**DATE:** Thursday, 9 June 2011

**VENUE:** Council Chambers, Stellenbosch Municipality, Plein Street,  
STELLENBOSCH

### DRAFT AGENDA

**CHAIRPERSON: MR HC MALILA**  
**(THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES –**  
**PROVINCIAL TREASURY)**

Item	Topic		Time
1.	<b>OPENING AND WELCOME</b>	Chairperson	08:30 – 08:35
2.	<b>ATTENDANCE</b> Apologies	Chairperson	08:35 – 08:40
3.	<b>SETTING/APPROVAL OF AGENDA</b>	Chairperson	08:40 – 08:45
4.	<b>CONSIDERATION OF MINUTES OF THE PREVIOUS MEETING:</b> • 4 March 2011	Chairperson	08:45 – 09:00
5.	<b>MATTERS ARISING</b>	Chairperson	09:00 – 09:15
6.	<b>NEW MATTERS</b>		
	6.1 <b>General &amp; Financial Management</b>		
	6.1.1 Training Initiatives – Post LG Elections	Mr K Mullagie (SALGA)/ Ms E Barnard (Department of Local Government)	09:15 – 09:45
	6.1.2 P3 Tariff modelling Project	Mr K Mullagie (SALGA)/ Mr R Kerr	09:45 – 10:15
	6.1.3 Progress on outstanding government debt owed to non-metro municipalities.	Mr M Sigabi (Provincial Treasury)	10:15 – 10:30
	6.1.4 Feedback on 2011 LG MTEC 3 findings	Mr ML Booysen (Provincial Treasury)	10:30 – 11:00

Item	Topic		Time
<b>MID-MORNING TEA/COFFEE</b>			11:00 – 11:15
	6.1.5 Municipal Budget and Reporting regulations: <ul style="list-style-type: none"> <li>Treatment of Indirect charges : (As resolved at the LG MTEC 2 engagement on 10 February 2011)</li> </ul>	Mr W Voigt/ (National Treasury)	11:15 – 11:30
	6.1.6 Development of Standard Charts of Accounts for Municipalities	Mr W Voigt/Ms J Steyn (National Treasury)	11:30 – 12:00
	6.1.7 Unspent Conditional Grants	Mr S Mashaba (National Treasury)	12:00 – 12:15
	6.1.8 BTO Structures in Municipalities	Ms M Van Niekerk (Provincial Treasury)	12:15 – 12:30
	6.1.9 Financial Governance Review Outlook – Municipalities	Mr B Vink (Provincial Treasury)	12:30 – 12:45
	6.1.10 Municipal Transition and Support Plans	Mr G Paulse (Department of Local Government)	12:45 -13:00
	<b>6.2 Feedback on Local Government activities within Provincial Treasury</b>		
	6.2.1 Municipal IYM Outcomes as at 31 March 2011	Ms S Cupido	13:00 – 13:15
	6.2.2 General Compliance to MFMA and related regulations	Mr F Sabbat	13:15 – 13:30
	6.2.3 Corporate Governance <ul style="list-style-type: none"> <li>Risk Management</li> <li>Minimum Competency Regulations</li> <li>LG FMIP</li> </ul>	Mr B Vink	13:30 – 13:45
	6.2.4 LG Accounting Services	Ms L Ngxonono	13:45 – 14:00
	6.2.5 Public Finance Research Modelling & Liability Management	Ms C Horton	14:00 – 14:15
	6.2.6 Supply Chain Management	Mr R Moolman	14:15 – 14:30
<b>7.</b>	<b>CONCLUDING REMARKS</b>	Chairperson	14:30 – 14:45
	<b>Next meeting</b> Thursday, 8 September 2011		
<b>LUNCH/AFTERNOON TEA</b>			14:45 – 15:30



# PROVINCIAL TREASURY

Provincial Government of the Western Cape

## DRAFT MINUTES OF THE MUNICIPAL CHIEF FINANCIAL OFFICER'S FORUM HELD ON 9 JUNE 2011, COUNCIL CHAMBERS STELLENBOSCH MUNICIPALITY, STELLENBOSCH

### 1. OPENING AND WELCOMING

The Chairperson, Mr H Malila opened the meeting and welcomed everyone.

### 2. ATTENDANCE AS PER ATTENDANCE REGISTER

ORGANISATION	NAME
Stellenbosch Municipality	Ms N Keketse
Stellenbosch Municipality	Mr K Carolus
Overstrand Municipality	Mr C Le Roux
Overstrand Municipality	Mr B King
Theewaterskloof Municipality	Mr F van der Westhuizen
Theewaterskloof Municipality	Mr S Jacobs
Eden District Municipality	Mr N Delo
Kannaland Municipality	Mr N Delo (pro-tem)
Oudtshoorn Municipality	Mr N Delo (pro-tem)
George Municipality	Ms L Maksella
George Municipality	Ms Z Hans
Breede Valley Municipality	Mr A Steer
Breede Valley Municipality	Mr S Roets
Beaufort West Municipality	Mr D Louw
Saldanha Bay Municipality	Mr J van Coller
Saldanha Bay Municipality	Mr P Mngeni
Prince Albert Municipality	Mr JD Neethling
Central Karoo District Municipality	Mr C Kymdell
Bergrivier Municipality	Mr J van Niekerk
Cape Agulhus Municipality	Mr H Schlebusch
Mossel Bay Municipality	Mr G Vermeulen
Swellendam Municipality	Mr J De Jager
Langeberg Municipality	Mr P Hoffman
West Coast District Municipality	Mr M Markus
Stellenbosch Municipality	Mr K Carolus
Swartland Municipality	Mr E Paulse

<b>ORGANISATION</b>	<b>NAME</b>
Cape Winelands District Municipality	Ms F du Raan Groenewald
Drakenstein Municipality	Ms K Fredericks
Drakenstein Municipality	Mr V Crail
Witzenberg Municipality	Mr H Vergotine
City Of Cape Town	Mr J Steyl
Knysna Municipality	Mr G Easton
Knysna Municipality	Ms L McCartney
National Treasury	Mr K Venter
National Treasury	Mr S Ramjathan
National Treasury	Mr W Voigt
SALGA	Mr K Mullagie
SALGA	Mr R Kerr
AGSA	Mr I Fourie
Department of Local Government	Mr G Paulse
Department of Local Government	Ms E Barnard
Department of Local Government	Mr D Jansen
Construction Industry Development Board	Mr D Dolinschek
Western Cape Provincial Treasury – Fiscal and Economic Services Branch	Mr H Malila
Western Cape Provincial Treasury – Governance and Asset Management Branch	Mr T Arendse
Western Cape Provincial Treasury – LG Accounting Services	Ms L Ngxonono
Western Cape Provincial Treasury – LG Accounting Services	Ms M Fortuin
Western Cape Provincial Treasury – Corporate Governance	Mr B Vink
Western Cape Provincial Treasury – Corporate Governance	Ms M Van Niekerk
Western Cape Provincial Treasury – Public Finance Policy and Research Modelling	Ms C Horton
Western Cape Provincial Treasury - Local Government Finance (Group 1)	Mr F Sabbat
Western Cape Provincial Treasury - Local Government Finance (Group 1)	Mr E Johannes
Western Cape Provincial Treasury - Local Government Finance (Group 1)	Ms S Cupido
Western Cape Provincial Treasury - Local Government Finance (Group 1)	Ms A October
Western Cape Provincial Treasury - Local Government Finance (Group 2)	Mr M Sigabi
Western Cape Provincial Treasury – Moveable Asset Management	Mr R Moolman

## 2.1 Apologies

West Coast District Municipality	-	Mr J Koekemoer
Matzikama Municipality	-	Mr K Bruwer
Cederberg Municipality	-	Mr F Lotter
Bergrivier Municipality	-	Mr AJ van Niekerk
Cape Winelands District Municipality	-	Mr J Marais
Witzenberg Municipality	-	Mr R Esau

Stellenbosch Municipality	-	Mr M Bolton
Overberg District Municipality	-	Mr J Snyman
Overstrand Municipality	-	Mr H Kleinloog
Mossel Bay Municipality	-	Mr H Botha
Laingsburg Municipality	-	Ms A Groenewald
Hessequa Municipality	-	Mrs L Viljoen
Bitou Municipality	-	Mr D Lott

### 3. SETTING/APPROVAL OF AGENDA

No items were added to the agenda.

### 4. CONSIDERATION OF MINUTES

The minutes of the previous meeting held on 4 March 2011 was accepted as a true reflection of the discussions which took place.

### 5. MATTERS ARISING

It was noted that all matters arising are addressed as agenda items.

### 6. TOPICS FOR DISCUSSION

Item No.	Topic	Discussion	Action required	Due Date
6.1.1	Training Initiatives- Post LG Elections	<p>A joint presentation was made by Ms E Barnard (Dept of Local Government) and Mr K Mullagie SALGA pertaining to the councilor training initiatives post the LG elections on 18 May 2011.</p> <p>The presentation amongst others highlighted that the training will take place in three phases of which Phase I is the National Councilor Induction Programme and will take place during the month of July.</p> <p>Phase II and III will be driven by the Province and in this regard, it was noted that a councilor training task team has been set up which consists of Department of Local Government, SALGA and Provincial Treasury.</p>	NONE	

Item No.	Topic	Discussion	Action required	Due Date
6.1.2	P3 Tariff Modelling Project	<p>Mr Roy Kerr presented to the Forum a presentation on the P3 tariff modeling toolkit and the processes involved in the determination of tariffs for municipal service charges. A compact disk was provided to delegates at the meeting which can assist Municipalities on the setting of tariffs. The guide furthermore also provides a step by step process for writing a transparent tariff policy.</p> <p>The municipalities currently involved in the P3 tariff modeling project are Mossel Bay, Theewaterskloof, Hessequa and Cape Agulhas Municipalities. Mr K Mullagie highlighted that there are 6 additional municipalities that were identified to role-out the process further.</p> <p>Mr Kerr emphasised that whilst it appears that the model is working, the management of the data is very important.</p>	<p>The chairperson concluded this item by suggesting a half day session discussing this entire tool and have best practices from Municipalities who are currently using it.</p> <p>Mr E Johannes was tasked to drive this process and Mr Kerr and Mr Mullagie to do the modeling part.</p>	Feedback to be provided at the next Quarterly CFO Forum meeting
6.1.3	Construction Industry Development Board (CIDB): Compliance by Municipalities	<p>Mr D Dolinschek presented to the forum the importance and purpose of the CIDB. He furthermore highlighted that all Municipalities are required to comply with the provisions of the CIDB Act and municipalities to note that it is an Act from Parliament.</p> <p>The presentation also provided an overview of what the Board does and further suggested that his contact details be made available to all Municipalities so that one on one session can be arranged to provide more information.</p>	The Provincial Treasury to provide the contact details of Mr Dolinschek to all Municipalities, including an electronic copy of the presentation.	Immediately
6.1.4	Feedback on 2011 LGMTEC 3 findings	Mr Hartle gave feedback on the transversal LG MTEC 3 (municipal draft budget assessments) findings and explained to the Forum the need for a budget assessment and the areas looked at within the assessment. Mr Hartle further more explained that it is sometimes difficult due to limited scope and resources and highlighted areas of risks identified which need to be resolved before the implementation of the budget. In this regard, the Forum also noted the areas of support by Provincial Government in respect of the areas of risk identified through the budget assessment process.	NONE	

Item No.	Topic	Discussion	Action required	Due Date
		<p>Mr S Jacobs raised a concern on the equitable share review and that this policy should be looked at.</p> <p>The chairperson assured that the unit headed by Ms Claire Horton has started some work on this and will touch on this aspect in point no 6.2.8.</p>		
6.1.5	<p>Municipal Budget and Reporting regulations: Treatment of Indirect charges : (As resolved at the LG MTEC 2 engagement on 10 February 2011)</p>	<p>A presentation was done by Mr K Venter on the treatment of indirect charges and clarified misinterpretations of NT MFMA Circular 48.</p> <p>It was noted that the National Treasury is still busy with the position paper in respect ABC Costing and for the interim municipalities were requested to process with the ABC Costing principles to ensure that the services are cost reflective.</p> <p>Mr S Jacobs agreed that the treatment of indirect charges should not be a hap hazard process, however it is important to look at the all the functions municipalities delivers including non-municipal competencies eg. Housing.</p> <p>Mr J Steyl reported that the purpose is not to calculate the cost of a pen but to determine over or under budgeting in respect of the support services provided to reflect the true cost a rendering a particular service eg. Water.</p>		
6.1.6	<p>Development of Standard Chart of Accounts (SCOA) for Municipalities</p>	<p>A presentation was done by Mr W Voigt regarding the SCOA project driven by National Treasury. He furthermore explained that this process will ensure that sufficient detail is provided for reporting and that account labels are clearly identified.</p> <p>It was also noted that this process will also ensure uniform reporting and will filter from the budget process to the IYM process.</p> <p>Mr J Steyl expressed concern that all Municipalities are unique and that each Mayor would like to add his/her flavour to the budget which might not be accommodated by the proposed structures. He furthermore highlighted that the benefits of one structure is not acknowledged through this process and also raised concern regarding the costs of multi-ward projects.</p>	NONE	

Item No.	Topic	Discussion	Action required	Due Date
		<p>Mr H Schlebusch requested that National Treasury consult at least one municipality using each the various IT systems within the Province during the development and consultation process of the SCOA project, In this regard, National Treasury will be able to ensure that the IT systems can accommodate the SCOA requirements.</p> <p>Mr Voigt agreed that once platform has been set, a pilot municipality will be identified where the implementation of the SCOA will be tested.</p> <p>Mr G Easton reported that Knysna Municipality is already engaged with discussions with their IT vendor and also worked closely with Mossel Bay Municipality in this regard. He furthermore, requested that National Treasury look at the work methodology in the project and that it should not be a "top-down" approach.</p> <p>It was noted and acknowledged that the development of standard chart of accounts was not an easy process, however it is important that all role-players use the opportunity to obtain the best results.</p>		
6.1.7	Unspent Conditional Grants – Surrendering of funds to the National Revenue Fund	<p>Ms Y Mendise presented to the meeting the legislative background in terms of unspent conditional grants and the reasons for this process. Ms Mendise furthermore highlighted the guidance given in NT MFMA Circular 55 and indicated that the roll-over process and the process for the retainment of unspent conditional grants were also explained in this particular Circular.</p> <p>Mr J Steyl requested clarity on what happens with funds not spent but committed and no proof can be provided. In this regard he requested National Treasury to please specify the criteria for these funds to be rolled over because the Circular earlier referred to was not clear and hence requested National Treasury to communicate the criteria to be met for roll-overs to be approved.</p> <p>The chairman adds that if it is committed funds it should not be a problem but if not committed the monies should be returned to the National Revenue Fund.</p>	Practice Note to be issued by National Treasury indicating clearly the process for roll-overs.	



Item No.	Topic	Discussion	Action required	Due Date
		<p>Mr J Steyl requested formal correspondence from National Treasury to all Municipalities in this regard.</p> <p>Mr W Voigt adds that it is a fair point by Mr Steyl and that if the funds are committed no problem and that more clear indication will be given by way of a Practice Note.</p>		
6.1.8	GIS: Revenue Enhancement	<p>A presentation was done by Mr A Steer from Breede Valley Municipality explaining the GIS system used by the Municipality and how it can assist Municipalities with enhancing revenue.</p> <p>Mr Steer highlighted how to use locational data with the geographic information system to assist with the interpretation of data for decision making.</p> <p>It was noted that initial input costs amounted to R70 000 in respect of software and linkage to the financial system used by the Municipality. The Department of Local Government furthermore assisted with resources for data clean-up and contributed R200 000.</p> <p>Mr G Easton adds that the GIS system is valuable particular with General Valuations. It was noted that a similar system is used by Knysna Municipality and is centralised within the IT section. The system also serves as a support base when the Municipality has public awareness campaigns and road shows.</p> <p>Mr H Schlebush expressed interest with regards to the implementation of the system at Cape Agulhas Municipality, however highlighted funding constraints. In this regard it was resolved that the Department of Local Government (Mr G Pausse) to arrange a meeting with Cape Agulhas Municipality, Provincial Treasury, Breede Valley Mun and Mr Adam Steer.</p> <p>It was noted that Prince Albert Municipality also opt to go for this option and make use of this system used by Breede Valley Municipality. In this regard the Department of Local Government assisted the Municipality with co-funding.</p>	<p>The chairperson requested that the contact details of Mr Steer be made available to all Municipalities.</p> <p>The Department of Local Government (Mr G Pausse) to arrange a meeting with Cape Agulhas Municipality, Provincial Treasury, CFO of Breede Valley Municipality and Mr A Steer to attend to the request from Cape Agulhas Municipality in respect of the implementation of the GIS System to assist with revenue enhancement.</p>	

Item No.	Topic	Discussion	Action required	Due Date
6.1.9	<p>Office of the Auditor General</p> <ul style="list-style-type: none"> <li>o Values/Benefits of key controls programme</li> <li>o Audit Approach 2010/2011</li> <li>o Emerging Risks</li> </ul>	<p>Mr I Fourie gave a brief overview of the Auditor General's mandate and also some background on the office.</p> <p>Mr Fourie also explained to the Forum the three (3) topics; Values/Benefits of key controls programme, audit approach 2010/2011 and emerging risks and also highlighted to Municipalities how they will be impacted.</p> <p>Mr Fourie opened the floor for any questions and suggestions to which Mr Jacobs and Ms Keketse responded.</p> <p>Mr Jacobs commends the AG on its key control programme and that it helps to cut out bottle necks.</p> <p>Ms Keketse's expressed concern on the one day visit and that all issues cannot be cleared or attend to the findings within one day.</p> <p>Mr Fourie noted these comments and will give feedback to colleagues at AG office.</p>	NONE	
6.2	<p><b>Feedback on Local Government activities within Provincial Treasury</b></p>			
6.2.1	<p>Financial Governance Review- Outlook- Municipalities</p>	<p>Mr Vink gave a brief overview on the Financial Governance Review Outlook report prepared by Provincial Treasury and the focus areas which will be covered in the report.</p> <p>Mr Easton requested the reason for this report as it is not made available to politicians and that the Municipalities should please be consulted regarding this report.</p> <p>Mr Vink responded that a decision was taken at the MM's forum not to make this report available. It was noted that This report is an internal report to be used for areas of improvement.</p>	NONE	
6.2.2	<p>BTO Structures in Municipalities</p>	<p>Ms van Niekerk presented to the forum the importance of a budget and treasury office within a Municipality and also the particular legislation which requires the need for such an office.</p> <p>Ms van Niekerk furthermore highlighted that research will be done in respect of an ideal BTO structures for municipalities and consultation will be made with all role-players including Municipal CFOs in this regard.</p>	NONE	

Item No.	Topic	Discussion	Action required	Due Date
6.2.3	Municipal IYM Outcomes as at 31 March 2011.	This item was not addressed due to time constraints.	NONE	
6.2.4	Progress on outstanding debt owed to non-metro municipalities.	This item was not addressed due to time constraints.	NONE	
6.2.5	General Compliance to MFMA and regulated regulations	Mr Sabbat presented to the forum statistics on compliance with regards to the IYM process for the past three months. Mr Sabbat placed emphasis on the quality certificates not being submitted and also the BSAC form.  Mr Schlebusch wanted to know the reason for this quality certificate and requests Provincial Treasury to please let the municipalities know when something is wrong with the required return forms.	NONE	
6.2.6	Corporate Governance <ul style="list-style-type: none"> <li>o Risk Management</li> <li>o Minimum Competency Regulations</li> <li>o LG FMIP</li> </ul>	Mr B Vink presented to the forum the current initiatives the unit is involved pertaining to risk management, compliance to the NT minimum competency regulation for municipal officials and facilitating operation clean audit within the Province.  Mr Easton asked clarity with regards to who decides on the competency levels or level of compliance of a municipal finance official? In this regard it was noted that a position paper on the Minimum Competency Levels will be presented at the TCF Meeting on Monday, 13 June 2011.	NONE	
6.2.7	LG Accounting Services	A presentation was done by Ms L Ngxonono highlighting the work done by the Accounting unit in Provincial Treasury. She further highlighted the importance of interim financial statements and the importance of preparing it.	NONE	
6.2.8	Public Finance Research Modelling & Liability Management	Ms Horton presented to the forum a presentation on the trend analysis of the allocated equitable share against the provision of free basic services. Highlighting the municipalities used for research and the purpose.  Based on an earlier question by Mr Jacobs on the review of the equitable share Ms Horton responded that this is currently still work in progress.	NONE	
6.2.9	Supply Chain Management	This item was not addressed due to time constraints.		

Item No.	Topic	Discussion	Action required	Due Date
<b>6.3</b>	<b>Additional items discussed</b>			
<b>6.3.1</b>	Use of credit cards by Municipalities	<p>The item was added to the agenda, based on a question from Mr Jacobs wanting clarity on the use of credit cards by Municipalities as ABSA bank informed that it is not recommended in accordance with NT MFMA Circular 55.</p> <p>Mr Jacobs is of the opinion that the use of credit cards are done sparingly and as in the case of Theewaterskloof Municipality only in the case of booking air flights and cars. Furthermore the MFMA makes sufficient provision for financial mismanagement.</p> <p>Mr Voigt responded that National Treasury provides guidelines and directs but still foresees a risk with the use of credit cards. However, it is still up to the municipality to decide and manage its own risks.</p> <p>The chairman suggests that NT please clarify its circular on this matter as Mr Louw indicated that Beaufort West Municipality received a similar communication from ABSA.</p>	National Treasury to please clarify whether the use of credit cards is prohibited or not.	Immediately
<b>6.3.2</b>	Deduction of UIF-Councillors	<p>The issue at hand is should UIF be deducted for councillors or not.</p> <p>Mr Schlebusch adds that the Auditor General wants to see this deduction take place.</p> <p>This matter has been referred to get a legal opinion as it is not clear.</p> <p>The chairman suggests a general circular to be drawn up clarifying this matter once a legal opinion has been received.</p> <p>Mr Schlebusch requests that the circular be forwarded to the Auditor General's office as well.</p>	A general circular to be issued by Provincial Treasury (Mr F Sabbat) regarding the treatment (deduction) of UIF for councillors.	Immediately

## 7. CLOSURE

The Chairperson, Mr H Malila, thanked all present for attending the meeting and encouraged municipalities to be interactive and to give input and feedback on any MFMA related matters.

The meeting adjourned at 14h45.