



**Western Cape
Government**

Provincial Treasury

LGMTEC 3-Feedback

JUNE 2012

LG MTEC3: BACKGROUND

- LGMTEC 3 starts each year after municipalities tabled during March.
- Visits took place from 24 April till 9 May 2012
- PT Assessments guided by framework with 3 main components eg.
 - ✓ Responsiveness: How budget responds to socio economic conditions,
 - ✓ Credibility: Is the budget funded, realistic and implementable and
 - ✓ Sustainability: Is the budget supported by adequate cash resources that will last over at least the MTREF (3) period.
- DPL Assessment focused on Governance



LG MTEC 3: CONFORMANCE

- Major improvement in conformance (PSO 12 objectives), excl some smaller municipalities with capacity constraints
- Some municipalities did however not reach full compliance with outstanding documents, commitments were made to achieve full compliance with adoption of final budgets.
- Inconsistency in reporting and data integrity remains a challenge with some municipalities.
- Majority of municipalities tabled on time by no later than 31 March 2012, except for 3 municipalities.

LGMTEC 3: RESPONSIVENESS

- Public participation still low and requires improvement although in some cases the use of social media increasing.
- SDFs in some cases approved and in some cases still to be approved with key the link to the IDP and budget for implementation.
- Inconsistency in reporting and data integrity on performance information eg. No of households and backlogs, etc.
- LED huge challenge in many municipalities due to current economic conditions.

LGMTEC 3: CREDIBILITY

- Bulk of the municipalities tabled deficit budgets which mainly ascribed to accounting treatment of depreciation.
- In quest to get trading services to be cost reflective, still found some municipalities where trading services yield deficits. NT goal all tariffs to be cost reflective by 2014.
- Collection rates deteriorate and impacts on sustainability of municipality, mainly current economic conditions.
- Capital budgets decreasing mainly due to lack of funding and IYMs indicates still low capex, which require better planning.
- Distribution losses (W+E) although improve, some still high.

LGMTEC 3: SUSTAINABILITY

- Many of the municipalities indicated decreasing cash resources and lower current and liquidity ratio over MTREF.
- Many if not most municipalities decrease reliance on own funds capital programme thus funding CAPEX from borrowing & grants.
- All municipalities were requested to also prepare detailed cash budgets to support MTREF.
- Investments also noted to decrease in some municipalities and PT requested the build up of reserves to meet statutory requirements.
- Cash Management in municipalities still requires much improvement and PT intend training this financial year.
- DMs tabled significant nominal and real deficits.

LGMTEC 3: GOVERNANCE

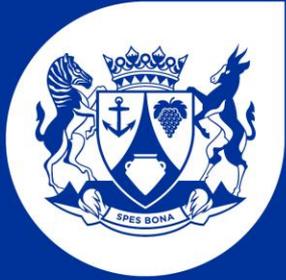
- Most municipalities are politically stable following the local government elections.
- The draft IDPs demonstrate linkages between community priorities and strategies contained in IDPs to address these priorities.
- Most municipalities (except 3) adopted their draft IDPs timeously.
- Only 8 municipalities have established MPACs so far whilst some municipalities committees have similar TORs to MPACs.
- Many municipalities have made progress in the development and adoption of their communication strategies.
- There were 22 municipalities who had established ward committees.
- Municipalities were generally in support of the implementation of Thusong mobiles and most municipalities in the province have functional Thusong Service Centres.

LGMTEC 3: PLANNED SUPPORT

- Assistance with the finalisation of credible Spatial Development Frameworks, Integrated Development Plans, Human Settlement and Local Economic Development Plans;
- Further research on the fiscal transfer system inclusive of the Local Government Equitable Share;
- Appropriate tariff setting and affordability;
- Joint research work with the Provincial SALGA to compile a position paper on the repositioning of District Municipalities in terms of their functions and mandate;
- Ensuring compliance to the Municipal Budget and Reporting Regulations ;
- Infrastructure planning, investment and maintenance;

LGMTEC 3: PLANNED SUPPORT cont.

- Efficiency gains related to, amongst others, reducing water and electricity distribution losses; and
- Training interventions aimed at addressing the identified shortcomings in planning, budgeting, budget implementation and reporting.
- On-going support and assistance with recruitment and selection of senior municipal officials to facilitate administrative stability in municipalities,
- Continued support for the roll-out of Municipal Public Accounts Committees or equivalent structures.
- The roll-out of Ward committee induction training to enable ward members to understand their roles and responsibilities.



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Municipal Public Accounts Committees

MPACs: BACKGROUND

- MPACs established to exercise oversight over the executive obligations of council.
- The MPAC is a committee of the municipal council, appointed in accordance with section 79 of the Structures Act.
- Is not a duplication of other committees such as finance Committees or Audit Committees.
- The MPAC reports directly to council through the Speaker of the municipality.

MPACs: FUNCTIONS

- Consider and evaluate the content of the annual report and make recommendations to Council when adopting the oversight report.
- Consider information relating to past recommendations made with regard to the annual report to conclude outstanding matters that needed to be resolved.
- Consider in-year reports including quarterly, mid-year and annual reports.
- Examine the financial statements and audit reports of the municipality and municipal entities taking into account the following:
 - ✓ Improvements/deteriorations of previous financial statements and reports
 - ✓ The extent to which the Audit Committee's and the Auditor General's recommendations have been implemented.
- Promote good governance, transparency and accountability in the use of municipal resources
- Recommend or undertake any investigation in its area of responsibility, after reviewing any investigation report already undertaken.
- Perform any other functions assigned to it through a resolution of council within its area of responsibility.

MPACs: STATUS & TRAINING

- The Metro, Drakenstein, Cape Agulhas, George, Overstrand, Laingsburg, Overberg District and Beaufort West are the municipalities that already established MPACs as per the questionnaire that was sent to municipalities.
- Oudtshoorn, Kannaland and Prince Albert municipalities requested assistance in establishing an MPAC.
- Proposed MPAC training to municipalities:
 - 5-7 June 2012: Training scheduled with municipalities that have already established MPAC's.
 - 20-22 June 2012 proposed training with municipalities who have not yet established MPAC's.

MPACs: PROVINCIAL VIEW

- The Provincial Treasury and the Department of Local Government support the view that the oversight role can be fulfilled either through MPACs or alternative structures such as oversight committees or audit committees, provided that the principles contained in the guidelines issued by the national COGTA and National Treasury are implemented in this alternative oversight structure.



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CIRCULAR 58

INTERPRETATION OF CIRCULAR 58- Par 4.8

Section 167 of the MFMA provides that any remuneration paid or given in cash or in kind to a person as a political office-bearer or as a member of a political structure of a municipality otherwise than provided for in the framework of the Public Office Bearers Act 20 of 1998 is regarded as an **irregular expenditure** and the municipality must recover that remuneration from the political office bearer or member. The section also provides that the municipality may not write-off any expenditures incurred in providing such remuneration, i.e. the irregular expenditure *must be recovered* from the political office bearer or member.

The remuneration referred to above includes

- i. any bonus, bursary, loan or advance; and
- ii. any other benefit such as:
 - the municipality giving or allocating laptops, notebooks, iPads or other gadgets to councillors and Mayors,
 - cell phone allowances in excess of the limits set in the Public Office Bearers Act;
 - the use of municipal workers' time for councillors' and Mayors' private or business interests;
 - the private use of official/municipal vehicles, and
 - the use of a mayoral residence without paying a market related rental to the municipality.

Municipalities are advised to ensure strict compliance with this provision.



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Thank You