



29th January 2009

To: The Director-General
National Treasury
c/o Jan Hattingh,
Private Bag X115
Pretoria, 0001
email: mfma@treasury.gov.za

Dear Sir,

Submission on Government Gazettes No. 31804 Date January 2009

Municipal IQ is a data and intelligence service on South African local government. In the public interest, we would like to offer a few general comments on the Draft Municipal Budget and Reporting Regulation, released in terms of the Municipal Finance Management Act (MFMA), 2003.

In our opinion, the proposed regulations, in the interest of standardisation and credibility, seek extensive conformity in budgeting and reporting – which, although the norm in the modern accounting which favours regulated norms and standards, may be perceived by some as overly draconian in specifying the format of budget tables, supporting tables and associated charts, intended to translate the budget regulation requirements into outcomes. But we agree with the National Treasury that this level of specification is necessary to ensure that reforms are practical rather than cosmetic, especially since standardisation of reporting will assist in a better understanding of key issues such as poverty alleviation performance, debtor management and the spending of grant allocations – all of which need to be collated nationally for a better understanding of local government’s performance and challenges.

A further issue is one of capacity and how many municipalities are realistically able to implement the proposed Regulations. We are of the opinion, however, that given capacity constraints, a new and detailed framework makes even more sense as almost all financial officials require training and should be brought up to speed within a framework of the MFMA rather than cobbled-together, historical practices that undermine the necessity for uniform budgeting and reporting in the sphere, and therefore compromise the credibility and attractiveness of local government as a whole and the ability to measure and compare performance.

Notwithstanding the challenges of capacity, the Regulations are to be welcomed as a step further in entrenching the MFMA's work in modernising and improving budgeting to meet the objectives of a well-governed local government by better informing local politicians and residents of issues surrounding the financial sustainability, parameters and choices facing their municipalities.

Yours faithfully,

Kevin Allan and Karen Heese
Municipal IQ