



**Budgeting Masterclass**  
**2 September 2021**  
**Bradley Brown**




 **CIGFARO**  
Chartered Institute of  
Government Finance, Audit & Risk Officers  
[www.cigfaro.co.za](http://www.cigfaro.co.za)

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TOPIC




**ROLES AND RESPONSIBILITIES:**

**POLITICAL LEADERSHIP**

**VS**

**ADMINISTRATION/BTO**



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## Twisting the topic to achieve same objective



### ROLES AND RESPONSIBILITIES:

## COLLABORATION BETWEEN

## POLITICAL LEADERSHIP

AND

## ADMINISTRATION/BTO



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## Current Reality: Parliamentary Committee



### State of Local Government Barometer

PROVINCE	Number of municipalities	Dysfunctional (Red)	Medium Risk (Orange)	Low Risk (Yellow)	Stable (Green)
Eastern Cape	39	11	14	14	0
Free State	23	11	11	1	0
Gauteng	11	2	7	1	1
KwaZulu Natal	54	11	20	22	1
Limpopo	27	3	21	3	0
Mpumalanga	20	6	9	4	1
North West	22	10	7	5	0
Northern Cape	31	9	16	5	1
Western Cape	30	1	7	10	12
<b>Total</b>	<b>257</b>	<b>64</b>	<b>111</b>	<b>66</b>	<b>16</b>



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## The current reality continue



### State of Local Government Barometer

Dysfunctional (Red)	Medium Risk (Orange)	Low Risk (Yellow)	Stable (Green)
84	111	66	16
24.90%	43.19%	25.68%	5.45%

Municipalities under Financial Distress	163
Municipalities with unfunded budgets	108
Dysfunctional Municipalities	64
Muni under administration (sec 139)	29



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## The current reality continue



### State of Local Government : Indicators

	Political	Governance	Administrative	Financial Management	Service Delivery
<b>HIGH RISK DYSFUNCTIONAL</b>	<ul style="list-style-type: none"> <li>In-fighting in councils</li> <li>Intra-political party divisions in council</li> <li>Divisions in caucuses</li> <li>External political interference in councils</li> <li>Persistent &amp; frequent section 139 interventions (esp. on dissolution of councils)</li> </ul>	<ul style="list-style-type: none"> <li>Council not meeting as regulated</li> <li>Committees of council not meeting</li> <li>Council taking wrongful decisions</li> <li>No oversight by council on administration</li> <li>Poor and weak decision-making by council</li> <li>Councils unduly interfering in administration</li> <li>No consequence management on corruption, maladministration, nepotism &amp; poor performance</li> <li>Frequent Labour disputes and demotions</li> <li>Poor public participation processes</li> </ul>	<ul style="list-style-type: none"> <li>Vacancies in key positions</li> <li>Bloated structures</li> <li>Poor performance management and lack of consequence management</li> <li>Non-compliance: legislation, regulations and policies</li> </ul>	<ul style="list-style-type: none"> <li>Unfunded budget</li> <li>Incapacitated and incompetent Budget &amp; Treasury Offices (BTO)</li> <li>Excessive salary bills</li> <li>Non submission or late submission of annual financial statements</li> <li>Disclaimers &amp; adverse audit outcomes</li> <li>High debt to utilities and statutory obligations</li> <li>Flouted SCM processes</li> <li>Poor collection of revenue</li> </ul>	<ul style="list-style-type: none"> <li>High basic services backlogs</li> <li>High number of informal settlements</li> <li>No maintenance of infrastructure resulting in water and electricity supply interruptions and poor water quality</li> <li>No technical capacity</li> <li>Glaring service delivery issues</li> <li>Perennial poor infrastructure grant expenditure</li> <li>Persistent service delivery protests</li> <li>Poor response: service delivery complaints</li> <li>Court actions by interest groups on poor service delivery</li> </ul>
<b>MED RISK</b>	<ul style="list-style-type: none"> <li>Minimal in-fighting in council</li> <li>Elements of factionalism</li> <li>Regular Section 139 interventions</li> </ul>	<ul style="list-style-type: none"> <li>Council meeting as scheduled with some external interruptions</li> <li>Reports on maladministration identified but not acted on by council</li> <li>Oversight conducted not fully effective</li> <li>Public participation not fully effective</li> </ul>	<ul style="list-style-type: none"> <li>Vacancies in some key positions</li> <li>Structure not fully respondent to municipal needs</li> <li>Compliance to applicable legislation, regulations and policies not fully met</li> </ul>	<ul style="list-style-type: none"> <li>BTO not fully capacitated – vacancies in some positions</li> <li>Financial management policies in place, not fully implemented</li> <li>Weak revenue collection</li> <li>Debt owed to utilities &amp; statutory obligations not fully services</li> <li>Annual financial statements late</li> <li>Qualified audit outcomes</li> </ul>	<ul style="list-style-type: none"> <li>Basic services backlogs not fully met</li> <li>Repairs and maintenance not fully executed due to capacity and budget</li> <li>Infrastructure grants not fully spent</li> <li>Frequent service delivery protests</li> <li>Inadequate response to service delivery complaints</li> </ul>
<b>LOW RISK</b>	<ul style="list-style-type: none"> <li>Robust and functional Council</li> <li>No intra-party political divisions</li> </ul>	<ul style="list-style-type: none"> <li>Council meeting as scheduled with no undue external influence</li> <li>Reports on maladministration identified</li> </ul>	<ul style="list-style-type: none"> <li>Vacancies in key positions</li> <li>Structure fully respondent to municipal needs</li> <li>Compliance to applicable legislation, regulations and policies not fully met</li> </ul>	<ul style="list-style-type: none"> <li>Weak revenue collection</li> <li>Debt owed to utilities &amp; statutory obligations not fully services</li> <li>Reliance on consultants for Annual financial statements</li> </ul>	<ul style="list-style-type: none"> <li>Repairs and maintenance not fully executed due to capacity and budget</li> <li>Incapacity to response to service delivery complaints</li> </ul>
<b>STABLE</b>	<ul style="list-style-type: none"> <li>Cohesion in council</li> <li>Functional caucuses</li> <li>No intra-party political divisions</li> <li>No section 139 interventions over 5 year period</li> </ul>	<ul style="list-style-type: none"> <li>Council meeting regularly, as regulated</li> <li>Council adopts IDP, budget, policies, annual financial statements on an informed and efficient basis</li> <li>Council provides effective oversight over administration</li> </ul>	<ul style="list-style-type: none"> <li>Structure fully respondent to municipal needs</li> <li>No vacancies in key and senior positions (positions occupied by competent individuals)</li> <li>Full compliance with legislation, regulations and policies</li> </ul>	<ul style="list-style-type: none"> <li>Fully funded budget</li> <li>Functional BTO</li> <li>Effective application of credit control and debt collection policies</li> <li>No or minimal outstanding debt to utilities &amp; statutory obligations</li> </ul>	<ul style="list-style-type: none"> <li>Community consultation on service delivery priorities</li> <li>Well capacitated and efficient infrastructure services department</li> <li>Uninterrupted delivery of services due to well maintained infrastructure</li> <li>Quick response and turnaround time to service delivery complaints</li> <li>Infrequent service delivery protests</li> </ul>

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## The Constitution



### Section 152:

- a) Provide **democratic and accountable government** for **local communities**;
- b) Ensure the **provision of services** to communities in a **sustainable manner**;
- c) **Promote** social and economic development;
- d) **Promote** a safe and healthy environment; and
- e) **Encourage** the involvement of community organisations in the matters of local government.

### Section 153:

A municipality **must**—

- (a) **structure** and **manage** its **administration and budgeting and planning processes** to give **priority** to the basic needs of the community, and to **promote** the **social and economic development** of the community; and
- (b) **participate in national and provincial development programmes**.

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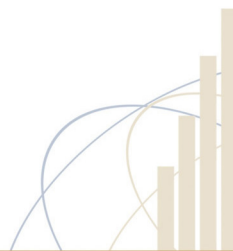
## The role of the Mayor



The mayor of a municipality **must**—

- (a) **provide general political guidance** over the budget process and the priorities that must guide the preparation of a budget;
- (b) **co-ordinate the annual revision of the integrated development plan** in terms of section 34 of the Municipal Systems Act and the preparation of the annual budget, and determine how the integrated development plan is to be taken into account or revised for the purposes of the budget; and
- (c) take **all reasonable steps to ensure**—
  - (i) that the municipality approves its annual budget before the start of the budget year;.....

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## The role of the MM/AO



Municipal managers to be accounting officers

60. The municipal manager of a municipality is the accounting officer of the municipality for the purposes of this Act, and, as accounting officer, must—
- (a) exercise the functions and powers assigned to an accounting officer in terms of this Act; and
  - (b) **provide guidance and advice** on compliance with this Act to—
    - (i) **the political structures, political office-bearers and officials of the municipality;** and
    - (ii) any municipal entity under the sole or shared control of the municipality.

Fiduciary responsibilities of accounting officers

61. (1) The accounting officer of a municipality must—
- (a) act with **fidelity, honesty, integrity** and in the best interests of the municipality in **managing its financial affairs;**
  - (b) **disclose to the municipal council and the mayor all material facts which are available to the accounting officer or reasonably discoverable, and which in any way might influence the decisions or actions of the council or the mayor;** and.....

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## The role of the CFO

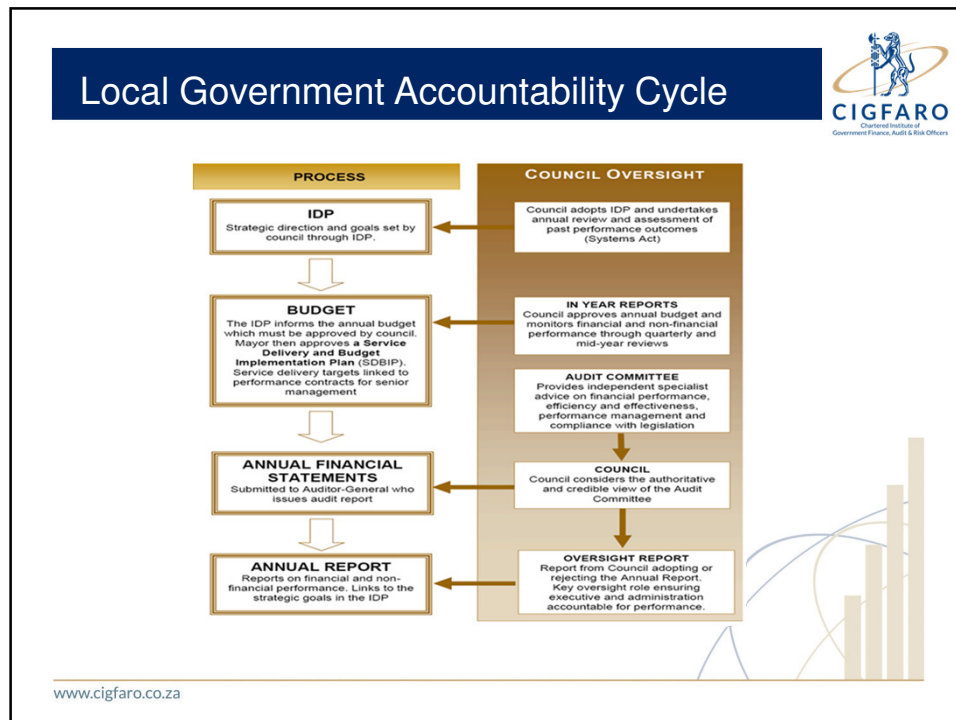


The chief financial officer of a municipality—

- (a) is administratively in **charge** of the **budget and treasury office;**
  - (b) **must advise** the **accounting officer** on the exercise of powers and duties assigned to the accounting officer in terms of this Act;
  - (c) **must assist** the **accounting officer** in the administration of the municipality's **bank accounts and in the preparation and implementation of the municipality's budget;**
  - (d) **must advise senior managers** and other senior officials in the exercise of powers and duties assigned to them in terms of section 78 or delegated to them in terms of section 79; and
  - (e) **must perform such budgeting, accounting, analysis, financial reporting, cash management, debt management, supply chain management, financial management,** review and other duties as may in terms of section 79 be delegated by the accounting officer to the chief financial officer.
- (2) The chief financial officer of a municipality is **accountable to the accounting officer** for the performance of the duties referred to in subsection (1).

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