**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 4066 [NW4937E]**

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**Mr M G P Lekota (Cope) to ask the Minister of Finance:**

Whether he or the National Treasury has written to national and provincial departments in the course of 2015 to settle their respective outstanding accounts with municipalities immediately so that their cash flow could be facilitated; if not, why not; if so, (a) which defaulting departments were written to, (b) what was the outstanding amount in each case, (c) for what duration was the account outstanding, (d) which of the defaulting departments had fully settled with the municipalities as at 31 October 2015 and (e) which of the defaulting departments is he taking action against for not complying with his instruction?

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**REPLY:**

Yes, the National Treasury has formally written to all national and provincial departments who have outstanding debts with municipalities. Please note that the notification was done through a letter by the Director-General: National Treasury who wrote to all Directors-General on 21 July 2015 conveying the message and I reiterated the matter with correspondence on 13 August 2015 to all the executive authorities alerting them of the arrears owed to municipalities.

It is important to understand that the process of addressing these unsettled accounts is being co-ordinated through the President’s Co-ordinating Council (PCC), where Premiers of provinces, Cabinet Ministers, and Accounting Officers of departments have committed to directly address the issue and give regular feedback to the PCC. The written communication from the National Treasury to departments and provinces is part of this high-level process.

The Section 71 of Municipal Finance Management Act (Act No. 56 of 2003) report for June 2015 shows that various departments owed municipalities as per the table below.

 **Table 1: Age analysis of debt owed to municipalities by National Departments**

 *Section 71 of Municipal Finance Management Act (Act No. 56 of 2003) for June 2015*

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1. All departments listed above were written to by the Minister of Finance on 13 August 2015.
2. At the time of writing, the following debts were owed to municipalities by national departments amounted to R1.7 billion and provinces owed R2.5 billion.
3. In addition, the report shows that a majority of the debt has been outstanding for more than 90 days.
4. The Department of Public Works has initiated a process to verify the outstanding amounts owed by government in order to resolve problems with contested bills. This process is being undertaken to ensure that all outstanding amounts reported by municipalities are legitimately due by the named departments and to correct any undue errors. This process of verification is a work-in-progress and the outcome is not yet available. The report will also indicate a more accurate picture of progress made with payments of outstanding amounts by departments and province.
5. Once the outcome of the work done by Public Works is made available, this will inform the actions to be taken.