

PROVINCE OF KWAZULU-NATAL  
PROVINCIAL TREASURY



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Date: 14 December 2011  
Enquiries: Mr F. Cassimjee

**TO: MUNICIPAL MANAGERS  
CHIEF FINANCIAL OFFICERS  
KWAZULU NATAL MUNICIPALITIES (DELEGATED)**

**PROVINCIAL TREASURY CIRCULAR TC/RM 2 OF 2011/12**

**PRESCRIBED FORMAT AS PER THE MUNICIPAL BUDGET AND REPORTING REGULATIONS AND BUDGET & IN-YEAR MONITORING RETURNS**

In terms of Sections 17(1), 28(3) and 71(1) of the Municipal Finance Management Act (MFMA), a municipality must prepare the annual budget, adjustment budget and monthly budget statements in the **prescribed format**. The prescribed formats for the municipal annual budget and adjustment budget documents are specified in the Municipal Budget and Reporting Regulations (Government Gazette No. 32141 dated 17 April 2009) and have been applicable to all municipalities as from 1 July 2009.

It has been noted with concern that a number of municipalities in KwaZulu-Natal are not fully complying with the legislation in this regard. Section 171(1)(a) of the MFMA states that *the accounting officer of a municipality commits an act of financial misconduct if that accounting officer deliberately or negligently contravenes a provision of this Act*. Provincial Treasury consequently views non-compliance with the prescribed formats for annual budget, adjustment budget and monthly budget statements as material non-compliance with the relevant provisions of the MFMA.

Those municipalities that are not currently preparing and/or tabling their annual budget, adjustment budget and monthly budget statements in the prescribed formats are urged to take the necessary steps to ensure that they comply with the legislated reporting obligations. Continued non-compliance with the relevant provisions of the MFMA will be regarded as persistent material breach of the treasury norms and standards established by the MFMA. Provincial Treasury will report such breach to National Treasury who may consider taking the following action against non-complying municipalities:

- The transfer of funds may be stopped, as per Section 216(2) of the Constitution;
- National Treasury will be advised to invoke Section 38 of the MFMA whereby a municipality's equitable share will be withheld in terms of Section 216(1) of the Constitution;
- The municipal manager may be charged with financial misconduct in terms of Section 171(1)(d); and
- The Auditor-General will be informed of the non-compliance.

Furthermore, for publication purposes, municipalities are still required to upload the Budget and In-Year Monitoring Returns to the National Treasury Local Government Database ([lgdatabase@treasury.gov.za](mailto:lgdatabase@treasury.gov.za)).

In order to provide further clarity, this circular covers the following main areas:

1. Municipal Budget and Reporting Regulations Formats:
  - 1.1 Annual Budget – Schedule A
  - 1.2 Adjustment Budget – Schedule B
  - 1.3 In-Year Reporting – Schedule C
  - 1.4 Mid-Year Budget and Performance Assessment
2. Quality Certification
3. Submission of Budget Documentation to Provincial and National Treasury – Schedules A, B and C
4. Submission of Budget and In-Year Monitoring Returns
  - 4.1 Annual Budget Returns
  - 4.2 Adjustment Budget Returns
  - 4.3 In-year Monitoring Returns
  - 4.4 Quarterly Returns
  - 4.5 Bi-annual Returns
  - 4.6 Pre-audit and Audited Figures Returns
5. Reliability of Published Budget and Expenditure Figures
6. Publication of Information on Municipal Websites

## 1. MUNICIPAL BUDGET AND REPORTING REGULATIONS FORMATS

### 1.1 Annual Budget – Schedule A

Section 16(1) of the MFMA states that *the Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.*

Section 9 of the Municipal Budget and Reporting Regulations prescribes that *the annual budget and supporting documentation of a municipality must be in the format specified in Schedule A and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.*

Section 14(1)(a) of the Municipal Budget and Reporting Regulations further specifies that *an annual budget and supporting documentation tabled in a municipal council in terms of sections 16(2) and 17(3) of the Act must be in the format in which it will eventually be approved by the council.*

In the past, some municipalities tabled the draft and final budgets in their own formats in Council and then populated and submitted the budget in the Schedule A format only after the draft and final budgets were tabled in Council.

**All municipalities are urged to prepare and table both the draft and final budget documentation, as set out in Schedule A of the Municipal Budget and Reporting Regulation to council and submit both the draft and final budget to the National and Provincial Treasuries in the required format.**

With effect from 1 July 2011, municipalities that have municipal entities must prepare and submit a **consolidated** annual budget and not only the budget of the parent municipality.

The information that should be included in Schedule A is listed in Annexure A.

## 1.2 Adjustment Budget - Schedule B

In terms of Section 28(1) of the MFMA, *a municipality may revise an approved annual budget through an Adjustments Budget. Section 23(1) of the Budget and Reporting Regulations states that an adjustments budget as referred to in Section 28(2) (b), (d) and (f) of the Act may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council but not later than the 28 February of the current year.*

Section 21 of the Municipal Budget and Reporting Regulations specifies that *an adjustments budget and supporting documentation of a municipality must be in the format specified in Schedule B and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.*

In the past, some municipalities tabled the adjustment budgets in their own formats in Council and then populated and submitted the adjustment budget Schedule B only after the adjustment budgets were tabled in Council.

**All municipalities are urged to prepare and table the adjustment budget documentation, as set out in Schedule B of the Municipal Budget and Reporting Regulation to council and submit the adjustment budget to the National and Provincial Treasuries in the required format.**

With effect from 1 July 2011, municipalities that have municipal entities must prepare and submit a **consolidated** adjustment budget and not only the adjustment budget of the parent municipality.

The information that should be included in Schedule B is listed in Annexure B:

## 1.3 In-Year Reporting – Schedule C

Section 71(1) of the MFMA states that *the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the Mayor of the municipality and the relevant Provincial Treasury a statement in the prescribed format on the state of the municipality's budget for that month and for the financial year up to the end of the month.*

Section 28 of the Municipal Budget and Reporting Regulations stipulates that *the monthly budget statement of a municipality must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.*

Furthermore, Section 29 of the Municipal Budget and Reporting Regulations states that *the Mayor may table in municipal council a monthly budget statement submitted to the Mayor in terms of Section 71(1) of the Act. If the Mayor does so the monthly budget statement must be accompanied by a Mayor's report in a format set out in Schedule C.*

In terms of Section 52(d) of the MFMA, *the Mayor of a municipality must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affair of the municipality.* This information also has to be in the format of Schedule C as prescribed.

In the past, some municipalities prepared and tabled in Council the monthly and quarterly in-year reports in their own formats and not in the required Schedule C format.

**Municipalities are urged to prepare and table the In-Year Reports, as set out in Schedule C of the Municipal Budget and Reporting Regulation to council and submit the In-Year Reports to the National and Provincial Treasuries in the required format.**

The information that should be included in Schedule C is listed in Annexure C.

## 1.4 Mid-year Budget and Performance Assessment

In terms of Section 72(1)(a) of the MFMA, *the accounting officer of a municipality must by 25 January of each year assess the performance of the municipality during the first half of the financial year.*

Section 33 of the Municipal Budget and Reporting Regulations further states that *a mid-year budget and performance assessment of a municipality referred to in section 72 of the Act must be in the format specified in Schedule C and include all the required tables, charts and explanatory information.*

The mid-year budget and performance assessment consist of Schedule C for the period July to December of the respective financial year, as detailed in the Schedules to the Municipal Budget and Reporting Regulations, as published in Part 1 of 2 of the Government Gazette No. 32141 dated 17 April 2009.

In the past, a number of municipalities prepared and tabled in Council the mid-year budget and performance assessment in their own formats and not in the required Schedule C format.

**Municipalities are urged to prepare and table the In-Year Reports, as set out in Schedule C of the Municipal Budget and Reporting Regulation to council and submit the In-Year Reports to the National and Provincial Treasuries in the required format.**

The information that should be included in mid-year budget and performance assessment is listed in Annexure D.

## 2. QUALITY CERTIFICATION

As per Section 5 of the Municipal Budget and Reporting Regulations *whenever an annual budget and supporting documentation, an adjustments budget and supporting documentation or an in-year report of a municipality is submitted to the mayor, tabled in the municipal council, made public or submitted to another organ of state, it must be accompanied by a quality certificate complying with Schedule A, B and/or C and signed by the municipal manager.*

The formats for the quality certificates that must accompany Schedules A, B and C are provided in the Schedules to the Municipal Budget and Reporting Regulations, as published in Part 1 of 2 of the Government Gazette No. 32141 dated 17 April 2009.

## 3. SUBMISSION OF BUDGET DOCUMENTATION TO PROVINCIAL AND NATIONAL TREASURY – SCHEDULES A, B AND C

The municipal manager must submit the budget documentation as set out in Schedules A, B and C of the Municipal Budget and Reporting Regulations **in both printed and electronic format** and by the legislated deadline dates to the Provincial and National Treasuries. The contacts details are:

### Provincial Treasury

Printed copies of the required documents can be couriered or hand delivered to:

The Provincial MFMA Coordinator  
Provincial Treasury  
7<sup>th</sup> Floor Treasury House  
145 Chief Albert Luthuli Road  
Pietermaritzburg  
3201

FOR ATTENTION: MR F. CASSIMJEE



Electronic copies of the required documents must be e-mailed to [mfma@kzntreasury.gov.za](mailto:mfma@kzntreasury.gov.za).

#### National Treasury

Printed copies of the required documents can be sent to:

#### **Posted documents:**

Ms Linda Kruger  
National Treasury  
Private Bag X115  
Pretoria, 0002

#### **Couriered documents:**

Ms Linda Kruger  
National Treasury  
40 Church Square  
Pretoria

Electronic copies of the required documents must be e-mailed to [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za). If the budget documents are too large to be sent via e-mail, arrangements for them to be downloaded from the municipality's website must be made with Elsabe Rossouw (e-mail: [elsabe.rossouw@treasury.gov.za](mailto:elsabe.rossouw@treasury.gov.za)) or alternatively the municipality can use the following e-mail address: [lgbigfiles@gmail.com](mailto:lgbigfiles@gmail.com).

## **4. SUBMISSION OF BUDGET AND IN-YEAR MONITORING RETURNS**

Each year National Treasury publishes the following information:

- A consolidated set of budget information for all municipalities
- The Section 71 information, including information on Conditional Grants, for all municipalities on a quarterly basis

To enable National Treasury to publish this information, municipalities are required to upload the budget and in-year monitoring returns to the Local Government database ([lgdatabase@treasury.gov.za](mailto:lgdatabase@treasury.gov.za)). However, to ensure that the published information is accurate, the information submitted to the Local Government database **MUST** reconcile with Excel Schedules A, B and C. If there are any inconsistencies, then the budget and in-year monitoring returns have to be corrected and resubmitted to the Local Government database by the municipality.

### **4.1 Annual Budget Returns**

Municipalities are required to submit the following Annual Budget Returns to the National Treasury Local Government Database ([lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za)) in July of each year:

OSB – Statement of Financial Performance

CA – Budgeted Capital Acquisition

CFB – Budgeted Cash Flow

GSR – Grants and Subsidies Received

GSG – Grants and Subsidies Given

SP – Strategic Plan with links to budget

AM – Asset Management

BS – Budgeted Balance Sheet

To ensure that correct numbers are published by National Treasury, the A1 budgets schedule, as adopted by Council, must correspond with the budget information reflected in the Annual Budget Returns.

## **4.2 Adjustment Budget Returns**

Municipalities were required to submit the following Adjustment Budget Returns to the National Treasury Local Government Database ([lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za)) within ten working days after the adjustment budget has been approved in council.

BSR - Statement of Financial Position Revised

CAR - Budgeted Capital Acquisition Revised

OSR - Statement of Financial Performance Revised

CFR - Cash Flow Budget Revised

To ensure that correct numbers are captured in the lgdatabase and published, the Schedule B adjustment budget, as adopted by Council, must correspond with the budget information reflected in the Adjustment Budget Returns.

## **4.3 In-year Monitoring Returns**

### Monthly Expenditure (Section 71) Returns

The following returns must be submitted to [lgdatabase@treasury.gov.za](mailto:lgdatabase@treasury.gov.za) no later than 10 working days after the end of each month:

AC – Age Analysis of Creditors

AD – Age Analysis of Debtors

CFA – Cash Flow Actuals

CAA – Capital Acquisition Actuals

OSA – Statement of Financial Performance Actuals

BSAC – Balance Sheet Actuals

RME – Repairs and Maintenance operating Actuals

### National Grant Returns

Municipalities should only use and submit returns for grants as allocated to them in the Division of Revenue Gazette 34280 dated 10 May 2011.

FMG –Finance Management Grant

DRG – Drought Relief Grant

MDRG – Municipal Drought Relief Grant

EEDG – Energy Efficiency and Demand Management Grant

INEG - Integrated National Electrification Program Grant

MIG – Municipal Infrastructure Grant

MSIG – Municipal Systems Improvement Grant

NDPG – Neighbourhood Development Partnership Grant

PTIG –Public Transport Infrastructure and Systems Grant

RTSG –Rural Transport Services and Infrastructure Grant

WSOG –Water Services Operating Subsidy Grant

#### **4.4 Quarterly Returns**

The following returns must be submitted to [lgdatabase@treasury.gov.za](mailto:lgdatabase@treasury.gov.za) no later than 24 working days after the end of each quarter:

BM – Borrowing Monitoring

LTC – Long Term Contracts

ME – Municipal Entities

MF1 – MFMA Implementation Priorities

#### **4.5 Bi-annual Returns**

The following returns must be submitted to [lgdatabase@treasury.gov.za](mailto:lgdatabase@treasury.gov.za) no later than 24 working days after the end of each semester:

COM – Minimum Competency Levels

#### **4.6 Pre-audited and Audited Figures Returns**

Once the Annual Financial Statements have been prepared by 31 August, municipalities are required to submit these pre-audited figures to the Local Government database on the following returns:

OSAA – Statement of Financial Performance Audited

CAAA – Capital Acquisition Audited

CFAA – Cash Flow Audited

BSA – Balance Sheet Audited

These returns must be revised and resubmitted when the municipality receives the audit results from the Auditor General from 1 December and again when/ if the municipality restate the audited figures when preparing the next year's Annual Financial Statements. The same returns must be used for all resubmissions to the database.

### **5. Reliability of Published Budget and Expenditure Figures**

Provincial Treasury is still concerned about the reliability of budget and expenditure figures published by National Treasury using data submitted by municipalities. It was noted in the past that there were discrepancies in the data submitted to the Local Government Database by municipalities. To ensure that both the budgeted and expenditure figures published by National Treasury are reliable, it is imperative that your municipality scrutinise, verify and sign-off the verifications schedules sent to you by National Treasury. There are two quarterly verification schedules, namely the:

- (a) Statement of Operating and Capital Expenditure; and
- (b) Conditional Grants Actual Transfers and Expenditure Schedule.

Accepted budget and expenditure figures with regard to the Statement of Operating and Capital Expenditure must be signed by both the Municipal Manager and the Chief Financial Officer and faxed to (012) 395-6553 for attention Ms Elsabe Rossouw or scanned and mailed to [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za)

Similarly for the Conditional Grants Actual Transfers and Expenditure Schedule, the accepted schedules should also be signed by both the Municipal Manager and the Chief Financial Officer and faxed to (012) 395-6732 and (012) 315-5045 for attention Mr Sello Mashaba or scanned and mailed to [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za).



To ensure that the verification schedules submitted are legible, the scanning and e-mailing of the schedules are preferred. Municipalities are also requested to submit copies of the signed-off verification schedules to Provincial Treasury at [mfma@kzntreasury.gov.za](mailto:mfma@kzntreasury.gov.za).

In light of the above, and to improve the verification process, Provincial Treasury has requested and obtained specimen signatures of both the Municipal Managers and Chief Financial Officers of each municipality. Provincial Treasury will be checking the signatures on the Section 71 and Conditional Grant reports against the specimen signatures submitted by the municipalities to ensure authenticity of the verified documents. Should there be any changes in the positions of the Municipal Manager and the Chief Financial Officer, you will be required to re-submit the specimen signature template with the signatures of the new officials.

The officials from Provincial Treasury will continue to assist and support their designated municipalities on the completion of the above returns.

The onus rests with Accounting Officer to ensure that their municipality fully complies with all reporting requirements.

## **6. Publication of Information on Municipal Websites**

In terms of Section 75(1) of the MFMA all municipalities are required to publish their budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website. Municipalities are encouraged to visit it regularly as documents are regularly added/updated on the website.



**MR L.S MAGAGULA**  
**HEAD: PROVINCIAL TREASURY**

**CC**      **MAYORS**  
**Jan Hatting, National Treasury**  
**Vanuja Maharaj (Acting), Auditor-General**



# Schedule A

As per the Municipal Budget and Reporting Regulations, the following information should be included in Schedule A:

## PART 1 – ANNUAL BUDGET

- Mayor's report
- Resolutions
- Executive summary
- Annual budget tables

## PART 2 – SUPPORTING DOCUMENTATION

- Overview of annual budget process
- Overview of alignment of annual budget with Integrated Development Plan
- Measurable performance objectives and indicators
- Overview of budget-related policies
- Overview of budget assumptions
- Overview budget funding
- Expenditure on allocations and grants programmes
- Allocation and grants made by the municipality
- Councillor and board member allowances and employee benefits
- Monthly targets for revenue, expenditure and cash flow
- Annual budgets and service delivery and budget implementation plans internal – departments
- Annual budgets and service delivery agreements – municipal entities and other external mechanisms
- Contracts having future budgetary implications
- Capital expenditure details
- Legislation compliance status
- Other supporting documents
- Annual budgets of municipal entities attached to the municipalities annual budget
- Municipal manager's quality certification

Details on the contents of each of the above sections are provided in the Schedules to the Municipal Budget and Reporting Regulations, as published in Part 1 of 2 of the Government Gazette No. 32141 dated 17 April 2009.

## Schedule B

As per the Municipal Budget and Reporting Regulations, the following information should be included in Schedule B:

### PART 1 – ADJUSTMENTS BUDGETS

- Mayor's report
- Resolutions
- Executive summary
- Adjustments budget tables

### PART 2 – SUPPORTING DOCUMENTATION

- Adjustments to budget assumptions
- Adjustments to budget funding
- Adjustments to expenditure on allocations and grant programmes
- Adjustments to allocations and grants made by the municipality
- Adjustments to councilor allowances and employee benefits
- Adjustments to service delivery and budget implementation plan
- Adjustments to capital expenditure
- Other supporting documents
- Municipal managers quality certificate

Details on the content of each of the above sections are provided in the Schedules to the Municipal Budget and Reporting Regulations, as published in Part 1 of 2 of the Government Gazette No. 32141 dated 17 April 2009.

## Schedule C

As per the Municipal Budget and Reporting Regulations, the following information should be included in Schedule C:

### PART 1 – IN YEAR REPORT

- Mayor's report (required if tabled in the municipal council)
- Resolutions (required if tabled in the municipal council)
- Executive summary
- In-year budget statement tables

### PART 2 – SUPPORTING DOCUMENTATION

- Debtors' Analysis
- Creditors' Analysis
- Investment portfolio analysis
- Allocation and grant receipts and expenditure
- Council and board member allowances and employees benefits
- Material variances to the service delivery and budget implementation plan
- Parent municipality financial performance
- Municipal programme performance
- Capital programme performance
- Other supporting documents
- In-year reports of municipal entities attached the municipality's in-year report
- Municipal manager's quality certification

Details on the content of each of the above sections are provided in the Schedules to the Municipal Budget and Reporting Regulations, as published in Part 1 of 2 of the Government Gazette No. 32141 dated 17 April 2009.



# Mid-Year Budget & Performance Assessment

## FINANCIAL REPORT

- Schedule C for the period ending 31 December of the current financial year.

## MAYORS REPORT

- A summary of the past year's annual report, and progress on resolving problems identified in the annual report and the audit report;
- A summary of the potential impact of the national adjustments budget and the relevant provincial adjustments budget; and
- A recommendation as to whether an adjustments budget for the municipality is necessary.

## RESOLUTIONS

- Noting the monthly budget statements and any supporting documents;
- Noting the quarterly report on the implementation of the budget and the financial affairs of the municipality referred to in section 52(d) of the Act;
- Noting the mid-year budget and performance assessment referred to in section 72 of the Act;
- Noting the in-year reports of any municipal entities; and
- Any other resolution that may be required.

## EXECUTIVE SUMMARY

- A summary of the potential impact of the national adjustment budget and the relevant provincial adjustment budget.

## MATERIAL VARIANCES TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

- An explanation of the cause of variations from the approved annual budget and the impact on any contractual agreements and the overall budget, if any.