

PROVINCE OF KWAZULU-NATAL
PROVINCIAL TREASURY

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**TO: MUNICIPAL MANAGERS
CHIEF FINANCIAL OFFICERS
KWAZULU NATAL MUNICIPALITIES**

PROVINCIAL TREASURY CIRCULAR TC/RM 8 OF 2010/11*

MFMA SECTION 71(7) – QUARTERLY MUNICIPAL CONSOLIDATED BUDGET PERFORMANCE REPORT TO LEGISLATURE

Section 71(7) of the MFMA states, “*The Provincial Treasury within 30 days after the end of each quarter, make public a consolidated statement in the prescribed format on the state of municipalities budgets per municipality and per municipal entity. The MEC for finance must submit such consolidated statement to Provincial Legislature no later than 45 days after the end of each quarter.*”

Accordingly, Provincial Treasury is in the process of preparing the consolidated Quarter Four report. The consolidated statement will present the financial performance of municipalities in KwaZulu-Natal against their adjusted budgeted revenue and expenditure for the 2010/11 financial year and also includes the capital budget performances as well as the debtors and cash flow position.

Provincial Treasury is 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 a large number of returns that were not submitted to National Treasury resulting in inaccurate or incomplete budget and expenditure published figures.

In order to prepare a comprehensive and credible Quarter Four report for the 2010/11 financial year, municipalities are required to ensure full compliance with the following reporting areas as covered in the circular:

- (A) 2010/11 Adjustments Budget and Returns;
- (B) In Year Monthly reports (IYM) - Monthly Returns;
- (C) Verification of Published Budget and Expenditure Figures and
- (D) MEC Non-compliance Circular.

* *Municipal Financial Year*

(A) 2010/11 Adjustments Budget and Returns

In terms of Section 28 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*”.

Municipalities were required to submit the following Budget Reform Returns to the National Treasury Local Government Database (lgdatabase@treasury.gov.za) within ten working days after the adjustments budget has been approved in council.

- (a) Statement of Financial Position Revised (BSR)
- (b) Budgeted Capital Acquisition Revised (CAR)
- (c) Statement of Financial Performance Revised (OSR)
- (d) Cash Flow Budget Revised (CFR)

As at 11 July 2011, 18 of the 58 delegated municipalities did not upload all their 2010/11 Adjustments Budget returns to the lgdatabase. These municipalities are urged to upload all 2010/11 Adjustments Budget Returns as a matter of urgency.

Municipalities that have already submitted their adjustments budget returns to the lgdatabase are required to ensure that the returns submitted reconcile with their 2010/11 Adjustments Budget approved in Council. In cases where the adjustments budget returns do not reconcile to the approved 2010/11 Adjustments Budget, the municipality must resubmit the adjustments budget return, by uploading the revised return to the lgdatabase.

(B) In Year Monthly reports (IYM) - Monthly Returns

Section 71 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 month.

As at 11 July 2011, 22 of the 58 delegated municipalities that did not upload all their 2010/11 monthly returns to the lgdatabase. These non-complying municipalities are urged to submit all monthly budget returns for the 2010/11 financial year. Municipalities are also reminded that they need to upload their June monthly returns which are due on 15 July 2011.

(C) Verification of Published Budget and Expenditure Figures

To ensure that the Budget and Expenditure figures published by National Treasury and reported in the Provincial Treasury Quarter Four report are reliable, it is imperative that each municipality scrutinise, verify and sign-off the verifications schedules on the “Statement of Operating and Capital Expenditure” that will be sent to them by National Treasury.

National Treasury has indicated the following dates for the finalisation of the 2010/11 financial year figures:

- **25 July 2011** for the verification of data (figures to be sent out to municipalities for verification and sign-off);
- **11 August 2011** for the closure of the lgdatabase and
- **25 August 2011** for the publication of Section 71 on the National Treasury website.

The accepted data with regard to the Statement of Operating and Capital Expenditure are required to be signed by both the Municipal Manager and the Chief Financial Officer. The signed verifications must be faxed to the National Treasury or scanned and e-mailed to lgdocuments@treasury.gov.za. There are two quarterly verification schedules, namely the:

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

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.

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.

(D) MEC Non-compliance Circular

The MEC for Finance issues bi-annual circulars to Mayors of Municipalities listing municipalities that have not been fully complying with the MFMA and DoRA reporting requirements. The circular also states the steps Provincial Treasury may undertake to enforce compliance. Municipalities are urged to comply with their reporting obligations.

Both the National Treasury and Provincial Treasury have provided support and training to assist municipalities in meeting their reporting requirements. However, should municipalities require further assistance to comply with their reporting obligations, they should contact Provincial Treasury.

It is also the intention of Provincial Treasury to submit a list of those municipalities that are persistently not complying with the MFMA and DoRA reporting requirements to the legislature for their consideration.

The onus rests with the Accounting Officer to ensure that their municipality fully complies with all reporting requirements, failing which the municipality's performance would not be accurately assessed in the Provincial Treasury Quarter Four report and could reflect poor performance.



MR L.S MAGAGULA
HEAD: PROVINCIAL TREASURY

CC MAYORS
Jan Hatting, National Treasury
Herman van Zyl, Auditor-General