



HEAD OF DEPARTMENT

Our Ref: 11/6/13/6
Enquiries: Mr. F. Cassimjee
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**TO: MUNICIPAL MANAGERS
CHIEF FINANCIAL OFFICERS
KWAZULU-NATAL MUNICIPALITIES
KWAZULU-NATAL MUNICIPAL ENTITIES**

PROVINCIAL TREASURY CIRCULAR PT/MF 10 OF 2017/18

SUBMISSION OF THE MONTHLY SCHEDULE C AS PER REGULATION 28 OF THE MUNICIPAL BUDGET AND REPORTING REGULATIONS (MBRR)

Purpose

The purpose of this Circular is to remind municipalities:

- To submit their monthly Schedule C to the Mayor, the National Treasury and the Provincial Treasury as per the requirements of Section 71(1) of the Municipal Finance Management Act (MFMA); and
- To ensure that there is alignment between the monthly Schedule C, Monthly Returns and Data strings submitted to the National Treasury.

Background

This circular relates to the National Treasury's communication sent to all municipalities on 12 February 2018. The communication was regarding the perfect alignment of input forms, regulated Schedules and monthly mSCOA data sets.

Based on the communication, municipalities were expected to have **successfully** submitted their monthly Data strings, their Schedules C and their electronic Section 71 return forms for the period M01 (July 2017) to M06 (December 2017). These three sets of information were expected to perfectly align with each other. The due date of this process was **28 February 2018**.

The following are covered in the Circular:

- (A) Legislative requirements regarding the In-year reporting and monitoring;
- (B) Submission of the monthly Schedule C to the Provincial Treasury;
- (C) Monthly IYM assessments and the Data string verification processes by the Provincial Treasury;
and
- (D) Placement of the monthly Section 71 reports on Municipal Websites.

(A) Legislative requirements regarding the In-year reporting and monitoring

In terms of Section 71(1) of the Municipal Finance Management Act (MFMA), *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.* The municipalities are therefore uploading on monthly basis, the electronic budget returns forms (Monthly Returns) to comply with the submission requirement prescribed above.

Municipalities are also expected to submit their monthly budget statements in the Schedule C format as per Regulation 28 of the Municipal Budget and Reporting Regulations (MBRR) which states that *'the monthly budget statements of a municipality must be in the format specified in Schedule C and include all the required tables, charts and explanatory information.'*

In the light of above, for the 2017/18 financial year, municipalities are required to use Version 6.1 of Schedule C for the submission of a monthly Section 71(1) report to the Mayor, the Provincial Treasury and the National Treasury. The monthly Schedules C must be generated directly from the financial system, therefore the copies of Schedule C reports to be submitted to the Mayor, the Provincial Treasury and the National Treasury should always contain the same set of information and be perfectly aligned.

In line with the Regulation 28 of MBRR, municipalities are also required to submit together with the budget statements indicated above, any other explanatory information. This information is necessary to fully explain the impact of the annual budget on service delivery and the state of financial affairs of the municipality including its municipal entities.

As per the requirement of Regulation 14 of the Municipal Regulations on Standard Chart of Accounts (mSCOA), municipalities are expected to upload their mSCOA Data strings for their budget as well as the monthly performance expenditure reports to the National Treasury portal.

(B) Submission of Schedule C to Provincial Treasury

Besides the normal uploading of the Section 71 reports or returns to the National Treasury local government database (lgdatabase) as indicated earlier, all the 51 delegated municipalities are hereby required to submit a copy of Schedule C report to Provincial Treasury on a monthly basis. The submission of the monthly Schedule C to Provincial Treasury will enable Provincial Treasury to properly conduct a monthly verification process of the Data strings uploaded by municipalities to the National Treasury portal.

Municipalities are also reminded that Regulation 5 of the MBRR, requires that *whenever an annual budget and supporting documentation, an adjustment 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 or C as the case may be and be signed by the Municipal Manager.*

(C) Monthly IYM assessment and Data strings verification processes by the Provincial Treasury

Provincial Treasury extracts information from the National Treasury lgdatabase for the purpose of undertaking the monthly assessments of the Section 71 reports with the following objectives amongst others:

- Improving the quality of information submitted by municipalities;
- Highlight areas of underspending of budgets; and
- Identify financial challenges of municipalities (early warning system).

Upon the receipt of the monthly Schedule C, the Provincial Treasury use this schedule to perform the IYM assessment of Section 71 reports referred above but more importantly, the Schedule C is also used

to verify whether there is perfect alignment of the information between Data strings, and Section 71 returns.

The Provincial Treasury has been communicating feedback on the IYM assessments to all delegated municipalities. Furthermore, municipalities are engaged and supported with a view of rectifying any errors identified on the reports and to address any challenges relating to under spending.

Similar to the IYM process, the Provincial Treasury will be providing feedback to municipalities on the outcome of the verification process of the Data strings. Municipalities will also be engaged and supported accordingly on this process. Kindly refer to attached **Annexure A** below regarding the monthly IYM assessment process as well as the Data strings verification process.

Once the feedback is received from the Provincial Treasury, municipalities are expected to rectify all the errors and discrepancies identified in the following month.

(D) Placement of Section 71 reports on the Municipal Websites

Regulation 29 of the MBRR states that *the Mayor may table in the municipal Council the monthly budget statement submitted to the Mayor in terms of Section 71(1) of the MFMA. 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 addition, Regulation 30(1) of the MBRR states that *the monthly budget statement of the municipality must be placed on the municipality's website.*

In terms of Section 52(d) of the MFMA, *the Mayor of a municipality must, within 30 days of each quarter, submit a report to the Council on the implementation of the budget and the financial state of affairs of the municipality.*

In respect of the tabled monthly budget statements and quarterly reports in the Council as indicated above, municipalities are reminded that Section 75 of the MFMA read together with Regulation 30 of the MBRR requires the Accounting Officer to place all the documents tabled to the Council on the municipal website within 5 days of tabling in order to facilitate public awareness of the monthly budget statements and quarterly reports.

Yours sincerely,



MR L. S. MAGAGULA

HEAD OF DEPARTMENT: PROVINCIAL TREASURY

CC MAYORS

JAN HATTING, NATIONAL TREASURY

TV PILLAY, NATIONAL TREASURY

N MHLONGO, BUSINESS EXECUTIVE - AUDITOR GENERAL (KZN)

ADMINISTRATOR (WHERE APPLICABLE)

Annexure A

The Flow Chart below shows the monthly IYM assessment process and the Data strings verification process.

