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HEAD OF DEPARTMENT

Our Ref: 11/6/13/6

Enquiries: Mr F. Cassimjee

Date:11 June 2018

TO: MUNICIPAL MANAGERS
CHIEF FINANCIAL OFFICERS
KWAZULU-NATAL MUNICIPALITIES

PROVINCIAL TREASURY CIRCULAR PT/MF 13 OF 2017/18

PREPARATION AND SUBMISSION OF FINANCIAL MANAGEMENT GRANT (FMG) SUPPORT PLANS AND SIGNED FMG PERIODIC RETURNS FOR THE 2018/19 FINANCIAL YEAR

The objectives of this Circular is to draw the attention of the Accounting Officer to:

- The requirements regarding the preparation of the 2018/19 FMG Support Plan;
- The various activities that can be included in the 2018/19 FMG Support Plan;
- The urgent need to submit outstanding 2017/18 Support plans;
- The submission process to be followed for 2018/19 FMG signed annual, quarterly and monthly returns; and
- The urgent need to submit outstanding 2017/18 FMG signed quarterly and monthly returns.

FMG support plan

Section 12(1) of the Division of Revenue Bill of 2018 (DoRB) requires the receiving officer of a Schedule 5 allocation (all FMG allocations are classified as Schedule 5 allocations) to ensure compliance with the relevant framework. The FMG reporting framework included in the 2018 DoRB specifies that:

- The FMG Support Plan should identify weaknesses in financial management, which are planned to be addressed through the grant allocation; and
- The FMG Support Plan must be submitted timeously to the relevant Provincial Treasury and National Treasury.

Each municipality is reminded that even though the FMG framework specifies that a portion of the FMG funding should be used for remunerating at least five interns who must be appointed over a multi-year period, this however is not the only purpose for which the FMG allocation may be used. The FMG framework mentions the following examples of additional activities as per the framework which can be undertaken with the FMG allocation funding:

• Strengthen capacity and up-skilling officials in the Budget and Treasury Office (BTO), Internal Audit and Audit Committees;

- Acquisition, upgrade and maintenance of financial management systems to produce multi-year budgets, in-year reports, Service Delivery and Budget Implementation Plans, Annual Financial Statements, annual reports and automated financial management practices including the municipal Standard Chart of Accounts;
- Support the training of municipal officials in financial management towards attaining the minimum competencies;
- Support the preparation and timely submission of annual financial statements for audits.
 Technical support to municipalities must include the transfer of skills to municipal officials;
- Support implementation of corrective actions to address root causes/audit findings in municipalities that received adverse and disclaimer opinions;
- The preparation of a financial recovery plan and the implementation thereof, where appropriate; and
- Implementation of financial management reforms and address shortcomings identified in the Financial Management Capability Maturity Model (FMCMM) Assessment report.

The above activities are catered for in the Support Plan template (Annexure 1). A municipality can therefore formulate a plan to address audit or FMCMM findings and choose to fund the activities in the plan from the FMG allocation, by specifying the activities in the 2018/19 Support Plan.

National Treasury had requested all municipalities to submit their 2018/19 FMG support plans by 13 April 2018, as per correspondence from National Treasury sent to municipalities on 27 March 2018. It has been noted that only a few municipalities have complied with this request. This implies that the majority of municipalities failed to submit their 2018/19 Support Plans timeously as specified in the FMG framework. All municipalities are thus requested to submit their 2018/19 FMG Support Plan by Friday 15 June 2018 in order to avoid placing their future grant allocations in jeopardy.

Annual, Quarterly and Monthly report requirements

It has been noted that many municipalities fail to submit their signed FMG reports to Provincial Treasury even though they might have submitted the reports to National Treasury. Section 12 of the 2018 DoRB specifies the following reporting requirements for all municipalities:

- Section 12(2)(b) states that a municipality, as part of the report required in terms of section 71 of the Municipal Finance Management Act, report on the matters referred to in subsection (4) [which specifies the format of the grant report] and submit a copy of that report to the relevant Provincial Treasury, the National Treasury and the relevant transferring officer; and
- Section 12(2)(c) states that a province or municipality, submit a quarterly non-financial performance report within 30 days after the end of each quarter to the transferring officer and the relevant Provincial Treasury; and
- Section 12(5) states that the receiving officer must evaluate the financial and non-financial performance of the provincial department or municipality, as the case may be, in respect of programmes partially or fully funded by a Schedule 5 allocation and submit such evaluation to the transferring officer and the relevant provincial treasury within two months after the end of the 2018/19 financial year applicable to a provincial department or a municipality, as the case may be.

In terms of the above all municipalities must submit all monthly, quarterly and annual FMG performance evaluation reports to Provincial Treasury in addition to submitting these reports to National Treasury.

Conclusion

Municipalities are kindly requested to comply with this legislative requirement for the 2018/19 financial year. All municipalities are thus requested to **immediately** submit their 2018/19 FMG Support Plans. Furthermore, municipalities will have to submit the 2018/19 FMG signed monthly reports, 2018/19 FMG signed Quarterly reports and their 2018/19 FMG signed Annual Performance Evaluation Report to Provincial Treasury in addition to submitting these reports to National Treasury.

Furthermore, where a municipality has failed to submit any 2017/18 FMG financial year report, the municipality should **urgently** submit this report to National Treasury and also send a copy of that report to Provincial Treasury in order to ensure compliance with the DoRB.

Municipalities must seek to remedy any non-compliance by submitting any outstanding FMG Support Plans or reports to fmg@treasury.gov.za as well as the relevant Provincial Treasury analyst by Friday 15 June 2018.

Failure to ensure compliance by Friday 15 June 2018 might affect your municipality's future FMG allocations.

Yours sincered

MR L.S. MAGAGULA

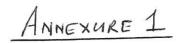
HEAD OF DEPARTMENT: PROVINCIAL TREASURY

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Financial Management Grant (FMG) Support Plan

2018/19 Financial Year

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Financial Management Grant (FMG) Support Plan

2018/19 Financial Year

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