



HEAD OF DEPARTMENT

Enquiries: Mr. F. Cassimjee

Date: 25 March 2020

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

PROVINCIAL TREASURY CIRCULAR PT/MF 12 OF 2019/20

2020/21 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) BUDGET PREPARATION

The objectives of this circular are:

- A. To inform municipalities that the provincial allocations (preliminary allocations) for the 2020/21 MTREF previously shared with municipalities are currently being gazetted;
- B. To remind municipalities about the verification process and emphasise the need to ensure that non-financial information for the 2020/21 MTREF Budget are accurately and fully disclosed in Schedule A1 for the full seven year horizon;
- C. To remind municipalities of the preparation of their 2020/21 MTREF Budgets in Version 6.4.1 of the mSCOA classification framework;
- D. To advise municipalities on the change with regards to engagements; and
- E. To remind municipalities of the submission requirements of the 2020/21 MTREF Budgets.

This circular should be read together with National Treasury MFMA Circular No. 99 and MFMA Circular No. 98 as well as Provincial Treasury Circular PT/MF 10 of 2019/20 on the 2020/21 MTREF Budget.

A. Provincial allocations to municipalities

The 2020/21 Budget for the KwaZulu-Natal Province was tabled in the Provincial Legislature on 06 March 2020. The Provincial Gazette confirming the provincial allocations to municipalities is currently being finalized and municipalities have been provided with the preliminary provincial allocations for the preparation of their 2020/21 Draft Budgets by the Provincial Treasury. The Provincial Gazette will be distributed to municipalities once it is available.

B. Verification process

National Treasury annually publishes the financial information contained in the municipalities' Approved Budgets. A budget verification exercise have already begun to confirm that the information contained in the electronic returns submitted to the National Treasury LG Database agrees to the audited Annual Financial Statements (AFS). In addition, a budget verification process will be conducted by Provincial and National Treasury to confirm that the data strings submitted to National Treasury agrees to the Council approved 2019/20 Adjustments Budget and the 2020/21 Approved Budget.

It should be noted that as per MFMA Circular No. 98, the verification period of all municipal budgets has been brought forward to 31 May 2020 to 30 June 2020. This is significantly earlier than previous financial years where the verification process was finalised during September. During the one month period in June 2020, National and Provincial Treasuries are required to evaluate all municipal budgets for completeness and funding. This enables any required changes to be done before the start of the municipal financial year on 01 July 2020.

The timeous conclusion of the Budget verification on 30 June 2020 is also dependent on the timeous conclusion of the audited AFS verification. It has been noted that despite the conclusion of the audit process for most municipalities on 01 December 2019 however, up to 23 March 2020, some municipalities had still not submitted electronic returns related to their audited results. Municipalities are urgently required to respond to requests from their designated Provincial Treasury Budget Analysts and submit all outstanding returns immediately.

C. Budget Preparation Process

While the 2020/21 Budget preparation details were included in MFMA Circular No. 99, MFMA Circular No. 98 and Provincial Treasury Circular PT/MF 10 of 2019/20, Provincial Treasury would like to **emphasise** the following details:

- Version 6.4.1 of the chart is effective from the 2020/21 financial year and **must be** used to compile the 2020/21 MTREF Budget. **It is imperative that all municipalities prepare their 2020/21 MTREF Budgets in their financial systems and that the Schedule A1 be produced directly from their financial systems.**
- Municipalities are reminded to use the Budget Preparation Checklist included in Provincial Treasury Circular PT/MF 10 of 2019/20 dated 16 March 2020 to assess the extent to which the budget complies with the requirements of the MFMA and the MBRR.

D. Engagements

Due to the current situation in the country, the Provincial Treasury will not be visiting municipalities to engage on any matters at this stage.

E. Budget Submission Process

Municipalities are reminded to use the submission details for the 2020/21 Budgets which were included in MFMA Circular No. 99, MFMA Circular No. 98 and Provincial Treasury Circular PT/MF 10 of 2019/20.

As per MFMA Circular No. 99, National Treasury will issue a full guideline in due course to explain the process and outline which documents will be required to upload.

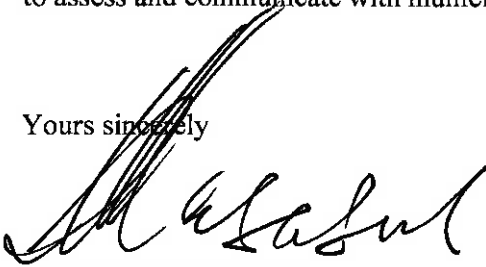
The documents that must be submitted are:

- The budget documentation as set out in Schedule A (version 6.4.1) of the MBRR, including the main Tables (A1 – A10) and ALL the supporting tables (SA1 – SA38) in both printed (PDF) and electronic format (excel and/or word documents);
- The draft Service Delivery and Budget Implementation Plan in both printed (PDF) and electronic format (excel and/or word documents);
- The draft Integrated Development Plan (IDP);
- The Procurement Plan;
- The Council resolution;
- The signed Quality Certificate as prescribed in the MBRR;
- The budget locking certificate; and

- D schedules specific for the entities.

Having noted the current situation, municipalities are reminded of their obligation to submit documents where they are able to as the Provincial Treasury Municipal Finance Management staff will be available to assess and communicate with municipal officials telephonically and electronically.

Yours sincerely



Mr. LS Magagula
HOD: KZN Provincial Treasury

CC MR. R. PILLAY – MEC FOR FINANCE
MAYORS
ADMINISTRATORS
MR. J. HATTINGH, NATIONAL TREASURY
MR. T.V PILLAY, NATIONAL TREASURY
MS. N. MHLONGO, BUSINESS EXECUTIVE, KZN AUDITOR-GENERAL