



PROVINCIAL TREASURY

Provincial Government of the Western Cape

LOCAL GOVERNMENT FINANCE

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TREASURY CIRCULAR MUN 25 OF 2010

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THE MAYOR, BERGRIVIER MUNICIPALITY: MR J LIEBENBERG
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR J SKEI
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN
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THE MAYOR, BREEDE RIVER/WINELANDS MUNICIPALITY: MR SJ NGONYAMA
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THE MAYOR, SWELLENBAM MUNICIPALITY: MR J JANSEN
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THE MAYOR, HESSEQUA MUNICIPALITY: MR CP TAUTE
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THE MAYOR, OUDTSHOORN MUNICIPALITY: MS D DE JAGER
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THE MAYOR, KNYSNA MUNICIPALITY: MS E BOUW-SPIES
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THE MAYOR, PRINCE ALBERT MUNICIPALITY: MS M BENJAMIN
THE MAYOR, BEAUFORT WEST MUNICIPALITY: MS J JONAS

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THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR J BOOYSEN

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THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR M CUPIDO (ACTING)
THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR K JORDAAN
THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR D LOTT
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THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR D LOUW

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)
THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)
THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR TC ARENDSE) (ACTING)
THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)
THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)
THE HEAD: FINANCIAL GOVERNANCE (MR A REDDY) (ACTING)
THE HEAD: ASSET MANAGEMENT (MR TD PILLAY)
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THE CHIEF FINANCIAL OFFICER (MR A GILDENHUY)
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THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT (MR T MADONDILE) (ACTING)
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THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)
THE HEAD: OFFICE OF THE MINISTRY (MS A SMIT)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT

THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS - NATIONAL TREASURY (MR J HATTINGH)

IN-YEAR MONITORING (IYM) REPORTS: BUDGET IMPLEMENTATION – 2010/11 MUNICIPAL FINANCIAL YEAR

1. Purpose

- 1.1 The purpose of this circular is to formally inform municipalities on the format of the In-year monitoring reports which need to be submitted to the Provincial Treasury, National Treasury and the Executive Mayor, in accordance with Section 71 of the Municipal Finance Management Act , Act 56 of 2003 (MFMA) for the month ending July 2010.

2. Background

- 2.1 Section 71 of the MFMA stipulates 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 reflecting the financial performance for that month and for the financial year up to the end of that month.
- 2.2 On 17 April 2009, the Minister of Finance promulgated the Municipal Budget and Reporting Regulations (Government Gazette 32141). These regulations were applicable to all municipalities as from 1 July 2009.
- 2.3 National Treasury indicated in MFMA Circular 51 dated 19 February 2010 as well as during the subsequent LG MTEC 2 engagement that was held on 5 March 2010, that all municipalities must prepare budgets, adjustments budgets and in-year reports for the 2010/11 financial year in accordance with the Municipal Budget and Reporting Regulations. In this regard, municipalities must comply with both the reporting schedules which includes :
 - The formats set out in Schedules A, B and C; and
 - The relevant attachments to each of the Schedules (the Excel Formats).

- 2.4 Furthermore, it was also communicated that If a municipality fails to prepare its budget, adjustments budget and in-year reports in accordance with the relevant formats, the National Treasury and Provincial Treasury will amongst others take the following actions:
- The municipality will be required to resubmit their documentation in the regulated format by a date determined by the National Treasury;
 - The municipality's non-compliance with the required formats will be reported to the Auditor-General; and
 - A list of municipalities that fail to comply with the required formats will be tabled in Parliament and the Provincial Legislature.

3. Discussion

- 3.1 To facilitate the implementation of the Regulations, the new Budget Formats and the Funding Compliance Procedure, National Treasury together with the Provincial Treasury as part of their support to municipalities held several provincial and district workshops including quarterly information sessions during the Municipal CFO Forum since December 2008 of which the last information session was held during the LG MTEC 2 meeting on 5 March 2010. This was done in order to prepare all 30 municipalities in the Province for full compliance.
- 3.2 The objective of the afore-mentioned capacity-building initiatives was to create an extensive awareness of this reform but also to eliminate impending non-compliance in the preparation of the 2010/11 MTREF budgets and subsequent in-year reports.
- 3.3 Mindful of the fact that it will take time to achieve full compliance with both the letter and spirit of the new formats and tables for municipal budgets, adjustments budgets and in-year reports, National Treasury advised in MFMA Circular 51 that both the current return forms as well as the aligned return forms to the Budget and Reporting regulations will be allowed for the next 2 years after which only the aligned version of the electronic returns will be accepted as the source for publication of municipal budget performance.
- 3.4 This effectively means that when Municipalities report to the Treasury in accordance with Section 71 of the MFMA, municipalities are still required to use the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database. At the same time, it will also facilitate the publication of a standardised consolidated report in respect of municipal budget performance.

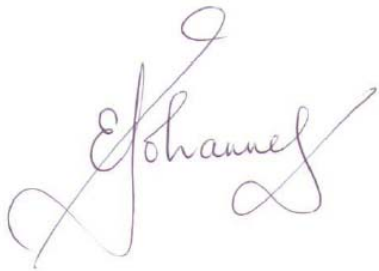
4. Way forward

- 4.1 The Appendix B returns forms that are submitted to the LG database remain in place and are still the source of the S71 publications and the Annual Budget publication.
- 4.2 The Appendix B returns have been aligned to the Regulation formats (with reference to the GFS classification) and can be downloaded from National Treasury's website at the following link:
http://www.treasury.gov.za/legislation/mfma/return_forms/default.aspx
- 4.3 Municipalities may use the new App B returns from 1 July 2010 (preferably) or may still submit information on the old App B to lgdatabase@treasury.gov.za. However, municipalities are reminded to use the same reporting format in a municipal financial year. The National and Provincial Treasury will accept the old format App B only for the next 2 years after which municipalities will have to switch to the new regulation formats.
- 4.4 Municipalities are however encouraged to move to the aligned reporting format as soon as possible, before the expiry of the two year window.
- 4.5 The formats contained in Schedule C of the Municipal Budget and Reporting Regulations are summaries of the Section 71 information that must be used to report to Council.
- 4.6 Municipalities are welcome to submit copies of the Schedules C reports to the National and Provincial Treasuries by submitting them to lgdocuments@treasury.gov.za. The schedules will be used to verify the municipality's Section 71 information submitted to the Local Government database. For the 2010/11 municipal financial year, the National and Provincial Treasury will publish tables similar to the Schedule C reports using the Appendix B submissions.

4.7 If you have any further enquiries, please do not hesitate to contact the relevant officials at the National and Provincial Treasuries:

National Treasury:	Provincial Treasury:
1. Mrs Elsabe Rossouw Tel: 012 – 315 5534 E-mail: Elsabe.Rossouw@treasury.gov.za	1. Mr Elton Johannes Tel: 021 – 483 4229 E-mail: mfma@pgwc.gov.za
2. Mrs Kavitha Ruplal Tel: 012 – 315 5700 E-mail: Kavitha.Ruplal@treasury.gov.za	2. Mr Msimelelo Slgabi Tel: 021 – 483 4101 E-mail: mfma@pgwc.gov.za

Yours faithfully



MR EJ JOHANNES
ACTING SENIOR MANAGER: LOCAL GOVERNMENT FINANCE
DATE: 14 JULY 2010