
SECTION 71

Reporting Guideline

July 2013



national treasury

Department:
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REPUBLIC OF SOUTH AFRICA

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1 Summary of the new reporting requirements for 2013/14

1.1 Consolidation of municipal entities

Municipalities are reminded that the Municipal Budget and Reporting Regulations (MBRR) apply to all municipalities and municipal entities as from 1 July 2009.

With effect from 1 July 2011, municipalities that have municipal entities must submit their **consolidated** annual budget, **consolidated** adjustment budgets and **consolidated** quarterly financial information to the National Treasury Local Government Database.

In addition, the Schedule A1 that the municipality submits to National Treasury must be the consolidated budget for the municipality (plus entities) and not only the budget of the parent municipality. This is to ensure that there is consistency in reporting not only across municipalities, but also in respect of the individual municipality with municipal entities.

All municipal entities must budget and report monthly as per the prescribed formats in the MBRR. The entity's D Schedule, budget document and signed quality certificate must be submitted to lgdocuments@treasury.gov.za with the budget documentation of the parent municipality. Monthly reporting on the F Schedule by the entity must be submitted with the C Schedule of the parent municipality.

1.2 New electronic returns for Section 71 and other publications

Four new returns will be required to be submitted by all municipalities from 1 July 2013 and onwards. These are:

Monthly return

AD – the new template provides for the unbundling of government, commercial and household debtors as well as reporting the interest on arrear accounts and recoverable unauthorized, fruitless and wasteful expenditure separately.

Quarterly return

IM – Investment return will require municipalities to list all investment detail which will in future be included in the Section 71 publications.

Yearly returns

ACA – Audited creditor age analysis

ADA – Audited debtors age analysis

The above two annual returns will be submitted twice a year to the Local Government Database and Reporting System with pre-audit and audited figures.

1.3 Enhanced treatment of financial information

Property Rates

As indicated in the latest budget circulars released, municipalities must ensure to capture all property rates related information and revenue forgone for property rates only in the Budget and Treasury Office standard classification function. Any returns containing property rates information in other functions will be rejected from 1 July 2013 onwards.

This will ensure uniform treatment of property rates by all municipalities and will assist the ring-fencing of revenue forgone relate to property rates for all publications.

Repairs and Maintenance

All municipalities are required to report on repairs and maintenance on two electronic returns:

Capital Acquisition returns and the RME return

As repairs and maintenance is operating expenditure and already included in the overall revenue and expenditure reporting (Statement of financial performance), the two returns mentioned enables publications and analysis to ring fence the portion spent on repairs and maintenance and to determine on which asset it was spent as well as which resources were utilised.

Municipalities must ensure that the figures reported on the two returns reconcile.

Contributions recognised – capital

Although this line item appears in the MBRR schedules, the current electronic input form for the Statement of Financial Performance does not make provision for it. Municipalities are advised to use the 'Other' line item to submit this information to the database. This problem will be dealt with once the SCOA for local government is implemented.

2 Submissions to the National Treasury

2.1 Submitting budget documentation and schedules

The municipal manager must submit:

- the budget documentation as set out in Schedule A of the Municipal Budget and Reporting Regulations (MBRR), including the main tables (A1 - A10) and all the supporting tables (SA1 – SA37) in both printed and electronic format (Excel);
- the draft service delivery and budget implementation plan in both printed and electronic format;
- in the case of approved budgets, the council resolutions;
- the quality certificate signed by the Municipal Manager as prescribed in the MBRR; and
- The budget locking certificate signed by the Municipal Manager that confirms that the adopted budget has been correctly captured into the financial system of the municipality.

Municipalities are required to send electronic versions to lgdocuments@treasury.gov.za.

If the budget documents are too large to be sent via email, arrangements must be made with Elsabe Rossouw (email: Elsabe.Rossouw@treasury.gov.za) to download the files from the municipality's website or alternatively the municipality can use the following e-mail address: lgbigfiles@gmail.com .

Municipalities are required to send printed submissions of their budget documents and council resolutions to:

For couriered documents

Ms Linda Kruger
National Treasury
Local Government Budget Analysis
3rd Floor
40 Church Square
Pretoria, 0002

For posted documents

Ms Linda Kruger
National Treasury
Local Government Budget Analysis
3rd Floor
Private Bag X115
Pretoria, 0001

2.2 Submission of budget returns to the Local Government Database and Reporting System

For all publication purposes, municipalities are still required to use the Budget Reform Returns to upload budget and monthly expenditure to the Local Government Database and Reporting System. Note that since 2010/11 the use of old return forms is not permitted anymore. As from 1 July 2011 all municipalities should have migrated to the regulation aligned version of the electronic returns. All returns must be sent to lqdatabase@treasury.gov.za.

The new aligned electronic returns may be downloaded from National Treasury's website at the following link: http://mfma.treasury.gov.za/Return_Forms/Pages/default.aspx.

The following returns must be submitted to lqdatabase@treasury.gov.za on or before 20 July each year:

OSB	Statement of Financial Performance
CA	Budgeted Capital Acquisition
CFB	Budgeted Cash Flow
GSR	Grants and Subsidies Received
GSG	Grants and Subsidies Given
SP	Strategic Plan with links to budget
AM	Asset Management
BS	Budgeted Balance Sheet

These returns MUST correspond to the budget adopted by council. The alignment will be checked against the adopted budget document, the A1 schedule submitted in Excel and the electronic returns submitted to the Local Government Database and Reporting system.

The adopted budget will be the departure point for reporting. To ensure that correct numbers are captured in the database and subsequently published, the Schedule A1 budgets as adopted by Council must correspond with the budget information lodged using the Budget Return Forms. Because of inconsistencies, there will be a verification process during which municipalities are required to change the information they submitted on their Budget Return Forms until it is consistent with the information in the adopted budgets. Municipalities are not allowed to change the adopted budget numbers under any circumstances unless done by means of an adjustments budget.

Any discrepancies will have to be resolved by the latest middle October of each year. The director and / or analyst responsible for your municipality will contact you in this regard.

Contact detail of responsible directors:

Eastern Cape – Templeton Phogole (012) 315- templeton.phogole@treasury.gov.za

Free State – Vincent Malepa (012) 315-5539 vincent.malepa@treasury.gov.za

Gauteng – Nozipho Molikoe (012) 315-5662 nozipho.molikoe@treasury.gov.za

KwaZulu-Natal – Bernard Mokgabodi (012) 315-5936 bernard.mokgabodi@treasury.gov.za

Limpopo – Una Rautenbach (012) 315-5700 una.rautenbach@treasury.gov.za

Mpumalanga – Jordan Maja (012) 315-5663 jordan.maja@treasury.gov.za

Northern Cape – Willem Voigt (012) 315-5850 willem.voigt@treasury.gov.za

North West – Willem Voigt (012) 315-5850 willem.voigt@treasury.gov.za

Western Cape – Vuyo Mbunge (012) 315-5661 vuyo.mbunge@treasury.gov.za

2.3 Publication of budgets on municipal websites

In terms of section 75 of the MFMA all municipalities are required to publish their budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will assist in promoting public accountability and good governance.

All relevant documents mentioned in the above circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Pages/Default.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

2.4 Verification process before quarterly publication

Municipalities are receiving automated control reports on a monthly base that will show them the following:

1. Outstanding returns;
2. Year-to-date monthly figures;
3. Year-to-date grant expenditure; and
4. Summarised C schedules based on the electronic returns submitted to the Local Government Database and Reporting system.

By closely monitoring these control reports, municipalities can be pro-active regarding outstanding submissions and incorrect financial information submitted. By comparing the control C schedules to the C schedules presented to council, system population errors or procedural mistakes can also be identified.

Before publishing the quarterly Section 71, the National Treasury will prepare the publication reports and submit them to the municipalities for verification and signature. Should municipalities detect errors in the publication reports, they can rectify the publication figures by resubmitting the relevant electronic returns to lgdatabase@treasury.gov.za. Once these submissions are processed (at the end of the day at about 16h00), new publication reports will be issued and returned to the sender of the changes. It is the responsibility of the recipient of the amended publication reports to check that they are now correct and to get the Municipal Manager and Chief Financial Officer to sign the reports.

Note that municipalities are required to sign the quarterly summaries for Section 71 financial information, the Conditional Grants and the Loan instruments. From 1 July 2013 onwards, signing the list of investments submitted will also be compulsory.

Municipalities therefore have a 2 week grace period after the due date of the last monthly submissions to check and rectify information submitted. On the closing date of the verification period, the publication figures are locked into the Local Government Database and Reporting System and will become available to provincial treasuries to prepare their publications as well. Focusing all energy on getting the correct information to a single source will benefit all users of the database.

The reported spending by National Departments is collected from the departments themselves. Any disagreements with these figures in the Section 71 Conditional Grant publication must be taken up with the respective departments.

2.5 Monthly Section 71 reporting

There have been a number of enquiries as to what constitutes monthly reporting. In this regard, the following are further explained:

1) The Municipal Manager (Accounting Officer) must prepare a monthly financial report in accordance with Schedule C of the Municipal Budget and Reporting Regulations. This is done in a 'Word' document with prescribed content supported by the prescribed Schedule C Excel tables. The Municipal Manager must then submit these reports and the Schedule C Excel tables to the Mayor, and to the National Treasury as well as the relevant provincial treasury;

2) Every quarter the Mayor is required to table the quarterly financial information in Council (in terms of Section 52(d) of the MFMA). This information also has to be in the format of Schedule C as prescribed;

3) The Municipal Manager must submit the relevant monthly Budget Return Forms (Appendix B) to the lqdatabase@treasury.gov.za. The detailed information as submitted to the local government database is compiled into the Schedule C format. This format, as well as the detailed information, is sent to the provincial treasuries and municipalities for their information on a monthly base as control reports;

4) The provincial treasuries must then publish the monthly financial information in terms of section 71 of the MFMA; and

5) National Treasury aggregates the monthly financial information, requires municipalities to verify and sign-off on it, and then publishes the information on a quarterly basis. This is done in accordance with section 71 of the MFMA and 30(3) of the 2012 Division of Revenue Act.

Only the return forms aligned with the Municipal Budget and Reporting Regulations (MBRR) will be accepted. The formats can be located on the National Treasury Website at the following link:

http://www.treasury.gov.za/legislation/mfma/reg_gaz/munbudreg/budformat%20without/

And

http://www.treasury.gov.za/legislation/mfma/return_forms/default.aspx

National Treasury has succeeded in bringing all 278 municipalities into the quarterly reporting net. To facilitate improvements in the quality of in-year reports, National Treasury has introduced the following measures:

- 1) The principal of signing-off on publication reports before actual publication;
- 2) Publishing the Section 71 information on a quarterly basis for all municipalities; and
- 3) Publishing Section 71 information together with Conditional Grant information as part of one process.

The reports actually tabled in Council (in the C Schedule format) must also as a routine matter be made available to national and provincial treasuries to check whether the numbers reported are exactly the same as those reported as part of the IYM process. Monthly C Schedules must be submitted to lgdocuments@treasury.gov.za.

National Treasury has developed a Standard Chart of Accounts (SCOA) for municipalities which has been extensively consulted and is currently being regulated. The SCOA will facilitate further improvements in the quality and standardisation of financial information. A pilot will be run to test the classification system before municipalities will be asked to implement the general ledger structures and business processes prescribed. The reporting requirements and the collection of municipal information will be aligned with the SCOA once implemented.

2.6 Publication formats

To provide you with a sense of how the information will be published by the National Treasury on a quarterly basis for the municipal financial year, we have prepared templates which are available at:

http://www.treasury.gov.za/legislation/mfma/media_releases/section_71_PT_1011/default.aspx

All provincial treasuries **must** ensure that they use these templates when they publish their monthly Section 71 reports. These formats are also available on the Local Government Database and Reporting System to which all provincial treasuries have access. This is to ensure consistency and comparability across all provinces. However, provincial treasuries may use different formats when aggregating the information for other forms of reporting and oversight, for instance reporting to their respective EXCO's.

2.7 Monthly reporting

The following returns must be submitted to lgdatabase@treasury.gov.za not later than 10 working days after the end of each month:

AC	Age Analysis of Creditors
AD	Age Analysis of Debtors (ensure that you use the new AD return providing for the unbundling of debt by Organs of State, households and commercial enterprises
CFA	Cash Flow Actuals
CAA	Capital Acquisition Actuals
OSA	Statement of Financial Performance Actuals
BSAC	Balance Sheet Actuals (this is a snapshot of municipal finances at the end of the month)
RME	Repairs and Maintenance operating actuals (this is a new return similar to the grant returns used and concentrates only on any operating expenditure incurred for R&M during the month of reporting).

Municipalities should only use and submit returns for grants as allocated in the Division of Revenue Gazette.

Please note that both FMG returns must be completed and submitted monthly. Do not combine the returns in the same e-mail and send them both to all e-mails.

FMG	Finance Management Grant (performance new template) must be submitted to FMG@treasury.gov.za Note that the monthly performance FMG template must be signed and also submitted to this e-mail.
	Finance Management Grant (Section 71old version or shortened version) must be submitted to lqdatabase@treasury.gov.za and feeds into the Section 71 publications Note that no signed copy of this template is required as municipalities are afforded the opportunity to verify and sign the figures during the Section 71 process.

Other conditional grants:

DRG	Drought Relief Grant
MDRG	Municipal Drought Relief Grant
EEDG	Energy Efficiency and Demand Management Grant
INEG	Integrated National Electrification Program Grant
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems Improvement Grant
NDPG	Neighbourhood Development Partnership Grant
PTIG	Public Transport Infrastructure and Systems Grant
RTSG	Rural Transport Services and Infrastructure Grant
WSOG	Water Services Operating Subsidy Grant
ISDG	Infrastructure Skills Development Grant
PWPG	Expanded Public Works Programme Integrated Grant

Note that no signed copy of this template is required as municipalities are afforded the opportunity to verify and sign the figures during the Section 71 process.

2.8 Reporting on Rollovers for unspent conditional grants

In terms of section 20 of the Division of Revenue Act (Act No. 6 of 2011), the National Treasury is required to approve any rollover requests from conditional allocations to the next financial year. These rollovers requests from either the national transferring officers or municipalities must comply with the provisions stated in the Division of Revenue Act and Circulars No. 51 and 55 of MFMA.

With regards to approved rollover requests, the National Treasury will issue a separate reporting template in order to ensure that spending of these unspent conditional grants occur and is being monitored during the year of implementation. The spending performance of the rollovers should be separated from the normal reporting processes for the current year's gazetted allocations during the course of the year.

Once you have received your letter informing you of your approved rollovers, contact lqdataqueries@treasury.gov.za to obtain your rollover template for the year. The template

makes provision for reporting on all 12 months of the year and should be used by simply adding each monthly figure during the year.

2.9 Quarterly reporting

The following returns must be submitted to lgdatabase@treasury.gov.za no later than 24 working days after the end of each quarter:

BM	Borrowing Monitoring (ensure that you use the new format making provision for Bonds as well)
IM	Investment monitoring (ensure that you use the new template from 1 July 2013 onwards)
LTC	Long Term Contracts
ME	Municipal Entities
MF1	MFMA Implementation Priorities

2.10 Bi-annual reporting

The following returns must be submitted to lgdatabase@treasury.gov.za no later than 24 working days after the end of each semester:

COM	Minimum Competency Levels
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2.11 Reporting on pre-audited and audited figures

Once the Annual Financial Statements have been prepared by 31 August, municipalities are required to submit these pre-audited figures to the Local Government database. This submission will be repeated when the municipality receives the audit results from the Auditor General after 1 December and again when/if the municipality restate the audit figures during the preparation of the next year's Annual Financial Statements. The pre-audited and audited figures will be stored in the Local Government database in the different periods based on the date of submission. Please note that exactly the same returns must be used for submission to the database.

If you miss the pre-audit period of reporting or cannot submit them before 30 November, figures on submitted returns will be captured as audited figures.

The following returns must be submitted twice to lgdatabase@treasury.gov.za :

Pre-audit figures: 31 August to 30 November

OSAA	Statement of Financial Performance Audited
CAAA	Capital Acquisition Audited
CFAA	Cash Flow Audited
BSA	Balance Sheet Audited
ACA	Audited aging creditor figures
ADA	Audited aging debtor figures

Audited figures: when you receive your audited figures from 1 December onwards
Use the same returns as stipulated in the table above and use exactly the same naming convention.

2.12 Adjusted Budget

Reporting on Adjusted Budgets must be handled similarly to the Adopted Budget except that in this case the prescribed **Schedule B** must be used. The supporting documentation (Adjusted budget document, signed quality certificate and council resolution) must be submitted in hard and electronic copy to the National Treasury and the relevant provincial treasury within 10 working days after the adjustment budget has been approved by council.

The following returns must also be submitted to lgdatabase@treasury.gov.za within the 10 working days framework:

OSR	Statement of Financial Performance Revised
CAR	Capital Acquisition Revised budget
CFR	Cash Flow Revised budget
BSR	Balance Sheet Revised Budget

3 General guidelines

Provincial Treasuries are required to publish monthly Section 71 reports for their provinces within 30 days after the end of each month. In this regard, municipalities are encouraged to allow a maximum of 5 working days for month end transactions and reconciliations after which the month must be LOCKED to prevent any further transactions BEFORE running and submitting the reports to National Treasury. This will ensure that the Provincial Treasury and National Treasury publications are aligned and will increase the reliability and credibility of figures produced from the financial systems.