

MPUMALANGA PROVINCIAL GOVERNMENT

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Department of Finance

Litiko LeteTimali

UmNyango weZeemali

Departement van Finansies

Kgoro ya Matlotlo

Enquiries: Ms B Gungisa
Tel.:

PROVINCIAL TREASURY CIRCULAR NO. 14 of 2011

THE MUNICIPAL MANAGER, EHLANZENI DISTRICT: MR H MBATHA
THE MUNICIPAL MANAGER, THABA CHWEU MUNICIPALITY: MR LCB RALEBIPI
THE MUNICIPAL MANAGER, NKOMAZI MUNICIPALITY: MR MR MKHATSHWA
THE MUNICIPAL MANAGER, NKANGALA DISTRICT: MR TC MAKOLA
THE MUNICIPAL MANAGER, STEVE THSWETE MUNICIPALITY: MR W FOUCHE
THE ADMINISTRATOR, THEMBISILE MUNICIPALITY: MR V KUBHEKA
THE MUNICIPAL MANAGER, EMAKHAZENI MUNICIPALITY: MR O NKOSI
THE MUNICIPAL MANAGER, GERT SIBANDE DISTRICT: MR MA NQOBO
THE MUNICIPAL MANAGER, GOVAN MBEKI: DR LH MATHUNYANE
THE MUNICIPAL MANAGER, MSUKALIGWA MUNICIPALITY: MR TBW DLAMINI
THE ADMINISTRATOR, LEKWA MUNICIPALITY: MR JI SINDANE
THE MUNICIPAL MANAGER, DIPALESENG MUNICIPALITY: MR P MALEBYE
THE MUNICIPAL MANAGER, PIXLEY KA SEME MUNICIPALITY: MR MNGOMEZULU
ACTING MUNICIPAL MANAGER, UMJINDI MUNICIPALITY: MS S MNISI
ACTING MUNICIPAL MANAGER, BUSHBUCKRIDGE MUNICIPALITY: MR A MAPAILE
ACTING MUNICIPAL MANAGER, MKHONDO MUNICIPALITY: MR KE MPUNGOSE
ACTING MUNICIPAL MANAGER, EMALAHLENI MUNICIPALITY: MR R MUKONDELELI
ACTING MUNICIPAL MANAGER, DR JS MOROKA: MR BTJ MABENA
ACTING MUNICIPAL MANAGER, VICTOR KHANYE MUNICIPALITY: MR S WEBER
ACTING MUNICIPAL MANAGER, ABERT LUTHULI: MR VN MPILA
ACTING MUNICIPAL MANAGER, MBOMBELA MUNICIPALITY: MS N MTHEMBU

THE CHIEF FINANCIAL OFFICER, BUSHBUCKRIDGE MUNICIPALITY: MR E NYALUNGU
THE CHIEF FINANCE OFFICER: STEVE TSHWETE MUNICIPALITY: MR F NAUDE
THE CHIEF FINANCE OFFICER, VICTOR KHANYE: MRS H BOTES
THE CHIEF FINANCE OFFICER, GERT SIBANDE MUNICIPALITY: MR A SINGH
THE CHIEF FINANCE OFFICER, GOVAN MBEKI MUNICIPALITY: MR JM MOKGATSI
THE CHIEF FINANCE OFFICER, ALBERT LUTHULI MUNICIPALITY: MR K NHLABATHI
THE CHIEF FINANCE OFFICER, MSUKALIGWA MUNICIPALITY: MR D BOERS
THE CHIEF FINANCE OFFICER, MKHONDO MUNICIPALITY: MR M MPHELO
THE CHIEF FINANCE OFFICER, DIPALESENG MUNICIPALITY: MS J LUUS
THE CHIEF FINANCE OFFICER, PIXLEY KA SEME MUNICIPALITY: MR JA LINDE



ACTING CHIEF FINANCE OFFICER, EHLANZENI DISTRICT: MR W KHUMALO
ACTING CHIEF FINANCE OFFICER, UMJINDI MUNICIPALITY: MR C VAN DER WESTHUIZEN
ACTING CHIEF FINANCE OFFICER, THABA-CHWEU MUNICIPALITY: MR G LANDMAN
ACTING CHIEF FINANCE OFFICER, NKOMAZI MUNICIPALITY: MR J MKHONTO
ACTING CHIEF FINANCE OFFICER, MBOMBELA MUNICIPALITY: MR O MOKOENA
ACTING CHIEF FINANCE OFFICER, NKANGALA DISTRICT: MR T STRYDOM
ACTING CHIEF FINANCE OFFICER, EMALAHLENI MUNICIPALITY: MR A MAKGALE
ACTING CHIEF FINANCE OFFICER: THEMBISILE HANI MUNICIPALITY: MR T RATAU
ACTING CHIEF FINANCE OFFICER: DR JS MOROKA MUNICIPALITY: MR S MONAGENG
ACTING CHIEF FINANCE OFFICER, EMAKHAZENI MUNICIPALITY: MR G GROENEWALD
ACTING CHIEF FINANCE OFFICER, LEKWA MUNICIPALITY: MR L MULAUDZI

THE ACTING HEAD OF DEPARTMENT: PROVINCIAL TREASURY: MR JB MBATHA
THE HEAD OF DEPARTMENT: CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS:
MR MD MAHLOBO
GM: SUSTAINABLE RESOURCE MANAGEMENT: MS N NKAMBA
GM: FINANCIAL GOVERNANCE: MS J BEZUIDENHOUT
ACTING GM: ASSETS AND LIABILITIES MANAGEMENT: MR R MASAMBO
SENIOR MANAGER: ACCOUNTING SERVICES: MS C MAKWELA

HAND OVER REPORT AND UNSPENT CONDITIONAL GRANTS FOR 2010/11

1. Introduction

The aim of this circular is to encourage Municipalities to prepare hand-over reports for newly elected Councils and to comply to Section 20 of the Division of Revenue Act, of 2011 with regards to the processes to be followed with regards to the 2010/11 municipal conditional grants.

The above request is made in terms of Section 74 of the Municipal Finance Management Act, No. 56 of 2003 and Section 20 of the Division of Revenue Act, of 2011.

2. Background

2.1 Hand-over reports for the newly elected Councils

Each Municipal Manager, working together with the Chief Financial Officer and senior managers, is encouraged to prepare a hand-over report that can be tabled at the first meeting of the newly elected Council.

The aim of this hand-over report is to provide the new Councils with important orientation information regarding the Municipality, the state of its finances, service delivery and capital program, as well as key issues that need to be addressed.

It is proposed that the hand-over report should include:

- An overview of the demographic and socio-economic characteristics of the Municipality;
- An overview of the organizational structure of the Municipality, with the names and contact details of senior managers;

- An overview of key Municipal policies that Councilors need to be aware of, and where they can obtain the full text of such policies;
 - An overview of issues that still need to be addressed in relation to the Municipality's turnaround strategy;
 - An overview of the Municipality's financial health, with specific reference to:
 - ✓ Its cash and investments, and its funding of commitments (Table A8);
 - ✓ Cash coverage of normal operations (see Supporting Table SA10);
 - ✓ Creditors outstanding for more than 30 days, along with reasons for delayed settlement;
 - ✓ Current collection levels and debtors outstanding for more than 30 days; and
 - ✓ Extent of existing loans, and associated finance and redemption payments.
 - The Municipality's 2009/10 audit outcome, and its strategy to address audit issues;
 - An overview of the provision of basic services, including plans to address backlogs;
 - An overview of the state of the Municipality's assets, with particular reference to the asset management plan, and repairs and maintenance requirements;
 - A list of the main infrastructure projects planned for the 2011/12 budget and MTREF;
 - A list of key processes requiring Council input over the next six months, e.g. revision of the IDP, approval of specific policies etc. and
 - Any other information deemed to be important.
- In addition to the hand-over report, each new Councilor should be provided with the Municipalities':
- ✓ revised IDP
 - ✓ the adopted 2011/12 budget (if already passed)
 - ✓ the mid-year budget
 - ✓ performance assessment report for 2010/11
 - ✓ the latest monthly financial statement, and
 - ✓ the annual report for 2009/10.

2.2 Unspent conditional grants for the 2010/2011 financial year

To bring legal certainty to the process of managing unspent conditional grant funds, the 2011 Division of Revenue Bill contains the following provisions:

"20(1) Despite the provisions of the Public Finance Management Act or the Municipal Finance Management Act relating to roll-overs, any conditional allocation, excluding the Gautrain Rapid Rail Link Grant and the Expanded Public Works Programme Incentive Grant, that is, in the case of a province, not spent at the end of a financial year or, in the case of a municipality, at the end of a municipal financial year, reverts to the National Revenue Fund, unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

The process to ensure the return of unspent conditional grants for the 2010/11 financial year will be managed in accordance with section 20 set out above. The following practical arrangements will apply -

- a. When preparing their annual financial statements a municipality must determine what portion of each national conditional allocation it received remained unspent as at 30 June 2011.*
- b. National Treasury will initiate the process outlined in section 20(4) and (5) of the Division of Revenue Act on 2 August 2011 based on the June 2011 conditional grant expenditure reports.*
- c. If the receiving officer wants to motivate in terms of section 20(5)(b) that the funds have been spent or are committed to identifiable projects or wants to propose an alternative payment method or schedule the required information must be submitted to National Treasury by 31 August 2011.*
- d. National Treasury will confirm in writing whether or not the municipality may retain as a rollover any of the unspent funds because they are committed to identifiable projects or whether it has agreed to any alternative payment methods or schedules by 30 September 2011.*
- e. A municipality must return the remaining unspent conditional grant funds that are not subject of a specific repayment agreement with National Treasury to the National Revenue Fund by 17 October 2011.*
- f. Failure to return these unspent funds by this date will constitute financial misconduct in terms of section 20(7) of the Division of Revenue Act.*
- g. Any unspent conditional grant funds that should have been repaid to the National Revenue Fund by 17 October 2011 will be offset against the municipality's November Equitable share allocation.*

When applying to retain unspent conditional allocations committed to identifiable projects or requesting a rollover in terms of section 20(2) of the Division of Revenue Act, municipalities must supply National Treasury with the following information -

- 1. Details of each of the projects to which funds are committed;*
- 2. A progress report on the state of implementation of each of the projects;*
- 3. The amount of funds committed to each project, and the conditional allocation from which the funds come from; and*
- 4. An indication of the time-period within which the funds are to be spent.*

All the calculations of the amounts to be surrendered to the National Revenue Fund (NRF) will be subject to scrutiny by the Office of the Auditor-General and will therefore be audited.

3. Request

Your Municipality is requested to comply with the above provisions of the Act and ensure that the hand-over report is submitted to Provincial Treasury, National Treasury and the Provincial Department of Co-operative Governance and Traditional Affairs as soon as the newly elected Councils resume office.

With regards to unspent conditional grants, your Municipality is reminded to expedite expenditure for each grant in accordance with the specific framework as set out in the Division of Revenue Act, or motivate to the National Treasury that the unspent funds are committed to identifiable projects by the 31st of August 2011.

Municipalities are required to submit the above requested documents to:

For posted documents

MFMA Coordinator
Senior Manager
Ms BS Gunqisa
Private Bag x 11205
NELSPRUIT
1200

Or

For couriered documents

Riverside Government Complex
Building No. 4
Upper Ground Floor
Office No. 54
Nelspruit

Tel No: (013) 766-4287
Cell No: 072 996 4662
E-mail: bgunqisa@mpg.gov.za

Your cooperation in this regard is appreciated.



MR JB MBATHA
ACTING HEAD OF DEPARTMENT
DATE: 6/8/2011