

MUNSOFT

MFMA CIRCULAR 93 SUMMARY



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INTRODUCTION

The main purpose of this budget circular is also to ensure that ***budgets*** are ***funded*** taking realistic anticipated revenues into account.

KEY CONSIDERATIONS

There is a need for renewed attitude towards ***revenue management, good governance and financial management*** to support service delivery. The ***adoption of funded budgets*** and the implementation of mSCOA is key in response to the stimulus package.

Key focus areas for the 2019/20 budget process:

- Funded budgets has a direct bearing on the financial viability of the municipality;
- No municipality may adopt an unfunded budget;
- If there are cases where an unfunded budget is adopted a plan must be tabled in council as to how they will improve from a funded to an unfunded position;
- Funds set aside for other initiatives that will assist the turnaround of municipalities;

mSCOA:

- Generate the A1 schedule directly from the system
- Budget must be locked prior to transacting against the budget;

Revenue Budget:

- Expenditure limited to maximum revenue collected;
- Budgets must be based on realistic revenue collection rates;
- Compare the valuation roll data to that of the billing system;
- Reconciliation to be done quarterly;
- Indigent registers to be maintained and not be done on a targeted approach;
- Improve demand management, loss management, meter reading and cost reflective tariffs for water services;
- Bulk water and electricity arrears to be included in the 2019/20 budget;

Funding choices and budeting issues:

- Improving the effectiveness of revenue management processes and procedures;
- Affordability of the provision of free basic services;
- Curbing consumption of water and electricity by indigents to ensure that they do not exceed their allocation;
- Perform an annual head count of employees;
- Water inventory to be budgeted for in accordance with GRAP12 and financial system to be configured accordingly;

Preparation of municipal budgets for 2019/20 MTREF:

- A1 schedules to be generated directly from the financial management system;

- 2020/21 MTREF, National Treasury will only accept A1 schedule in PDF format;

Budget process and submissions for the 2019/20 MTREF:

- Immediately after the budget has been tabled, it must be submitted to National and Provincial Treasury in hard copy and electronic format;
- Deadline for the submission of hard copies and council resolution is 5 April 2019;
- Annual budget must be submitted within 10 working days after council has approved the budget;
- Retirement of Budget Reform Returns from 2019/20;

SPECIFIC MATTERS

Kindly take note of the specific matters in MFMA Circular 93.

Change of Financial Systems

“The municipality should follow its own tender processes to procure a financial system on the open market until such time that a new transversal tender for the procurement of integrated municipal financial and internal control systems are in place.” This alludes to the fact that municipalities can no longer procure mSCOA enabling systems using RT25-2016.

Budget Reform Returns

From 2019/20 onwards, municipalities will no longer be required to continue with the use of the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database for publication purposes.

Schedule A1

From the 2020/21 MTREF the National Treasury will only accept a Schedule A1 in PDF format

MSCOA

Changes to the chart from v5.4 to v6.3:

Segment	V5.4	V6.1	% Increase	V6.2	% Increase2	V6.3	% Increase3	Retired Accounts	Active Accounts for v6.3
Project	1 176	4 521	284%	4 511	0%	4 525	0%	(10)	4 515
Function	344	198	-42%	198	0%	200	1%	(3)	197
Region	1 884	5 997	218%	6 038	1%	6 223	3%	(370)	5 853
Fund	5 466	9 819	80%	9 309	-5%	16 610	78%	(3 097)	13 513
Item: Assets & Liabilities	14 134	48 533	243%	78 085	61%	150 011	92%	(33 933)	116 078
Item: Net Assets	74	81	9%	68	-16%	81	19%	(13)	68
Item: Gains & Losses	164	163	-1%	163	0%	173	6%	(6)	167
Item: Expenditure	5 856	8 246	41%	8 047	-2%	15 173	89%	(2 921)	12 252
Item: Revenue	6 022	6 628	10%	6 247	-6%	13 465	116%	(2 995)	10 470
Cost	184	186	1%	186	0%	186	0%	0	186
Totals	35 304	84 372	139%	112 852	34%	206 647	83%	(43 348)	163 299

Should you require any support kindly contact us and we will assist in ensuring that your municipality comply with the requirements.