

1. Introduction

This chapter deals with the various Municipal Finance Circulars issued by the National Treasury in terms of the Municipal Finance Management Act. The table presented below lists each circular, the date of issuance, its title, and a summary of the content of the circular. Circulars issued by National Treasury up to and including 30 July 2007 have been considered. The comments are intended to provide the user with a brief indication of the content of the circular and are not intended to provide a summary of the circular itself. The aim is provide the user with a simple one stop point reference for the circulars issued. All circulars issued by National Treasury may be obtained from National Treasury's website under the MFMA and should be referred to directly. The circulars provide clear guidance with respect to their content and provide contact details for the relevant specialist at National Treasury.

The Finance Management Act Circulars are issued by National Treasury in order to assist National Treasury in achieving its responsibilities established in terms of sections 5 and 6 of the MFMA. Furthermore, sections 74(1) and 104(1)(b) of the MFMA prescribe the following regarding general reporting obligations:

"The accounting officer of a municipality [and municipal entity] must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required." Despite this however, the circulars issued by National Treasury are not legally binding on the municipality unless first adopted by Council.

The circulars are viewed as an essential form for communication aimed at facilitating transparency and consistency with respect to the implementation of the MFMA. They deal with various issues of importance in addition to providing guidance to municipalities on various aspects of the implementation of the MFMA and establishing reporting requirements.

2. Summary of MFMA Circulars

The summary of the MFMA Circulars is presented below.



MFMA CIRCULAR NO.	DATE ISSUED	TITLE	SUMMARY OF CONTENT
1	20 April 2004	Introduction to the Municipal Finance Management Act (MFMA)	<p>Provides an introduction to the MFMA and key financial reforms to be introduced over a three year implementation window. Covers issues including:</p> <ul style="list-style-type: none"> • Support from National Treasury • Provincial workshops • Training and unit standards
2	21 July 2004	Supply Chain Management (SCM)	<p>Provides guidance to municipalities and municipal entities on interim tendering requirements and to assist with preparations to implement the broader supply chain provisions contained in the MFMA.</p> <p>Superseded by the implementation of the MFMA section 116 and the supply chain management regulations.</p>
3	31 August 2004	Supporting Materials	<p>Update municipalities on supporting materials, information, and regulations being finalised and planned for release progressively throughout the remainder of the year [2004].</p>
4	02 September 2004	Specimen Annual Financial Statements	<p>Addresses the implementation of MFMA section 122(3) [i.e. financial reporting in accordance with Generally Recognised Accounting Practice (GRAP)] in accordance with the capacity categorisation of municipalities.</p>



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5	08 September 2004	Twelve (12) Urgent Implementation Priorities	The attached implementation and monitoring checklist was developed to provide assistance to ALL municipalities when implementing the urgent priorities of the MFMA. The submission deadline for the MFMA implementation checklist was 1 October 2004.
6	13 September 2004	Workshops - Supply Chain Management	Invitation to workshops to discuss the draft supply chain management regulations.
7	23 September 2004	MFMA Implementation Plan Template	<p>The attached "MFMA implementation plan template" was developed to assist municipalities in implementing the MFMA. The template aimed to provide municipalities with a starting point to develop the implementation plan to manage the reforms contained in the MFMA and in other legislation relating to financial management. The template is a guide and can be amended or expanded to suit the specific needs of the municipality. It should be built on and used to help plan, organise, monitor, and report on the actions taken within the municipality as it embarks upon the financial reform programme.</p> <p>The circular outlined the steps to be taken in developing the implementation plan, namely:</p> <ol style="list-style-type: none"> 1. Establishing a steering committee



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			<ol style="list-style-type: none"> 2. Choosing the appropriate worksheet 3. Reviewing the functional split 4. Reviewing the action required 5. Reviewing delegations: Allocating responsibilities 6. Establishing appropriate target dates 7. Monitoring and reporting progress 8. Ongoing development and review <p>The deadline to forward a copy of the MFMA implementation plan to the National Treasury was 31 October 2004.</p>
8	01 October 2004	Forbidden Loans	<p>A number of municipalities sought greater clarification on section 164(1)(c) of the Municipal MFMA, relating to forbidden activities. This states:</p> <p><i>No municipality or municipal entity may make loans to councillors or officials of the municipality, directors or officials of the entity or members of the public.</i></p> <p>In response to this, the National Treasury prepared this circular to assist municipalities in legally interpreting section 164(1)(c) of the MFMA and to provide guidance on some specific questions raised by municipalities.</p>



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9	06 October 2004	Training	National Treasury provided guidance to municipalities with respect to the procurement of MFMA training.
10	08 October 2004	Budget Process 2005/06	This circular was prepared to provide guidance to municipalities on the 2005/06 budget process in line with the MFMA. It spelt out and provided guidance on the six distinct steps to the preparation of a budget and highlighted that consultation on the budget occurs throughout the preparation cycle.
11	14 January 2005	Annual Report Guidelines	This circular was developed to provide guidance on the preparation of the annual report and was issued after consultation with the Department of Provincial and Local Government. It aimed to encourage continuous improvement in the standard of reporting by municipalities and to promote accountability to stakeholders. It also aimed to consolidate reporting requirements by incorporating a range of information required by various stakeholders into the annual report reducing duplication and improving communication.
12	31 January 2005	Definition of Vote in MFMA	This circular provides guidance in interpreting the concept of a “vote.” The “vote” in a municipal context provides, at the highest level of the administration, a budget structure for appropriate service delivery and performance. Appropriations and subsequent reporting by “vote” will



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			<p>allow for effective administration, policy setting, and service delivery performance measurement. The structure of a “vote” is key to the development and preparation of other processes and priority setting that enhance consultation, budgeting, service delivery implementation (SDBIP), monthly, quarterly and annual reports (end-of-year reporting), and determining matters that relate to unauthorised expenditure. The definition of a “vote” as contained in section 1 of the MFMA provides the initial point of reference.</p> <p>Please bear in mind that the use of the term “vote” in this circular is in conflict with the definition of the term “vote” provided in section 1 of the MFMA. Section 1 of the MFMA defines the term “vote” as:</p> <ul style="list-style-type: none"> (a) <i>one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i> (b) <i>which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.</i>



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			<p>The term “vote” is used to divide the budget into segments and the council then approves the budget according to these votes via resolution. The definition requires votes to be at the departmental or functional level. The reason for this is that municipalities are organised around departments, which in most instances tend to be linked to specific functions. Senior managers often head such departments/functions, which makes it easier for the “vote” of a department to be used to facilitate greater accountability for service delivery and budget implementation over the performance of senior managers, in accordance with their annual performance agreements. Apart from facilitating accountability of senior managers, the vote also allows for three key comparisons between municipal budgets, namely:</p> <ol style="list-style-type: none"> 1. comparisons of a municipality’s budget from one year to the next (even if the municipality re-organises its departments or shifts functions between departments); 2. comparisons between the budgets of different municipalities and for consolidated reporting; and 3. international comparisons between municipalities in South Africa and other countries.



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			<p>Such comparisons are only possible if there are consistent definitions for votes, departments, and functions.</p> <p>The approach discussed in this circular is flexible and can accommodate any organisational structure provided each “vote” or department is broken down into GFS functions (or sub-functions and sub-sub functions). The budget must provide related information on operating expenditure, capital expenditure, revenue, and measurable performance objectives for each vote.</p> <p>The budget resolution will approve the budget to the level of the vote, and capital and operating expenditure and revenue within that vote, and other prescribed segments (e.g. sub-functions). The budget format is important for reporting mechanisms which are required to report against the budget, like the SDBIP, monthly reports, quarterly reports, mid year reports, adjustment budgets, and annual reports.</p> <p>Municipalities will be required to review and possibly enhance current systems to ensure that their “votes” are consistent with the GFS</p>



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			<p>functions. High capacity municipalities were required to achieve this for the 2005/06 budget. The GFS functions have been published since 2001.</p> <p>Medium and low capacity municipalities have between one and two years extra respectively to modify systems to enable budgeting and reporting by “vote” but are encouraged to put plans in place to comply sooner.</p>
13	31 January 2005	Service Delivery & Budget Implementation Plan	<p>Circular 13 provides guidance and assistance to municipalities in the preparation of the Service Delivery and Budget Implementation Plan (SDBIP) as required by the MFMA. The SDBIP gives effect to the Integrated Development Plan (IDP) and budget of the municipality and will be possible if the IDP and budget are fully aligned with each other, as required by the MFMA.</p> <p>This circular provides more information on:</p> <ol style="list-style-type: none"> 1. A definition of the “SDBIP” and each component. 2. A methodology for preparation of the SDBIP. 3. Formats for projections required in the SDBIP.



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			<p>The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets set in the budget and IDP. It determines the performance agreements for the municipal manager and all top managers, whose performance can then be monitored through section 71 monthly reports, and evaluated through the annual report process. All municipalities and municipal entities are encouraged to introduce a SDBIP as soon as possible. High capacity municipalities and entities needed ensure the necessary systems and procedures were in place during the 2005/06 budget preparation cycle. Medium and low capacity municipalities have between one and two years respectively to develop appropriate systems but should still aim to approve a simplified SDBIP for the 2005/06 budget, which can evolve to comply the following year.</p> <p>The recommended methodology and formats contained in this circular have been developed to provide a clear and practical link between the strategic directions set by council and the services provided to the community. It is critical that mayors and municipal managers adopt an</p>



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			<p>innovative and creative approach to develop the SDBIP tool so that it assists them in managing and monitoring performance. The biggest challenge is to develop meaningful non-financial service delivery targets and indicators, in addition to the budget indicators.</p>
14	28 February 2005	2005 Division of Revenue Bill and Municipal Budgets	<p>The purpose of this circular was to provide guidance to municipalities on national priorities and budget allocations announced by the Minister of Finance in the 2005 Budget, which needed to be taken into account when preparing the 2005/06 municipal budget. The circular also informed municipalities about the legislative commitments arising as a result of the 2005 Division of Revenue Bill, read together with the MFMA.</p> <p>When preparing the annual budget, the mayor of a municipality must take into account the national budget, the relevant provincial budget, the national governments fiscal and macro economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum. This is in addition to consultation with the community and other stakeholders, including district and all local municipalities within the district.</p>



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			<p>Municipalities are expected to table credible and sustainable budgets. These multi year budgets should be consistent with the form required in terms of the MFMA and supported by the budget related policies. In this regard, National Treasury emphasised the need to ensure that revenue projections are realistic and achievable, allocations from other sources are consistent with the Division of Revenue Act, provincial and district budgets, tariffs are raised taking into account affordability levels of the community, the backlogs in infrastructure are being addressed, whilst maintaining a balance between new and rehabilitation of assets, sufficient provision is made for working capital reserve, administrative overheads are minimized and overdrafts are managed downwards over the next financial year. Councils were also reminded to ensure that the IDP is revised and linked to resource allocations in the budget.</p>
15	14 March 2005	Budget Submission 2005/06	<p>This circular set out the requirements for submission of budget documentation and associated returns to National Treasury in respect of the 2005/06 budget year. Municipalities were reminded that they must ensure that they satisfy the requirements of the MFMA in accordance with the phase in provisions by capacity classification.</p>



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16	20 April 2005	Supply Chain Management Training	Invitation to workshops aimed at providing detailed guidance towards the implementation of the supply chain management policy and Regulations.
17	25 April 2005	Qualifications and Training	<p>The National Treasury provided municipalities with information regarding:</p> <ol style="list-style-type: none"> 1. Municipal Finance Management Qualifications; 2. Accredited training providers; 3. Steps required to participate in learnerships; and 4. Mentorship skills training. <p>Municipalities were encouraged to ensure that training in municipal finance management is accredited against the published SAQA registered unit standard and that the course material relating to the MFMA has been evaluated by the National Treasury.</p> <p>Training courses that meet these requirements will be published on the National Treasury website. At the time of releasing this circular, training materials for seven modules had been submitted for evaluation by education and training providers.</p>



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18	23 June 2005	New Accounting Standards	<p>This circular dealt with matters of reporting, specifically in terms of the new accounting standards (GRAP/GAMAP), the annual financial statements, disclosures and the approach to implementation. The circular included information on the implementation dates for all municipalities and copies of the formats to be used for financial statements.</p> <p>Annexures to the circular are:</p> <p>A: List of municipalities in different categories B: GRAP - specimen municipal annual financial statements C: Accounting standards implementation guide</p>
19	15 August 2005	Budget Process 2006/07	<p>This circular was prepared to provide guidance to municipalities on the 2006/07 budget process, which was to commence with the tabling of a schedule of key deadlines in council by no later than 31 August 2005, consistent with the MFMA. The circular contained a summary of developments since circular No 10 was issued on the 2005/06 budget process and must be read in conjunction with that earlier circular.</p>
20	12 August 2005	Delegations	<p>This circular was designed to promote a seamless transition of certain</p>



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			<p>roles and responsibilities in terms of the MFMA from the National Treasury to Provincial Treasuries as a consequence of the Minister of Finance's delegation of certain responsibilities to the MECs for Finance in all provinces effective 1 July 2005. The circular spelt out the roles and responsibilities of National Treasury and Provincial Treasuries for the effective and holistic operation of the MFMA relating to support, oversight, and administrative procedures in respect to municipalities within their respective provinces.</p>
21	25 August 2005	Disputes between organs of state	<p>This circular was developed to guide municipalities on the intent and spirit of MFMA section 44 [Disputes between organs of state] and to provide a fair and reasonable process in which to resolve intergovernmental disputes of a financial nature.</p> <p>Guidance was provided with respect to:</p> <ul style="list-style-type: none"> • the application and implications of section 44; and • the circumstances and processes to be followed before the National Treasury is likely to agree to mediate disputes in terms of section 44(2)(b).



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			A mandate is provided in the MFMA requiring the parties to take all reasonable steps to resolve the dispute out of court. Only after all reasonable steps as proposed by the circular fail, should the matter be referred to a court.
22	25 August 2005	Model Policy Supply Chain Management	This circular provides a model Supply Chain Management policy and a code of ethical standards that can be adopted or adapted by a municipality or municipal entity.
23	09 September 2005	Bulk resources for municipal services	<p>Section 42 of the MFMA requires extensive consultation before an organ of state can increase the price of a bulk resource supplied to a municipality or municipal entity. This forms part of government's effort to ensure consistent policy implementation and achievement of macro economic objectives. This process is comprehensive and must be completed timely and contain motivations to be tabled in Parliament or the relevant provincial legislature. Careful planning is required to meet the obligations of the MFMA before the pricing amendments can take effect.</p> <p>This circular sets out the process to be followed in respect of both consultation and monitoring by National Treasury.</p>



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			<p>Organs of state must complete consultation on price increases no later than 15 March of any year if the increase is to take effect from 1 July of the same year. If the process is not completed by 15 March the price increase will be delayed for 12 months. By working back from 15 March, the various consultation processes can be planned to ensure the process is finalised in good time.</p>
24	29 September 2005	Training	<p>This circular requires municipalities only to utilise training service providers that are accredited / validated by either the National Treasury Validation Board or LGSETA. The circular also sets out the responsibilities of National Treasury, provincial treasuries, accounting officers and training providers.</p> <p>It is the responsibility of the accounting officer to ensure that supply chain practitioners within their municipality / municipal entity are properly trained. The South African Qualifications Authority (SAQA) registered a unit standard-based certificate in Municipal Financial Management Qualification as a level six qualification. Accredited courses that meet the National Treasury evaluation process will be</p>



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			<p>published, as and when, on the National Treasury website. Municipalities should first check the website and utilize this information to send officials on appropriate training.</p>
25	03 October 2005	Supply Chain Management Guide and Bid Documents	<p>In accordance with regulation 21 of the Municipal Supply Chain Management Regulations (promulgated in Government Gazette Number 27636 on 30 May 2005), National Treasury issued general conditions of contract, municipal bidding documentation and a guide on implementing supply chain management under the cover of circular 25.</p> <p>National Treasury issued the <i>Supply Chain Management: A Guide for Accounting Officers of Municipalities and Municipal Entities</i> to assist in the smooth implementation of supply chain management and to provide guidance on the completion of bid documentation.</p> <p>Accounting officers are required to customise the municipal bidding documents (MBDs) attached to the circular by incorporating the municipal / municipal entity name, logo, and contact details.</p> <p>Two templates were also supplied that should be adapted for quotation</p>



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			requests. One is for transaction values between R2000 and R10000 and the second is for transaction values between R10000 and R200000 (both inclusive of VAT).
26	01 November 2005	Long Term Borrowing	The MFMA requires a municipality or municipal entity to invite the National Treasury, the relevant provincial treasury and the public to submit written comments or representations to the council or board of directors in respect to the raising of any proposed debt through borrowing or any other instrument (refer sections 46 and 108). To expedite this process and to enable the National Treasury and relevant provincial treasury to provide informed comments, municipalities or municipal entities were requested to supply the information contained on an attached “checklist” and include a signed certification, along with an invitation for comment.
27	18 November 2005	Medium Term Budget Policy Statement 2005	This circular provided information on the Medium Term Budget Policy Statement 2005 (MTBPS) tabled by the Minister of Finance, and included guidance on growth parameters and related issues for consideration when preparing municipal budgets for the 2006 Medium Term Expenditure and Income Framework, which applied to the three financial years 2006/07, 2007/08 and 2008/09.



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28	12 December 2005	Budget Content and Format - 2006/07 MTREF	<p>This circular provided guidance on content and format for municipal budget documentation for the 2006/07 Medium Term Revenue and Expenditure Framework (MTREF). It advanced the previous guidance on the budget framework and is aligned with the requirements of the MFMA. All municipalities are required to adhere to the requirements of the MFMA for 2006/07 budgets and supporting documentation (in particular section 17).</p> <p>This circular brought together the concepts explained in other circulars. It is therefore essential to have a good understanding of the concepts covered in:</p> <ol style="list-style-type: none"> 1. Circular 10 and 19 - Budget Process 2005/06 and 2006/07. 2. Circular 12 - Definition of Vote in MFMA. 3. Circular 13 - Service Delivery and Budget Implementation Plan. 4. Circular 14 - 2005 Division of Revenue Act and Municipal Budgets. <p>The circular took into consideration consultation feedback regarding the level of the vote. Each municipality should determine their own vote structure to represent departments or functions of the municipality in</p>



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			<p>such a way as to aid budget implementation, monitoring, and accountability for decisions made. This is consistent with the definition in section 1 of the MFMA. If municipalities elect to have their vote structure not relate to GFS functions, they are required to approve additional budget schedules for GFS classifications. The Budget Evaluation Checklist (Annexure to Circular 19) and the MFMA Implementation Plan (Annexure to Circular 7) provide detailed checklists for further assistance.</p>
29	31 January 2006	Supply Chain Management Issues	<p>Municipalities were requested to ensure adequate safeguards are in place to address the following matters:</p> <ul style="list-style-type: none"> • excluding certain categories of bidders; • the use of cost estimates as a threshold for short-listing bids; and • measurables attached to specific goals for which preference points are awarded. <p>The South African Revenue Services has also issued a new tax clearance certificate application form, which was attached and replaces the previous form issued in MFMA circular 25.</p>



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30	15 February 2006	2006 Division of Revenue Bill	Attached to this circular was a copy of the 2006 Division of Revenue Bill, explanatory memorandum, and schedule of allocations for municipalities, tabled by the Minister of Finance on 15 February 2006. This circular was a follow up to Circular 27, Medium Term Budget Policy Statement.
31	10 March 2006	Budget Tabling and Adoption	This circular served to remind all municipalities of the requirements in the MFMA relating to the tabling and adoption of budgets for the 2006/07 budget year and beyond.
32	15 March 2006	The Oversight Report	<p>This circular aimed to provide councillors with practical guidance in financial governance and to assist in maintaining oversight within the broader governance context. It outlined the importance of the annual report in ensuring effective democratic and accountable local government and provides guidance on the manner in which the reports should be considered.</p> <p>In addition it focused on the oversight process that councils must follow when considering the annual report and how to deal with the Oversight Report by encouraging continuous improvement and promoting accountability to stakeholders.</p> <p>This circular should be read in conjunction with the following circulars:</p>



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			<ul style="list-style-type: none"> • Circular 11 - Annual Reporting Guidelines - 14 January 2005; • Circular 18 - New Accounting Standards - 23 June 2005; and • Circular 28 - Budget Content and Format - 12 December 2005.
33	27 March 2006	Supply Chain Management Issues	Circular 33 circulated a new bidding document (MBD8) to assist municipalities and municipal entities assess cases of abuse against the supply chain management system. The document is to be customised by incorporating the municipality's logo, name, and contact details and should be provided to all potential bidders for the supply of goods and services or disposal of assets and goods no longer needed. The document should be effective for all bids invited with effect from 1 April 2006.
34	28 June 2006	Supply Chain Management Issues	<p>This circular provided for the following:</p> <ol style="list-style-type: none"> 1. The reporting format for all municipalities and municipal entities to report, effective from 1 July 2006, to the National Treasury on awards for contracts above the value of R100 000. 2. Guidelines for bid adjudication committees.
35	03 July 2006	Interactive Multimedia Learning	National Treasury announced the release of an interactive multimedia learning programme on municipal finance management covering the



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			<p>following six learning modules:</p> <ol style="list-style-type: none"> 1. Introduction to MFMA Introduction to the MFMA covering the vision, underlying principles and reforms embodied in the legislation. 2. Organisational Reforms and responsibilities How to put financial governance into practice, organisational structures for accountability and council oversight. 3. Budget Process The annual budget process including the roles and responsibilities of officials and councillors, each step in the process, critical timelines and linking the budget to the integrated development plan. 4. Service Delivery & Budget Implementation Plan The content of the SDBIP and methodology for preparation to ensure service delivery is linked to the annual budget. 5. Supply Chain Management Implementing the four elements of supply chain management - demand, acquisition, logistics and disposal. 6. Annual Reporting



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			How to structure the annual report, critical time frames, and the oversight role of council.
36	11 July 2006	Annual Financial Statements for 2005/06	<p>The circular was intended to provide guidance to municipalities on the preparation and timely submission of the annual financial statements for municipalities and entities for the 2005/06 financial year. The circular must be read in conjunction with Circular 18 on accounting standards dated 23 June 2005.</p> <p>The following issues relating to the annual financial statements are clarified in this circular:</p> <ul style="list-style-type: none"> • Applicable accounting standards and formats; • Specimen municipal annual financial statements; • Consolidated specimen financial statements; • Timing and implementation by capacity; • Withdrawal and resubmission of financial statements; • The municipal audit file; • Additional disclosures: and • Non compliance with Chapter 12 of the MFMA.
37	16 August 2006	Municipal Public Private Partnerships	This circular served to inform municipalities of the expansion, with



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			<p>effect from April 2006 of the Project Development Facility (PDF) to provide grant funding to municipalities for the purpose of paying moneys for services rendered by transaction advisors for the development of Municipal Service Partnerships to which the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA) apply. This is to ensure continuity of support to municipalities that was previously provided by the Municipal Infrastructure Investment Unit whose term came to an end on 31 March 2006. The PDF will perform this task in collaboration with the Department of Provincial and Local Government's Municipal Service Partnerships Unit. Its role is to facilitate partnership arrangements at municipal level, monitor implementation of the growth and development summit agreements, and establish a framework for municipal investment. This is in accordance with the MFMA requirements for national government to provide support to municipalities in relation to improved service delivery.</p> <p>The circular provides details of:</p> <ul style="list-style-type: none"> • Criteria for funding; • Applying for funding;



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			<ul style="list-style-type: none"> • Grant funding applications; and • Evaluation criteria.
38	22 September 2006	Implementation Priorities	<p>This circular replaces Circular 5 “Twelve Urgent Implementation Priorities” and includes an updated MFMA implementation checklist to be completed and submitted each quarter to the National Treasury.</p> <p>Changes to the checklist ensure it remains current and include:</p> <ul style="list-style-type: none"> • Revised dates for key documents required by the MFMA; • Additional questions on supply chain management, annual financial statements, bank accounts and annual reports; and • Removal of transitional questions on the Division of Revenue Act. <p>The circular should also be read with the municipality’s MFMA implementation plan and the <i>Introductory Guide to the MFMA</i> (Modernising Financial Governance) available under “guidelines” on the National Treasury website.</p> <p>The attached checklist must be completed each quarter and submitted to National Treasury. National Treasury and the Provincial Treasuries will also use the checklist to monitor implementation progress and</p>



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			determine further areas of targeted assistance.
39	06 October 2006	MFMA Learning - DVD Launched	<p>National Treasury announced the launch of the <i>MFMA Learning</i> programme developed in response to numerous requests to assist in raising awareness and a broader knowledge of the MFMA.</p> <p>It comprises six modules that cover the fundamental principals of municipal finance management. Designed to benefit councillors and officials, this computerised, interactive learning programme can be undertaken in a classroom environment or individually at a pace and convenience to suit the learner.</p> <p>The interactive multimedia learning programme provides flexibility for learners. Learning can occur in a classroom environment, at the workstation or even at home. It will be useful for induction of councillors and officials as well as for review by those with previous experience. All councillors and officials with key roles in municipal finance management need to be familiar with the concepts and principles covered in this programme.</p>
40	20 October 2006	Supply Chain Management Implementation Checklist	The SCM Checklist (attached to the circular) is designed to test the thoroughness of implementation and to monitor progress. Whilst it is



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			intended to assist municipalities and municipal entities, it will also provide valuable information for government to assess progress across the local government sphere as a whole and to target areas requiring support. The completed checklist was to be emailed to National Treasury no later than 1 December 2006 .
41	31 January 2007	MTREF Budget Circular 2007/08 - Update	<p>This circular is aimed at providing municipalities with information for the preparation of their 2007/08 MTREF (Medium Term Revenue and Expenditure Framework) budgets and includes guidance on growth parameters and related budget issues. It is informed by the 2006 Medium Term Budget Policy Statement (MTBPS) and Adjustment Appropriations tabled by the Minister of Finance on 25 October 2006, and other issues arising from engagements with municipalities. The 2006 MTBPS and Adjustment Appropriations can be viewed on the National Treasury website. This circular highlights the key national priorities and provides guidance to municipalities and entities in framing the 2007/08 MTREF Budget.</p> <p>Municipalities are required to complete and return the attached questionnaire by 16 April 2007 to assist us in monitoring compliance</p>



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			with the MFMA.
42	30 March 2007	Funding a municipal budget	<p>This circular provides further guidance to municipalities and municipal entities on funding a budget and seeks to clarify and reinforce the intent of budget related provisions in the MFMA. It complements earlier guidance on funding the budget contained in Circular 28 (Budget Content and Format - 2006/07 MTREF).</p> <p>The mayor, municipal manager, and chief finance officer must ensure that the concepts discussed in the circular are applied for the 2007/08 medium term budget to comply with the requirements of the MFMA. However, by virtue of the technical nature of issues addressed in the circular it is imperative that the reader has a sound understanding and working knowledge of financial management.</p> <p>One of the key elements of the budget process is ensuring that the budget is appropriately funded. To do this, various MFMA requirements must be understood and complied with, including section 18 (Funding of expenditure), section 19 (Capital projects) and section 21 (Budget preparation process). Each of these sections should be</p>



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			<p>reviewed when working through this circular.</p> <p>To clarify the reforms and intent of the MFMA, this circular provides guidance in the following areas, including a practical example attached as an annexure to the circular:</p> <ol style="list-style-type: none"> 1. The move to accrual based financial management - implications for funding a budget. 2. The distinction between “a balanced budget” and “a funded budget.” 3. Full disclosure of revenue and cash. 4. Clarity on “realistically anticipated revenues to be collected” - MFMA section 18. 5. Clarity on “funds not committed for any other purpose” - MFMA sections 18 and 19. 6. Realistic estimation of expenditure - implications for funding a budget. 7. Clarity on the concept of a “credible budget” - MFMA section 21. <p>While budgets should already have been tabled, the final approved</p>



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			<p>medium term budget for 2007/08 should comply, to the maximum extent possible, with the guidance issued in the circular. If not, municipalities when submitting their budgets to National Treasury and the relevant provincial treasury must provide supporting information on measures taken to address any shortcomings by providing a timetable for remedial action.</p>
43	25 May 2007	Restriction of suppliers and BBBEE objectives	<p>Should a contractor to a municipality or municipal entity obtain preferences fraudulently or fail to attain any specified goals in terms of the Preferential Procurement Regulations then the municipality or entity may take various actions, including exercising its power in terms of the regulations to restrict the supplier from doing business with the public sector.</p> <p>This circular also provides information on the latest developments regarding the alignment of preferential procurement with the aims of the Broad-Based Black Economic Empowerment Act (BBBEE Act).</p>
44	25 July 2007	Preparation of Annual Financial Statements	The phase in period for application of accounting standards to the



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		based on the Exemption Gazette 30013	<p>annual financial statements was extended by notice in the Government Gazette No. 30013, dated 29 June 2007.</p> <p>This circular provides guidance on the implementation and interpretation of the Gazette and the preparation and submission of annual financial statements as required by the Municipal Finance Management Act (MFMA), No. 56 of 2003.</p> <p>The detail of this circular together with the content of the following:</p> <ul style="list-style-type: none"> • Gazette No 30013; • Basis for preparation for the annual financial statements of municipalities and municipal entities issued by the Office of Accountant General in June 2007; and • Application of accounting standards issued by the Office of the Accountant General in July 2007 <p>is more fully explored in the chapter dealing with the basis of preparation included in the accounting section of the manual.</p> <p>The circular should be read in conjunction with MFMA Circular 18</p>



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			<p>dated 23 June 2005 and MFMA Circular 36 dated 11 July 2006.</p> <p>Certain guiding paragraphs included in Circulars 18 and 36 have been revised due to the exemptions and deviations emanating from Gazette 30013. The following paragraphs are affected:</p> <p>MFMA Circular 18</p> <ul style="list-style-type: none"> • Mandatory and encouraged accounting policies (page 3) • Implementation by capacity (page 4) • Format of the annual financial statements (page 4) • Consistency in application (page 5) <p>MFMA Circular 36</p> <ul style="list-style-type: none"> • Specimen municipal annual financial statements (page 2) • Consolidated specimen financial statements (page 2) • Applicable dates for preparation for consolidated annual financial statements (page 3) • Applicable dates for compliance with GRAP (page 3)



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			<p>The circular addresses the following:</p> <ul style="list-style-type: none"> • Exemptions granted in the Gazette • Impact of exemptions on the preparation and submission of annual financial statements for high, medium and low capacity municipalities and municipal entities • Process for applying for deviation and submission of implementation plans <p>The following paragraph is of critical importance: “In instances where municipalities deviate in a partial manner and are implementing the standards that are being exempted, the municipality may request approval from the relevant treasury to continue with implementation of the selected standards. Any approval for deviation will be co-signed by the National Treasury. It is important to mention that in exercising this option it may result in a different type of audit opinion. A municipality should therefore ensure that the consequences of an opinion, other than fair presentation, on the users to the financial statements are considered prior to application for deviation.”</p>



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			<p>It is important to note that where a municipality or municipal entity has deviated from the exemptions or has applied the exemptions it is required to prepare a detailed implementation plan in a format to be determined setting out its intended and actual progress towards complying with the exemptions or deviations in terms of Gazette 30013. The format of the implementation plan has been annexed to the circular as annexure A (high capacity municipalities) and annexure B (medium and low capacity municipalities).</p>

