

ITEM NUMBER: C 24/10/20

RECOMMENDATION FROM THE EXECUTIVE MAYOR: 6 OCTOBER 2020

MC 06/10/20 NATIONAL TREASURY MUNICIPAL FINANCE MANAGEMENT ACT (MFMA) CIRCULAR 104

It is **RECOMMENDED** that:

- (a) it be noted, and where applicable, the City applied the relevant extensions as granted by National Treasury in Circular 104
- (b) in line with (a) above, the National Treasury MFMA Circular 104 be adopted.

REPORT TO: COUNCIL

1. ITEM NUMBER **MC 06/10/20**

2. SUBJECT

**NATIONAL TREASURY MUNICIPAL FINANCE MANAGEMENT ACT (MFMA)
CIRCULAR 104** (M0068, M0862)

ONDERWERP

**OMSENBRIEF 104 VAN DIE NASIONALE TESOURIE INGEVOLGE DIE WET OP
MUNISIPALE FINANSIËLE BESTUUR (MFMA)**

ISIHLOKO

**ISETYHULA-104 YOMTHETHO ONGOLAWULO LWEZIMALI IKAMASIPALA
KANONDYEBE WESIZWE (MFMA)**

3. DELEGATED AUTHORITY

In terms of delegation

This report is FOR DECISION AND FOR NOTING BY

Committee name :

The Executive Mayor together with the Mayoral Committee (MAYCO)

Council

4. DISCUSSION

Since implementation of the MFMA National Treasury (NT) has issued numerous circulars providing municipalities with practical guidance in financial management and governance-related issues, such as supply chain management, budgets, accounting standards, financial statements, revenue management, internal audit etc.

The purpose of NT MFMA Circular 104 is to provide information to municipalities, municipal entities, auditors and other stakeholders on the extension to timelines for submission of annual financial statements, annual reports, audits and related matters in terms of the MFMA.

- 4.1. Financial Implications None Opex Capex
- Capex: New Projects
 - Capex: Existing projects requiring additional funding
 - Capex: Existing projects with no additional funding requirements
- 4.2. Policy and Strategy Yes No
- 4.3. Legislative Vetting Yes No
- 4.4. Legal Compliance
- 4.5. Staff Implications Yes No
- 4.6. Risk Implications Yes No

5. RECOMMENDATIONS

Not delegated: for decision by Council:

- a. That it be noted, and where applicable, the City applied the relevant extensions as granted by National Treasury in Circular 104.
- b. In line with recommendation A that the National Treasury MFMA Circular 104 be adopted.

Nie gedelegeer nie: vir besluitneming deur die Raad

- a. Dat daar kennis geneem word dat, waar van toepassing, die Stad aansoek gedoen het vir die betrokke verlengings soos toegestaan deur nasionale tesourie in omsendbrief 104.
- b. Dat Nasionale Tesourie se MFMA-omsendbrief 104, in ooreenstemming met aanbeveling A, aangeneem word.

Azigunyaziswanga: isiqqibo seseBhunga

- a. Ukuba kufuneka kuqatshelwe nalapho kufanelekileyo ukuba iSixeko sisebenzise ulwandiso olufanelekileyo njengoko luvunyelwe kwiSetyhula-104 kaNondyabo weSizwe.
- b. Ngokungqinelana nesindululo-A ukuba makwamkelwe ngokusesikweni iSetyhula-104 kaNongyabo weSizwe enge-MFMA.

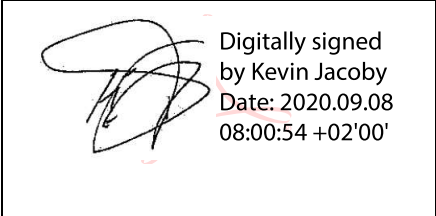
ANNEXURES

ANNEXURE A: NATIONAL TREASURY MFMA CIRCULAR 104

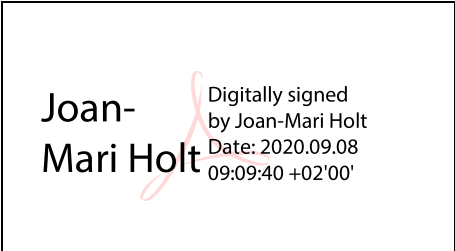
FOR FURTHER DETAILS CONTACT

NAME	Johan Steyl	CONTACT NUMBER	
E-MAIL ADDRESS	Jacobus.steyl@capetown.gov.za		
DIRECTORATE	Finance	FILE REF NO	-
SIGNATURE : DIRECTOR	 <p>Digitally signed by Johan Steyl Date: 2020.09.07 17:33:57 +02'00'</p>		

CHIEF FINANCIAL OFFICER

NAME	KEVIN JACOBY	COMMENT:
DATE		
SIGNATURE	 <p>Digitally signed by Kevin Jacoby Date: 2020.09.08 08:00:54 +02'00'</p>	

LEGAL COMPLIANCE

<input type="checkbox"/> REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.	
<input type="checkbox"/> NON-COMPLIANT	
NAME	COMMENT:
DATE	Certified as legally compliant based on the contents of the report.
SIGNATURE	 <p>Digitally signed by Joan-Mari Holt Date: 2020.09.08 09:09:40 +02'00'</p>



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

ANNEXURE A

NATIONAL TREASURY MFMA CIRCULAR 104



EXTENSION TO TIMELINES FOR SUBMISSION OF ANNUAL FINANCIAL STATEMENTS, ANNUAL REPORTS, AUDITS AND RELATED MATTERS IN TERMS OF THE MFMA

1. PURPOSE

- 1.1 The purpose of this Circular is to provide information to municipalities, municipal entities, auditors and other stakeholders, on the Ministerial Exemption issued in terms of section 171(1)(b) of the MFMA, "Gazette" published on 05 August 2020. This Circular and the Exemption Notice are available and can be accessed on the MFMA webpage, using the following link <http://mfma.treasury.gov.za/Pages/Default.aspx>.

2. BACKGROUND

- 2.1 The Minister of Finance exempted municipalities and municipal entities from submitting key reports. The notice allows for a two-months delay in the submission of Annual Financial Statements, Annual Reports, Audit Opinions, Oversight reports and associated processes.
- 2.2 The context of this exemption flows from the Minister of Cooperative Governance and Traditional Affairs' announcement of the national state of disaster in terms of the Disaster Management Act to enable government and the country at large to manage the spread of the Covid-19 virus. Following the initial announcements of the national state of disaster, subsequent extensions and different levels were communicated.
- 2.3 Whilst the lockdown and restrictions have been eased over time, they are still in force and in effect with direct implications for municipalities, municipal entities, audit processes, amongst others. The lockdown impacts on the ability by municipalities and municipal entities to prepare and submit quality annual financial statements that meet the uniform norms and standards, related reports and processes to discharge their accountability towards the public and report on the utilisation of public funds.

- 2.4 The timing of the phased lockdown also had a knock-on effect on availability of municipal staff, which impacted on operations and added to the delays in ability to prepare AFS, undertake procedures such as the physical verification of assets, meter reading, revenue management, valuations, finalising supporting documentation and concluding reconciliations. There are similar impacts on the quality assurance processes, annual report, performance report and oversight report procedures and processes. The audit process and timelines by the Office of the Auditor-General to perform its audits, is also extended accordingly.

3. LEGISLATIVE REQUIREMENTS

- 3.1 The specific sections in the MFMA In terms of the MFMA, the accounting officer of a municipality must prepare the annual financial statements of the municipality or municipal entity and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing. Similarly, the accounting officer of a municipal entity must prepare the annual financial statements of the entity and within two months after the end of the financial year to which those statements relate, submit the statements to the parent municipality and the Auditor-General. This means that the 2019/20 annual financial statements must be submitted by 31 August 2020 to the Auditor-General for auditing.
- 3.2 In terms of section 126(1)(b) of the MFMA, all municipalities with sole or effective control of a municipal entity, must prepare consolidated annual financial statements and submit the statements to the Auditor-General for auditing, within three months after the end of the financial year to which those statements relate. This means the 2019/20 consolidated annual financial statements must be prepared and submitted by 30 September 2020.
- 3.3 Other provisions effected by the Ministerial Exemption include sections 127, 129 and 133 of the MFMA.

4. MINISTERIAL EXEMPTION

- 4.1 The effects of this Ministerial exemption are to mitigate anticipated widespread non-compliance with sections 126, 127, 129 and 133 of the MFMA due to the national state of disaster and lockdown restrictions. This provides a further two-month period to municipalities and municipal entities to comply with the MFMA to submit the AFS, annual reports, performance report and its oversight report. It also extends the period for the Office of the Auditor-General to conduct their audits and submission of the audit opinion to auditees, thereafter. This will be

followed by Council Committees engagements and concluding their oversight processes.

- 4.2 The extension will therefore enable municipalities and municipal entities to undertake all the necessary actions, checks and reviews, to ensure that the annual financial statements fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.
- 4.3 In terms of the Ministerial Exemption, municipalities and municipal entities are exempted from complying with the deadlines provided in sections 126(1) and (2), 127(1) and (2) and 129(1) and 133(2) of the MFMA for a period of 2 months, as reflected in the table below. It is advised that all performance reports, required as per Section 46 of the Municipal Systems Act, be equally aligned.

No.	Action	Section	New Outer Deadline
1	The accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.	Section 126(1)(a) of the MFMA	31 October 2020
2	The accounting officer of a municipality must in the case of a municipality referred to in section 122(2), prepare consolidated annual financial statements in terms of that section and, within three months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.	Section 126(1)(b) of the MFMA	30 November 2020
3	The accounting officer of a municipal entity must prepare the annual financial statements of the entity and, within two months after the end of the financial year to which those	Section 126(2) of the MFMA	31 October 2020

	statements relate, submit the statements to— a) the parent municipality of the entity; and b) the Auditor-General, for auditing.		
4	The accounting officer of a municipal entity must, within six months after the end of a financial year, or on such earlier date as may be agreed between the entity and its parent municipality, submit the entity's annual report for that financial year to the municipal manager of the entity's parent municipality.	Section 127(1) of the MFMA	28 February 2021
5	The mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.	Section 127(2) of the MFMA	31 March 2021
6	The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council - a) has approved the annual report with or without reservations; b) has rejected the annual report; or c) has referred the annual report back for revision of those components that can be revised.	Section 129(1) of the MFMA	31 May 2021
7	The Auditor-General must submit to Parliament and the provincial legislatures—	Section 133(2) of the MFMA	31 December 2020

	<p>a) by no later than 31 October of each year, the names of any municipalities or municipal entities which have failed to submit their financial statements to the Auditor-General in terms of section 126; and</p> <p>b) at quarterly intervals thereafter, the names of any municipalities or municipal entities whose financial statements are still outstanding at the end of each interval.</p>		
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5. CONCLUSION

- 5.1 Municipalities and municipal entities must ensure that processes and procedures are aligned to the extended deadlines as outlined in the above table. All the necessary actions must be undertaken to ensure that quality annual financial statements and performance reports are submitted for audits by the outer due dates provided above. All municipalities and municipal entities are encouraged to submit these reports before the due dates, where possible.

6. CONTACT

National Treasury

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TV PILLAY

CHIEF DIRECTOR: MFMA IMPLEMENTATION

Date: 07 August 2020