

MPUMALANGA PROVINCIAL GOVERNMENT

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Department of Finance

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PROVINCIAL TREASURY CIRCULAR 18 OF 2010

TO:

THE PREMIER MPUMALANGA PROVINCE (MR DD MABUZA)

THE SPEAKER PROVINCIAL LEGISLATURE (MR SW LUBISI)

THE MEC FOR FINANCE (MS YN PHOSA)

THE MEC FOR COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR MN MOKOENA)

THE CHAIRPERSON OF SELECT COMMITTEE ON HUMAN SETTLEMENT, COOPERATIVE GOVERNANCE & TRADITIONAL AFFAIRS (MR SPD SKHOSANA)

OTHER MEMBERS OF PARLIAMENT

THE MAYOR: NKANGALA DISTRICT MUNICIPALITY (CLLR S K MASHILO)

THE MAYOR: EMALAHLENI LOCAL MUNICIPALITY (CLLR L M MALATJIE)

THE MAYOR: STEVE TSHWETE LOCAL MUNICIPALITY (CLLR M I T MAHLANGU)

THE MAYOR: EMAKHAZENI LOCAL MUNICIPALITY (CLLR L MOHLALA)

THE MAYOR: DR JS MOROKA LOCAL MUNICIPALITY (CLLR I M MASOMBUKA)

THE MAYOR: VICTOR KHANYE LOCAL MUNICIPALITY (CLLR J M RAPATSA)

THE MAYOR: GERT SIBANDE DISTRICT MUNICIPALITY (CLLR A M GAMEDE)

THE MAYOR: ALBERT LUTHULI LOCAL MUNICIPALITY (CLLR E S DLAMINI)

THE MAYOR: MSUKALIGWA LOCAL MUNICIPALITY (CLLR B M VILAKAZI)

THE MAYOR: DIPALESENG LOCAL MUNICIPALITY (CLLR M P TSOTETSI)

THE MAYOR: GOVAN MBEKI LOCAL MUNICIPALITY (CLLR S S NKOSI)

THE MAYOR: EHLANZENI DISTRICT MUNICIPALITY (CLLR C N MKHONTO)

THE MAYOR: MBOMBELA LOCAL MUNICIPALITY (CLLR L CHIWAYO)

THE MAYOR: BUSHBUCKRIDGE LOCAL MUNICIPALITY (CLR MILTON MOREMA (M))

THE MAYOR: NKOMAZI LOCAL MUNICIPALITY (CLLR M J MAVUSO)

THE MAYOR: UMJINDI LOCAL MUNICIPALITY (CLLR R V LUKHELE)

THE MAYOR: THABA CHWEU LOCAL MUNICIPALITY (CLLR B C NDLOVU)

THE CHIEF ADMINISTRATOR (STANDING FOR MAYOR): THEMBISILE HANI LOCAL MUNICIPALITY (MR V. KUBEKA)

THE MAYOR: PIXLEY KA SEME LOCAL MUNICIPALITY (CLLR MAPASEKA MADONSELA)

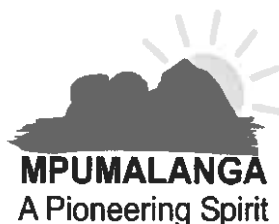
THE MAYOR: MKHONDO LOCAL MUNICIPALITY CLLR B M KHUMALO)

THE MAYOR: LEKWA LOCAL MUNICIPALITY (CLLR J Q RADEBE -KHUMALO)

THE ACCOUNTING OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR JM RABODILA)

THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR RM MOROPA)

THE ACCOUNTING OFFICER: VOTE 3: FINANCE (MR M MAZIBUKO)



THE ACCOUNTING OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS
(MR D MAHLOBO)

THE MUNICIPAL MANAGER: NKANGALA DISTRICT MUNICIPALITY (MR C MAKOLA)
THE MUNICIPAL MANAGER: EMALAHLENI LOCAL MUNICIPALITY (MR AJ ANGELBREGHT)
THE MUNICIPAL MANAGER: STEVE TSHWETE LOCAL MUNICIPALITY (MR FJ FOUCHE)
THE MUNICIPAL MANAGER: EMAKHAZENI LOCAL MUNICIPALITY (MR O NKOSI)
THE MUNICIPAL MANAGER: DR JS MOROKA LOCAL MUNICIPALITY (MS M MATHIBELA)
THE MUNICIPAL MANAGER: VICTOR KHANYE LOCAL MUNICIPALITY (MR S WEBER)
THE MUNICIPAL MANAGER: GERT SIBANDE DISTRICT MUNICIPALITY (MR MA NGCOBO)
THE MUNICIPAL MANAGER: ALBERT LUTHULI LOCAL MUNICIPALITY (MR VN MPILA)
THE MUNICIPAL MANAGER: MSUKALIGWA LOCAL MUNICIPALITY (MR DV NGCOBO)
THE MUNICIPAL MANAGER: DIPALESENG LOCAL MUNICIPALITY (MR PB MALEBYE)
THE MUNICIPAL MANAGER: GOVAN MBEKI LOCAL MUNICIPALITY (DR LH MATHUNYANE)
THE MUNICIPAL MANAGER: EHLANZENI DISTRICT MUNICIPALITY (MR H MBATHA)
THE MUNICIPAL MANAGER: MBOMBELA LOCAL MUNICIPALITY (MS N MTHEMBU)
THE MUNICIPAL MANAGER: BUSHBUCKRIDGE LOCAL MUNICIPALITY (MR C LISA)
THE MUNICIPAL MANAGER: NKOMAZI LOCAL MUNICIPALITY (MR MR MKHATSHWA)
THE MUNICIPAL MANAGER: UMJINDI LOCAL MUNICIPALITY (MS SF MNISI)
THE ACTING MUNICIPAL MANAGER: PIXLEY KA SEME LOCAL MUNICIPALITY (MR K. MPUNGOSE)
THE ADMINISTRATOR: THABA CHWEU LOCAL MUNICIPALITY MR T. MOKALE)
THE ADMINISTRATOR: THEMBSILE HANI LOCAL MUNICIPALITY (MR T. TAALE)
THE ADMINISTRATOR: MKHONDO LOCAL MUNICIPALITY (MR K. MPUNGOSE)
THE ADMINISTRATOR: LEKWA LOCAL MUNICIPALITY (MR J. SINDANE)

PAYMENT OF SUPPLIERS OVER A PERIOD OF 30 DAYS BY DISTRICT AND LOCAL MUNICIPALITIES

The Municipal Finance Management Act, No. 56 of 2003 (MFMA) aims to modernise budget, accounting and financial management practices by placing local government finances on a sustainable footing in order to maximise the capacity of municipalities to deliver services to communities. It also aims to put in place a sound financial governance framework by clarifying and separating the roles and responsibilities of the Council, Mayor and officials.

In terms of Chapter 2, section 5(4)(a)(i) of the MFMA, the Provincial Treasury must monitor compliance with this Act by municipalities and municipal entities. It should be emphasized that the Municipal Manager, as Accounting Officer, is ultimately accountable for the effective and efficient management of the Municipality.

In terms of Section 62(1)(c)(i) of the MFMA , the Municipal Manager as an Accounting Officer must ensure that the Municipality maintains effective, efficient and transparent systems of financial and risk management and internal control.

The Auditor-General's reports continuously expose financial management weaknesses in many institutions of Government, which implies that they are failing to meet the standards set out in the legislation. Whilst audit reports focus on root causes and audit opinions, municipalities are experiencing difficulties in paying suppliers for goods and services rendered within the period of 30 days after the receipt of an invoice.

Payments exceeding 30 days and accruals are contributing to cost overruns, delays in spending patterns and disputes, due to ineffective management of invoices especially towards the end of the financial year.

These impacts adversely on the administration and management of municipalities in terms of budgeting correctly and managing the budget for the entire financial year. It further affects the emerging suppliers since most of them borrow money from financial institutions to render services to the public institutions.

In monitoring the payments over the period of 30 days, the Provincial Treasury has identified that some municipalities do not have effective systems in place for the processing of invoices received until the final payment, and/or suppliers do not submit invoices in time to municipalities to process and make payments.

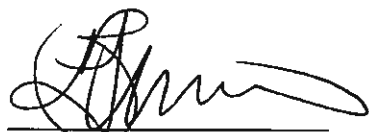
Payment of suppliers should at least be treated as follows:

- Municipalities must establish an **INVOICES RECEIVED REGISTER** as a matter of urgency. The Invoices Received Register should be utilized as from 1 August 2010 to register and make follow up on all invoices received until final payment is done. An example is attached as annexure A.
- Municipalities must also establish or utilize an **INVOICES PAYMENT SYSTEM SPREADSHEET** to track all invoices received and paid or not paid within the specified period. An example is attached as annexure B.
- The **INVOICES RECEIVED REGISTER** and the **INVOICES PAYMENT SYSTEM SPREADSHEET** should be reconciled and signed off by responsible officials every month.
- Any deficiencies arising from the reconciliation should be included in the monthly management report and be forwarded to relevant authorities (Chief Financial Officer and the Municipal Manager).
- Municipalities should develop clear and proper job descriptions and setting out performance agreements, Key Performance Areas and Outputs expected from officials responsible for payments.

The attached examples of the documents could be utilized by Municipalities to establish the relevant procedures and could be obtained from Mr W Ngoma at Telephone Number (013) 766 4569 or e-mail: WNgoma@mpg.gov.za.

It will be appreciated if the content of this Circular could be distributed to the relevant role-players in Municipalities, and implemented as a matter of urgency.

Regards



1 MR. M. MAZIBUKO
HEAD OF DEPARTMENT

DATE: 2/06/2010

