

## **SECTION 71 REPORTS FOR JULY 2017**

### **1. PURPOSE**

The purpose of the Section 71 Reports is to inform National and Provincial Treasury about the income and expenditure of the municipality as measured against the budget. The reason is to pick up any deviations in time and inform management as well so that corrective steps could be implemented in time to rectify such deviations.

### **2. BACKGROUND**

Section 71 of the MFMA stipulates that the mayor of a municipality must table the section 71 reports in front of the council on a monthly basis. Furthermore, these reports must be sent to LG Database before or on the 10<sup>th</sup> working day of the month following the month end. These reports are in a prescribed format downloaded from National Treasury's data base and could not be altered except for the input of the figures. Therefore, these reports are in a prescribed format.

### **3. PRE-DETERMINED OBJECTIVES**

In the beginning of the financial year, the budget must be sent to both National and Provincial Treasury. The monthly section 71 reports are measured against that budget to ensure that the municipality will stay financially viable. Therefore, it is clear that the budget is the pre-determined objective.

### **4. DISCUSSION**

Attached please find the section 71 reports. These reports will be discussed separately as each focus on a different set of information. The information is coming directly from the financial system, and the monthly trial balance is one of the most important documents used to prepare the section 71 reports.

The information given in the section 71 reports must be backed up by documentation, as treasury visits the municipality from time to time to verify that the information given through is correct and trustworthy.

### **5. STAKEHOLDERS**

The first stakeholders involved will be the financial department who prepare these reports. Thereafter, the Municipal Manager will be informed about the information in the reports, where after it will be sent to the mayor. The mayor will table the information before council. Within 10 working days after month end, these information will be sent through to National and Provincial Treasury.

## **6. LEGAL COMPLIANCE**

Section 71 of the Municipal Financial Management Act.

## **7. STAFF IMPLICATIONS**

A reporting clerk must be in the Budget Office dedicate for these reports to ensure the correct and timeously reporting of the mentioned reports. The Budget Manager and the CFO must verify that the information given are correct.

## **8. FINANCIAL IMPLICATIONS**

The section 71 reports must be filled in correctly as these information could have an influence on some of our grants received from National Treasury. Wrong information can lead to forfeiting some of our grants.

## **9. RISK IMPLICATIONS**

Wrong or incorrect information given and will mislead the reader of the report. Misallocations identified during the compilation of the report may only be rectified in the following month and therefore resulting in inaccurate information of that month's income or expenditure.

## **10. ANNEXURES,**

Below are the annexures attached. There are also May 2017 and June 2017 that were referred back during the previous committee sitting.

### **National and Provincial (Prescribed)**

AD (Age debtors)  
OSA (Operating income and Expenditure actuals)  
AC (Aged creditors)  
CFA (Cash flow)  
CAA (Capital acquisition actuals)  
BSAC (Balance sheet actuals)  
FMG (Financial Management Grant)  
RBIG (Regional Bulk Infrastructure grant)  
MIG (Municipal Infrastructure Grant)  
MSIG (Municipal System Improvement Grant)  
INEG (Integrated National Electrification Grant)  
PWPG (Public Works Programme Grant)  
RME (Repairs and Maintenance)

### **Provincial and COGTA**

Debt (Outstanding Government debt)  
Section Q report

## **11. RECOMMENDATIONS**

That the committee take note of the reports.