

Municipal and Vendor Masterclass

Preparing the Month 01 Data Strings
and Common IYM Transacting and
Reporting Errors

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national treasury

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REPUBLIC OF SOUTH AFRICA



Table of Contents

- Common IYM Transacting and Reporting Errors identified in:
 - Opening Balances
 - Depreciation and Completed Non-current Assets

**COMMON IYM TRANSACTING AND REPORTING
ERRORS
IDENTIFIED IN OPENING BALANCES**

Errors Identified In Opening Balances

- **What are Opening Balances?**

- Opening Balance – Amounts brought forward to the beginning of the new reporting period, usually the first day (M01)(01 July): **Opening Balance = Closing Balance of the previous reporting period.**
- The closing balances of Month 12 must be transferred to M01 in the new financial year (for both the general ledger as well as the sub-ledgers).

- **Challenges**

- Opening Balances are not balanced to zero (Original Budget (ORGB) and Month 01 (M01)).
- Opening Balances are not accurate nor complete (Original Budget (ORGB) and Month 01 (M01)).
- Opening Balances (01 July) do not agree to the Closing Balances (30 June)
- Validation rules per PSD 6.9/7.1, *m*SCOA Circulars, and MFMA Circulars not built into the financial systems functionalities.
- Integration not working between core financial system and sub system modules.
- Municipalities not reviewing/checking the rollover of the Opening Balances into Month 01 (M01).

Errors Identified In Opening Balances (continued...)

- **Opening Balances at the start** of an accounting period must agree with the closing balances from the immediately preceding period to ensure continuity and accuracy in financial reporting.
- The guides provided from the *mSCOA* chart for Opening Balances must be used. Municipalities have to check the guides used on rollover (and consider the definitions as reflected in the *mSCOA* chart). Movement accounts should not be used for Opening Balances as this results in non-compliance with *mSCOA*. Month 01 Data Strings must include Opening Balances. Entries must not be passed in the forthcoming months to reflect all opening balances. Only adjustments are reflected in the forthcoming months.
- System generated opening balances is compulsory for a credible data string, no opening balance journal entries are allowed.

Errors Identified In Opening Balances (continued...)

- **Municipal officials must REVIEW the opening balances which have been rolled over:**
- **Questions for consideration:**
 - **Do the opening balances balance with the resultant impact being zero?**
 - **Are the debit and credit balances linked to the correct opening balance guides?**
 - **Have opening balances been reviewed for the completeness and accuracy of the guides used (between the ORGB and M01)?**
 - **Have the balances reflected at 30 June (M12), agree to the opening balances at 01 July (M01)?**
 - **Have the balances reflected on our subsystems agree to the general ledger opening balances?**

Errors Identified In Opening Balances

- Validating Opening Balances and the Roll Forward of these balances is a key sub-process in ensuring that municipalities maintain the integrity, accuracy, and continuity of financial data between financial years. This sub-process supports compliance with the Municipal Financial Management Act (MFMA), National Treasury Directives, the Generally Recognised Accounting Practice (GRAP) framework, and the Municipal Standard Chart of Accounts (*mSCOA*).
- **This includes verifying the rollover parameters, data alignment, *mSCOA* segmentation, and treatment of inactive or amended accounts (including municipalities reviewing the usage of the guides used and consideration for the definitions (parent and child guides) in terms of the *mSCOA* chart). This sub-process includes extracting the system generated report of prior year closing balances, and REVIEWING the alignment to current year opening balances.**
- **If Opening Balances cannot be recorded against a specific Project, Region, Function, Fund, Costing (considering the validation rules), the limitation should be recorded on the Road Map, as **Balance Sheet Budgeting/Movement Accounting is not being applied. Periods 13, 14 and 15 will be applicable and rolling Opening Balances should be reflected.****

Errors Identified In Opening Balances (Continued...)

- Opening Balances are not transferred from month to month. **However, the movements in the Opening Balances is processed via the PAUD (M01-M02, Period 13), AUDA (M03-M05, Period 14) or RAUD (Period 15) transactions. Kindly note that the Bank transactions must be posted in the individual periods (e.g. Period 12, otherwise it will be difficult to get the Opening Balances correct in the C7).**
- The Opening Balances should be included in the data strings submission for M01 and will populate Table C6 in the C-Schedule.
- M01 will reflect the total of the Opening Balance and the Movement Accounting for the month.
- This means that Opening Balances and the Movement Accounting is recorded against the different posting levels per account i.e. Opening Balances, Deposits and Withdrawals (Financial Position).
- The inclusion of the Opening Balances as part of the data string submission for Budgeting and In-Year Reporting is compulsory.
- **Current year transacting should NOT be posted in the Opening Balance posting levels.**

Errors Identified In Opening Balances (continued...)

- All Opening Balances must be linked as follows Validation Rule:
 - **Project: Default Transactions**
 - Function (The Applicable Function: not all opening balances must be linked to Finance)
 - Item Assets/Liabilities or Net Assets Opening Balance (Posting Levels)
 - **Funding: Non-Funding Transactions**
 - Region (The Applicable Regional Indicator)
 - **Costing: Default**
- Any adjustments to the AFS in Periods 13, 14 and 15 will be pulled through into the new financial year via the data strings and thus adjusting the Opening Balances. Adjustments will also be reflected in the PAUD/AUDA and RAUD.
- **Opening Balances must be transferred as part of the M01 and subsequently any Period 13, 14 and 15 entries thereafter** to ensure that your Cash Flow is not out of balance, when reviewing and analyzing the C-Schedule.
- **MFMA Budget Circular No. 134 paragraph 4.4 Stage 3 Validation: Opening Balances:** Currently, the opening balances at year end (M12 as at 30 June) of the previous financial year are not being correctly rolled over to the first month (M01 as at 01 July) of the new financial year. In addition, these balances are not being updated to reflect the pre-audited (PAUD) and audit (AUDA) adjustments in the current financial year within the applicable open period(s). This validation rule(s) will test whether the opening balances have been rolled over correctly and balances off to zero. National Treasury will implement a validation rule to ensure that opening balances equal to zero in the third stage validation in chart version 7.2.
- **It is critical that municipalities review their Opening Balances (e.g. taking into consideration GRAP 104 implications). The specimen for 2025/2026 financial year to be issued will be the latest version that will be released by National Treasury for implementation. Municipalities are encouraged to utilise this specimen for the preparation of their AFS.**

**COMMON IYM TRANSACTING AND REPORTING
ERRORS
IDENTIFIED IN DEPRECIATION AND
COMPLETED NON-CURRENT ASSETS**

Errors Identified In Depreciation and Completed Non-current Assets

• Item Segment

- Depreciation is the systematic allocation of:
 - (i) The depreciable amount of an asset over its useful life.
 - (ii) The cost of an asset from the Statement of Financial Position to Depreciation Expense on the Statement of Financial Performance over the useful life of the asset.
- Amortisation is the systematic allocation of:
 - (i) The depreciable amount of an intangible asset over its useful life
 - (ii) The discount, premium, or issue cost of a financial instrument over the life of the instrument, or an intangible asset over its useful life.
- The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality.

• Challenges

- Municipalities are not budgeting for all asset categories as per the asset module (register).
- No transactions are recorded year to date (namely in respect of Month 01 Depreciation and Amortisation?)
- The linkages of the project segment for Accumulated Depreciation and Accumulated Amortisation are still a challenge.
- Municipalities not aligning the function segment with the item segment.
- Using the fund segment is still a challenge as municipalities still:
 - Used the Fund: Non-funding Transactions and Fund: Operational: Revenue: General Revenue: Equitable Share
 - Not linking the item segment with the fund segment .

Errors Identified In Depreciation and Completed Non-current Assets (continued...)

- Depreciation and Amortisation as expensed, should agree both in value and per category of asset to the Accumulated Depreciation and Accumulated Amortisation raised in Non-current Assets.
- **Paragraph 5.2 on MFMA Circular No. 115 Funding Depreciation**
 - From the analysis of the *mSCOA* data strings it is evident that a number of municipalities are allocating non-funding as the funding source in the fund segment for depreciation charges.
 - **Depreciation charges must be funded from operational funds such as service charges for electricity if assets are utilised for electricity purposes, service charges water for water management purposes, waste and waste water management in the same manner and property rates for services like roads that is primarily funded from property rates.**
 - When depreciation is funded, it will assist the municipalities to accumulate sufficient surpluses that must be transferred to cash backed reserves. Depreciation is the method to provide for the replacement of the assets. If depreciation remains a journal without the funds being ring fenced, municipalities will not be in a financial position to fund future infrastructure assets.
- **Depreciation, Amortisation, Accumulated Depreciation and Accumulated Amortisation should agree both in value and per category of asset on the following segments as examples, on the Project Segment, the Fund Segment, the Function Segment and the Region Segment.**
- Municipalities must also check/review the integration between the Asset Module and the General Ledger to ensure that the Depreciation, Amortisation, Accumulated Depreciation and Accumulated Amortisation amounts and balances are correctly reflected in terms of accuracy and completeness (refer to the Position Paper on Integration).
- Where it has been identified that transactions are being posted incorrectly from a sub-module level, this must be corrected on the sub-module level, to ensure that this does not repeat in the future.

Errors Identified In Depreciation and Completed Non-current Assets (continued...)

- **Construction Work in Progress (CWIP)** arises as and when the municipality undertakes activities for the construction of an asset. A municipality should consider the principles in the relevant Standards of Generally Recognised Accounting Practice (GRAP) in developing an accounting policy for the recognition and measurement of assets under construction.
- Asset acquisition also includes the verification and commissioning of assets before they are put into use. This ensures that assets conform to contractual specifications, are operationally fit for purpose, and are handed over to the responsible department with relevant documentation, including guarantees, manuals, and maintenance schedules. Capitalisation must occur once the asset is available for use and future economic benefits are probable.
- Where assets are acquired through donations, transfers, or public-private partnerships, the process must ensure appropriate valuation and recognition at fair value in accordance with GRAP requirements, with any conditions or restrictions on use properly recorded.
- By institutionalising the componentisation of completed work in progress, municipalities ensure accurate financial reporting, stronger asset lifecycle management, and sustainable infrastructure planning that reflects the real condition and service capacity of municipal assets.
- Supporting documentation, including completion certificates, contractor invoices, engineering reports, and technical specifications, must be uploaded/kept to provide an auditable trail of the componentisation process.
- Note: In consideration of the Business Processes, the componentised assets must integrate with depreciation, maintenance, and insurance functionalities to ensure that each component is managed, maintained, and depreciated in line with its characteristics. Where relevant, componentisation must also align to risk management processes, allowing municipalities to prioritise high-risk or high-criticality components in lifecycle planning.

**COMMON IYM TRANSACTING AND REPORTING
ERRORS
ERRORS IDENTIFIED IN EMPLOYEE RELATED
COSTS CONTROL ACCOUNTS
TRANSACTING**

**COMMON IYM TRANSACTING AND REPORTING
ERRORS
IDENTIFIED IN INTEREST RECEIVED
TRANSACTING**

**COMMON IYM TRANSACTING AND REPORTING
ERRORS
IDENTIFIED IN VAT TRANSACTING**

**COMMON IYM TRANSACTING AND REPORTING
ERRORS
IDENTIFIED IN VIREMENTS**

MFMA Circulars – Virements

Improving *m*SCOA data strings credibility i.t.o MFMA Circular No. 129

Budget override and virement

- In terms of Sections 15 of the MFMA, a municipality may incur expenditure only within the limits of the amounts appropriated for the different votes in a council approved budget. However, National and Provincial Treasuries often identify **transactions against items where no budget has been allocated in their data string analysis**. This is a clear indication that the **budget controls in the integrated system solution have been overridden**. The National Treasury has instructed system vendors to ensure that strict controls are in place when the budget is overridden on the system as this bad practice circumvents the build-in system controls that should eliminate unauthorised and irregular expenditure.
- Municipalities must review their Virement policy annually and ensure that it aligns with the principles and guidance in ***m*SCOA Circular No. 8** (29 April 2020). Virements may only be made between existing budget provisions and must be included in an adjustments budget.
- Accounting Officers are reminded that once the council has approved the annual budget for the financial year, it must be locked, and any amendments to the budget can only be made through the adjustments budget process, in accordance with the Municipal Budget and Reporting Regulations (MBRR).

MFMA Circulars – Virements

Improving *m*SCOA data strings credibility i.t.o MFMA Circular No. 130

- These data strings will be the **sole source used by National and Provincial Treasuries** to analyse and determine if the municipality's budget is funded, and the credibility is therefore of utmost importance.

Submission of virement information

- From the 2025/26 MTREF, municipalities have been required to report on their virements through the submission of a separate data string, as well as a report on virements done by the municipality.
- This submission must be done monthly to the GoMuni Upload Portal and should be generated from the core financial system. Submission only where applicable ie, in periods when virements occurred.
- The validation rules applicable to the monthly In-Year Monitoring (IYM) submission will also be applied to the virement data strings.
- Municipalities must review their virement policy annually and ensure that it aligns with the principles and guidance in MFMA Circulars No 12, 51 and 88 and *m*SCOA Circular No. 8 (29 April 2020). Virements may only be made between existing budget provisions and must be included in an adjustments budget. The Council approved virement policy must be submitted as part of the budget documents on GoMuni. Please note that documents must be submitted individually and not as a batch.

*m*SCOA Circular 8

Virements

The principles that must be incorporated in municipal virement policies per MFMA Circular No 12, 51 and 88 is still applicable in the *m*SCOA environment when doing a virement.

Therefore, virement should only be allowed within a *m*SCOA function and its sub functions, except for the following cases:

- A Project extending over/ incorporating more than one *m*SCOA function or sub function, then savings in the budgetary allocation in a function or sub-function may be applied across the functions and/ or sub-functions directly linked to the same Project and Funding Source;
- Where the Finance and Administrative function or sub function is directly linked to another Function or sub function, then savings in the linked function/ sub-function may be applied in the Finance and Administrative function or vice versa². Therefore, virement between Rates Services and Trading Services and across Trading Service are not allowed.

*m*SCOA Circular 8

Virements

Factors that must be considered:

- Virements should not be permitted in relation to the revenue side of the budget.
- Virements between functions should be permitted if the proposed shifts in funding facilitate sound risk and financial management.
- Virements from the capital budget to the operating budget should not be permitted.
- Virements towards personnel expenditure should not be permitted.
- Virements to and from the following items should not be permitted: bulk purchases, debt impairment, interest charges, depreciation, grants to individuals, revenue forgone, insurance and VAT.
- Virements should not result in adding “new” projects to the Capital Budget.
- Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted and
- There should be prudent limits on the amount of funds that may be moved to and from votes and sub-votes (e.g. not more than 5 per cent of the budget may be moved to or from a vote, programme, project, etc.)
- Any changes to Project, Function, Fund and Region will result in an adjustments budget.
- The corrections to the Item Segment can only be performed if within the same project, function, fund and region (prior to Adjustment Budget).

National Treasury Regulations

Adjustments Budget

Types of adjustments budget	Timeframes	Sections of MFMA and MBRR
Downwards adjustment due to under-collection of revenue	Any time	S. 28(2)(a)
Main adjustments budget	Once a year – between tabling of the mid-year assessment and 28 February	S. 28(2)(b, d & f) Reg. 23(1&2)
Additional funds from national/provincial government	Sixty (60) days after the approval of the relevant national/provincial adjustments budget	S.28(2)(b) Reg. 23(3)
Unforeseen and unavoidable expenditure	Within 60 days of expenditure being incurred	S. 28(2)l, 29(3) & 32 Reg. 23(4), 71 & 72
Roll-over of municipal funds	Before 25 August	S. 28l Reg. 23(5)
Authorisation of unauthorised expenditure	(a) In main adjustments budget (b) After the tabling of the annual report for that year (seven months after the financial year end)	S. 28(g), 32, 127(2) Reg. 23(6)

Common IYM Transacting and Reporting Errors - virements

- Virements resulting in changes in *m*SCOA segments – project; function; fund; costing and region
- Virements between the capital and operational budget

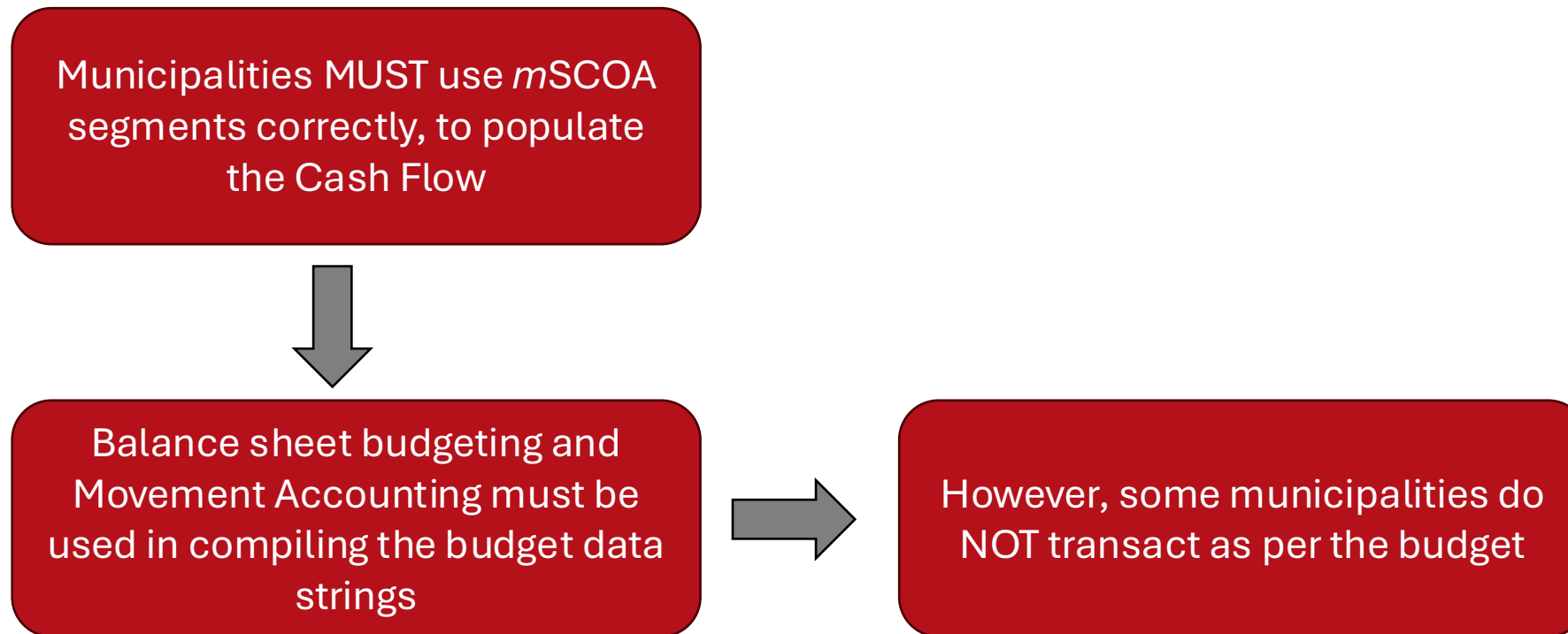
→ **DEMONSTRATION: Practical examples - virements**

**COMMON IYM TRANSACTING AND REPORTING
ERRORS
IDENTIFIED IN CASH FLOW TRANSACTING**

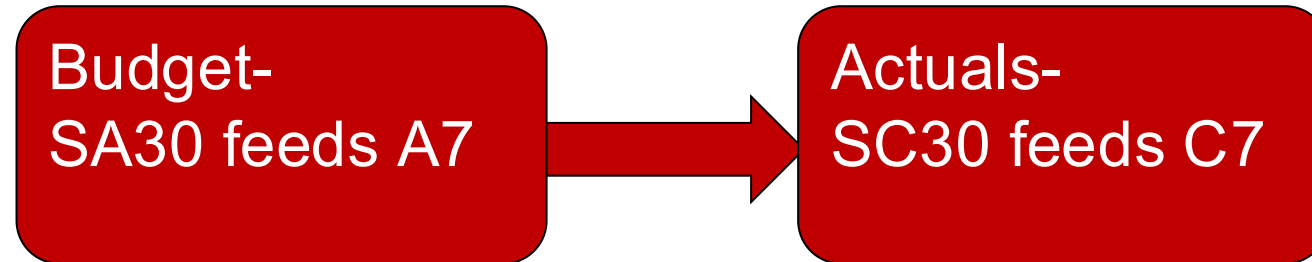
Cash Flow reporting guidance

- The municipality's A, B, C Schedule, PAUD, AUDA and RAUD cash flow statement drawn from the data strings must balance and align with the cash flow statement drawn from municipal financial system for the reporting period under review.
- Furthermore, the municipality cash flow statement linking must be in line with National Treasury guidelines issued in **mSCOA Circular No. 10 and 11**. (Annexure A updated for *mSCOA* chart version 7.1)
- The following cash flow reports generated from the *mSCOA* data strings for all reporting periods are available on the LG Data Base under *mSCOA*:
 - Reporting: - List A1 Scheduled detail sheet Mapping per municipality
 - Budget and Reporting Regulations Reporting – under A7 and A1 Summary.
 - Annual Financial Statements and Report - Reconciliation of Budgeted Cashflows
 - Financial Analysis – C7

PROBLEM STATEMENT – Cash flow reporting



Cash flow - *Data strings*



- The cash flow schedule is populated using data strings
- The C7 is based on the data strings submitted monthly
 - Cash receipts by Source
 - Cash payments by Type
 - Other Cash Flows
 - Capital Assets
 - Repayment of borrowing
 - Other Cash inflows / payments
 - Net Increase / Decrease in cash held

Common IYM Transacting and Reporting Errors – Cash flow reporting

Receipts

Item Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description): Deposits

OR

Item Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description): Interest Earned (exception – for Receipts from Interest: Short-term investments and call accounts)

AND

FUND FD001 (operational) and FD002 (capital)

- For the Cash flow reporting, the funding segment should NOT be non-funding, however some municipalities funded through non-funding.

Common IYM Transacting and Reporting Errors – Cash flow reporting

Receipts

ANNEXURE A

CODES		Budgeted Monthly Cash Flow: Table SA30	
	Cash Receipts By Source		
0100	Property rates	FD0010010010090010000000000000000000	AND IA001001 - "DEPOSITS"
0110	Service charges - electricity revenue	FD0010010010080010000000000000000000	AND IA001001 - "DEPOSITS"
0120	Service charges - water revenue	FD0010010010080050000000000000000000	AND IA001001 - "DEPOSITS"
0130	Service charges - sanitation revenue	FD0010010010080040000000000000000000	AND IA001001 - "DEPOSITS"
0140	Service charges - refuse revenue	FD0010010010080030000000000000000000	AND IA001001 - "DEPOSITS"
0150	Rental of facilities and equipment	FD0010010010060000000000000000000000	AND IA001001 - "DEPOSITS"
0160			
0170		FD0010010010040030000000000000000000	AND IA001001 - "DEPOSITS"
0170			Rental from fixed assets
0170			Rent on land
0180	Interest earned - external investments - Bank Accounts	FD001001001004001001001000000000000000	AND IA001001 - "INTEREST EARNED"
0180	Interest earned - external investments - Financial Assets	FD001001001004001001002000000000000000	AND IA001001 - "INTEREST EARNED"
0180	Interest earned - external investments - Short-term investments and call accounts	FD001001001004001001003000000000000000	AND IA001001 - "INTEREST EARNED"
0190	Interest earned - outstanding debtors - Electricity	FD001001001004001002001000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - Waste Management	FD001001001004001002002000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - Waste Water Management	FD001001001004001002003000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - Water	FD001001001004001002004000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - Property Rates	FD001001001004001002005000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - Merchandising, Jobbing and Contracts	FD001001001004001002006000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - Property Rental Debtors	FD001001001004001002007000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - Service Charges	FD001001001004001002008000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - Housing Selling Scheme	FD001001001004001002009000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - Water and Sanitation Service Authority	FD001001001004001002010000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - Market Agency	FD001001001004001002011000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - Land Sale Debtors	FD001001001004001002012000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - Affiliates/Related Parties/Associated Companies	FD001001001004001002013000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - SARS	FD001001001004001002014000000000000000	AND IA001001 - "DEPOSITS"
0190	Interest earned - outstanding debtors - Sporting and Other Bodies	FD001001001004001002015000000000000000	AND IA001001 - "DEPOSITS"

Common IYM Transacting and Reporting Errors – Cash flow reporting

Receipts

- The municipality bill Electricity to Ward 2: R6 000 000 and collects 85% of the revenue. The Cash Flow transaction is as follows:

Segment	Debit	Credit
Project	Default	Default
Function	Function: Energy Sources: Core Function: Electricity	Function: Energy Sources: Core Function: Electricity
Item	Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Primary Bank account: Deposits	Assets: Current Assets: Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Electricity: Collections
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity
Region	Ward 2	Ward 2
Costing	Default	Default
Amount	R5 100 000	R5 100 000

Common IYM Transacting and Reporting Errors – Cash flow reporting

Payments

FUND FD001 (operational) and FD002 (capital)

AND

Item liabilities... “Withdrawals”

- In accordance with *m*SCOA Circular No. 10 and 11, Non-Funding transactions are not allowed, and the allocation of non-funding will result in the SA30 and A7 tables in the A Schedule not populating.
- Some municipalities are not aligning the correct fund segment to “Item liabilities... WITHDRAWALS” movement account to accurately reflect the payment, instead non-funding is aligned.

Common IYM Transacting and Reporting Errors – Cash flow reporting

Payments

- Expenditure incurred for Salary. Thereafter the payment of salary during the payroll run in M01:

Segment	Debit	Credit
Project	Default	Default
Function	Executive and Council:Core Function:Municipal Manager, Town Secretary and Chief Executive	Executive and Council:Core Function:Municipal Manager, Town Secretary and Chief Executive
Item	Liabilities: Current Liabilities: Trade and Other Payable Exchange Transactions: Control, Clearing and Interface Accounts: Salary Clearing and Control: Salary Control: Withdrawals	Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Primary Bank account: Withdrawals
Funding	Fund:Operational:Revenue: General Revenue:Taxes:Property Rates:Levies	Fund:Operational:Revenue: General Revenue:Taxes:Property Rates:Levies
Region	Head Office and Admin	Head Office and Admin
Costing	Default	Default
Amount	R208 333	R208 333

Common IYM Transacting and Reporting Errors – Cash flow reporting

Capital Assets

PROJECT PC

AND

FUND FD002 (Capital)

AND

Item Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description): Withdrawals

- In accordance with *m*SCOA Circular No. 10 and 11, Non-Funding transactions are not allowed and using this will result that the SA30 and A7 not populating.
- Some municipalities are not aligning the appropriate PROJECT and FUND segment to the amount reflected on “Item Assets... withdrawals”, instead non-funding transactions and default transactions are used.

Common IYM Transacting and Reporting Errors – Cash flow reporting

Capital Assets

- Capital Expenditure incurred. Thereafter the payment of the invoice for the capital expenditure:

Segment	Debit	Credit
Project	PC: Infrastructure: New: Roads Infrastructure: Roads	PC: Infrastructure: New: Roads Infrastructure: Roads
Function	Road Transport: Core Function: Roads	Road Transport: Core Function: Roads
Item	IL: Current liabilities: Trade and other payables Exchange transactions: Payables and accruals: Contractors: Withdrawals	IA: Current assets : Cash and cash equivalents: Cash at Bank: Bank Account: Specify: Withdrawals
Funding	Fund:Capital:Transfers and Subsidies: Monetary Allocations:National Government:Municipal Infrastructure Grant	Fund:Capital:Transfers and Subsidies :Monetary Allocations:National Government:Municipal Infrastructure Grant
Region	Whole of Municipality	Whole of Municipality
Costing	Default	Default

Common IYM Transacting and Reporting Errors – Cash flow reporting

Practical examples

- Bank transactions aligned to Non funding
 - Receipts (debits to the bank with fund source Non funding)
- Receipts
 - Interest: Current and Non-current Assets: Short-term investments and call accounts
 - Interest: Receivables: Property Rates
 - Agency services
 - Fines, Penalties and Forfeits
 - Licences and Permits
 - VAT Receipts
 - Property Rates
 - Electricity
 - Transfers and Subsidies - Capital

Common IYM Transacting and Reporting Errors – Cash flow reporting

Practical examples

- Payments
 - Finance charges
 - Suppliers and employees
 - Contracted services
 - Remuneration of councillors
 - Capital assets

CONCLUSION

- Municipalities must ensure that **source based budgeting** is utilised during budget preparation to ensure completeness and accuracy in the amounts included in the budget.
- Further, municipalities must engage the system vendor and ensure that there is a **review of financial system setups/parameters** and ensure that once the municipality commences transacting in M01 of the new financial year, there is alignment between the budget and the actuals to ensure improvement in data string credibility in 2026/27 financial year.

Thank You



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

