

Sent: Wednesday, October 27, 2021 10:01:42 AM

Subject: Urgent - Verification of Conditional Grants First Quarter ended 30 September 2021

**To all: Municipal Managers, Chief Financial Officers, and other municipal officials,
CC: MFMA Coordinators and other provincial treasury officials,
CC: CD: LGBA,
CC: System Vendors**

We have received numerous queries on the grant expenditure report for quarter 1. Similar to the journey undertaken to correct the cashflow reporting. We are also undertaking a process to resolve the challenges experienced with grant reporting and ensuring that grant expenditure is reported using the correct mSCOA item. We are currently working on a mSCOA Circular that provides guidance on grant reporting and it will be issued in due course.

It should be noted that the mapping was changed to be consistent with the reporting on the Annual Financial Statements where only "conditions met" are recognised as grant expenditure. This is in line with the reporting in terms of GRAP 23. Therefore, the new mapping allows for reporting of grants expenditure using IL: transferred to Revenue/ Capital Expenditure to the Item Revenue. This transactions should be done on a monthly basis and not at year end which was the practise in the past.

The change in mapping, will result in grant expenditure being understated in quarter 1 where municipalities have not been transacting correctly to recognise grants expenditure when conditions are met. **The corrections can only be made through passing a journal in the open period which is M04.** This will ensure that the reports are correct going forward and the cumulative expenditure will be correct.

Municipalities must refrain from requesting the system vendors to re-open the closed periods to correct the reports. Therefore, **municipalities can sign-off on the quarter 1 grant expenditure report with a disclaimer** highlighting the discrepancies.

Kind regards

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