



## KWAZULU-NATAL PROVINCE

TREASURY  
REPUBLIC OF SOUTH AFRICA

**DIRECTORATE:**

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Our Ref: 11/6/13/6  
Enquiries: Mr. F. Cassimjee  
Date: 25 March 2021

**TO: MUNICIPAL MANAGERS  
CHIEF FINANCIAL OFFICERS  
KWAZULU-NATAL (KZN) MUNICIPALITIES**

### **PROVINCIAL TREASURY CIRCULAR PT/MF 11 OF 2020/21**

#### **PREPARATION AND SUBMISSION OF THE FINANCIAL MANAGEMENT GRANT (FMG) SUPPORT PLANS AND THE SIGNED FMG PERIODIC RETURNS FOR THE 2021/22 FINANCIAL YEAR**

The objectives of this Circular are to draw the attention of the Accounting Officers to:

- A) The requirements regarding the preparation of the 2021/22 FMG Support plans and the various activities that can be included in the 2021/22 FMG Support plans;
- B) The reporting requirements to be adhered to for the 2021/22 FMG signed monthly, quarterly and annual returns; and
- C) The requirement to submit the outstanding 2020/21 FMG signed quarterly and monthly returns.

#### **A) FMG Support plans**

Section 12(1) of the Division of Revenue Bill of 2021 (DoRB) requires the receiving officer of a Schedule 5 allocation (all FMG allocations are classified as Schedule 5 allocations) to ensure compliance with the FMG framework. The FMG framework included in the 2021 DoRB specifies that:

- The FMG Support plan identifies weaknesses in financial management which are planned to be addressed through the grant allocation; and
- The FMG Support plan be submitted timeously to the relevant Provincial Treasury and National Treasury.

Each municipality is reminded that even though the FMG framework specifies that a portion of the FMG funding be used for remunerating at least five interns in a local municipality or three interns in a district or metropolitan municipality who must be appointed over a multi-year period, this however, is not the only purpose for which the FMG allocation may be used. In the past it was noted that very few municipalities have considered funding the following purposes which are included in the FMG framework:

- The FMG allocation can be used to implement financial management reforms and overall compliance with the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) to address shortcomings identified in the Financial Management Capability Maturity Model (FMCMM) assessments;
- The FMG allocation can be used to support the implementation of corrective actions to address the root causes of audit findings in municipalities;
- The FMG allocation can be used to support the implementation of the Financial Misconduct Regulations and promote consequence management to reduce unauthorised, irregular and fruitless and wasteful expenditure incurred by municipalities; and
- The FMG allocation can be used to support the training of municipal officials working towards attaining the minimum competencies, as regulated in the Government Gazette 29967 of June 2007.

The deteriorating audit opinions obtained by municipalities in recent financial years suggests that municipalities need to consider the inclusion of expenditure related to the five aforementioned conditions in the 2021/22 FMG Support plans to address fundamental financial problems.

The letter dated 16 March 2021 sent by National Treasury to all municipalities requires municipalities that received an Adverse or Disclaimer audit opinion in the 2019/20 audit cycle to allocate a **minimum of 60 percent** of the grant towards addressing root causes giving rise to the negative audit opinion. National Treasury has stated that **the FMG Support plan will not be approved and allocations will not be transferred unless the minimum 60 percent condition is met, where applicable.**

The FMG framework further states the following additional activities which can be undertaken with the FMG allocation:

- Strengthen capacity and up-skilling officials in the Budget and Treasury Office (BTO), Internal Audit and Audit Committees;
- On-going review, revision and submission of FMG support plans to the National Treasury that address weaknesses in financial management;
- Acquisition, upgrade and maintenance of financial management systems to produce multi-year budgets, in-year reports, Service Delivery and Budget Implementation Plans, Annual Financial Statements, annual reports and automated financial management practices including the municipal Standard Chart of Accounts (mSCOA);
- Support the training of municipal financial management officials working towards attaining the minimum competencies, as regulated in Government Gazette No. 29967 of June 2007 and amended through Gazette No. 41996 of October 2018;
- Support the preparation and timely submission of Annual Financial Statements for audits. Technical support to municipalities must include the transfer of skills to municipal officials;
- Support the implementation of the financial misconduct regulations and promote consequence management to reduce unauthorised, irregular, fruitless and wasteful expenditure incurred by municipalities;

- Support the strengthening of financial governance and oversight, as well as the functioning of Municipal Public Accounts Committees (MPAC); and
- Support the training of municipal officials that are members of the Supply Chain Management (SCM) Bid Committees

The activities included in the aforementioned bullet points are catered for in the Support plan template (Annexure A). Municipalities can therefore formulate a plan to address audit or FMCMM findings and choose to fund the activities in the plan from the FMG allocation by specifying the activities in the 2021/22 FMG Support plan.

**National Treasury has requested all municipalities to submit their 2021/22 FMG Support plans by 19 April 2021** as per the letter dated 16 March 2021 sent to all municipalities. It is advisable that municipalities review their plan to determine how they can best utilise the FMG allocation to address their most vital needs in line with the conditions included in the FMG framework.

### **B) Monthly, Quarterly and Annual report requirements**

It has been noted that many municipalities fail to submit their signed FMG reports to Provincial Treasury even though they might have submitted the reports to National Treasury. Section 12 of the 2021 DoRB specifies the following reporting requirements for all municipalities:

- Section 12(2)(b) states that *a municipality, as part of the report required in terms of Section 71 of the Municipal Finance Management Act, report on the matters referred to in subsection (4) [which specifies the format of the grant report] and submit a copy of that report to the relevant Provincial Treasury, the National Treasury and the relevant transferring officer; and*
- Section 12(2)(c) states that *a province or municipality, submit a quarterly non-financial performance report within 30 days after the end of each quarter [to the transferring officer, the relevant Provincial Treasury and National Treasury].*
- Section 12(5) states that *the receiving officer must evaluate the financial and non-financial performance of the provincial department or municipality, as the case may be, in respect of programmes partially or fully funded by a Schedule 5 allocation and submit such evaluation to the transferring officer and the relevant Provincial Treasury within two months after the end of the 2021/22 financial year applicable to a provincial department or a municipality, as the case may be.*

In terms of the above, **all municipalities must submit all monthly, quarterly and annual FMG performance evaluation reports to Provincial Treasury** in addition to submitting these reports to National Treasury.

### **C) Outstanding 2020/21 FMG reports**

It is concerning that out of a total of 594 documents which should have been submitted to National Treasury up to 28 February 2021 (eight (8) months of the 2020/21 financial year) only 486 documents were submitted to National Treasury and less than a quarter of those documents were submitted to Provincial Treasury. Refer to Table 1 below.

**Table 1: Outstanding FMG reports**

	Reports due per municipality	No. of KZN Municipalities	Total Reports required	Total No. of Reports submitted to National Treasury
Monthly	8	54	432	350
Quarterly	2	54	108	82
Annual	1	54	54	54
<b>Total</b>			<b>594</b>	<b>486</b>

Continuous noncompliance with the required monthly, quarterly and annual submission requirements to both the National and Provincial Treasuries could result in future FMG allocations being withheld.

Municipalities are kindly requested to comply with the reporting legislative requirements stated above for the 2020/21 financial year. All municipalities are thus requested to **immediately** submit all outstanding 2020/21 monthly, quarterly and annual signed reports to both the Provincial and National Treasuries. Furthermore, municipalities will have to **submit the 2021/22 FMG signed monthly reports, 2021/22 FMG signed Quarterly reports and their 2021/22 FMG signed Annual performance evaluation reports to Provincial Treasury** in addition to submitting these reports to National Treasury for future periods.

### **Conclusion**

Municipalities must seek to remedy any non-compliance by submitting any outstanding FMG Support plans or reports to [fmg@treasury.gov.za](mailto:fmg@treasury.gov.za) as well as to the relevant Provincial Treasury Analyst by **Friday 16 April 2021**.

**National Treasury has indicated that failure to submit the 2021/22 FMG Support plan and any outstanding 2020/21 FMG reports will result in the indefinite withholding of the municipality's 2021/22 FMG allocation or reallocation of the funds to another municipality in need of the FMG allocation and who have also complied with all the requirements.**

Yours sincerely



**MS. N. SHEZI**  
**ACTING HEAD OF DEPARTMENT: KZN PROVINCIAL TREASURY**

**CC MAYORS**  
**ADMINISTRATORS**  
**MR. J. HATTING, NATIONAL TREASURY**  
**MR. T.V. PILLAY, NATIONAL TREASURY**  
**MS. N. MHLONGO, BUSINESS EXECUTIVE – AUDITOR-GENERAL**



**2021/22 Financial Year**

<b>Strengthen capacity and upskill officials in the Budget and Treasury Office (BTO), Internal Audit and Audit Committees</b>		
<i>Activities</i>	<i>Completion date</i>	<i>Amount</i>
<b>Total</b>		<b>R0</b>

<b>At least five interns in local municipalities and three interns in metropolitan and district municipalities must be appointed over a multi-year period. Municipalities must submit a plan for the retention of skills developed through the internship programme</b>		
<i>Activities</i>	<i>Completion date</i>	<i>Amount</i>
<b>Total</b>		<b>R0</b>

<b>Acquisition, upgrade and maintenance of financial management systems to produce multi- year budgets, in-year reports, Service Delivery and Budget Implementation Plans, Annual Financial Statements, annual reports and automated financial management practices including mSCOA</b>		
<i>Activities</i>	<i>Completion date</i>	<i>Amount</i>
<b>Total</b>		<b>R0</b>

<b>Support the training of municipal officials in financial management towards attaining the minimum competencies</b>		
<i>Activities</i>	<i>Completion date</i>	<i>Amount</i>
<b>Total</b>		<b>R0</b>

<b>Support the preparation and timely submission of quality annual financial statements for audits. Technical support to municipalities must include the transfer of skills to municipal officials</b>		
<i>Activities</i>	<i>Completion date</i>	<i>Amount</i>
<b>Total</b>		<b>R0</b>



2021/22 Financial Year

Support implementation of corrective actions to address root causes/audit findings in municipalities		
<i>Activities</i>	<i>Completion date</i>	<i>Amount</i>
Total		R0

Implementation of financial management reforms and address shortcomings identified in the Financial Management Capability Maturity Model (FMCMM) Assessment report		
<i>Activities</i>	<i>Completion date</i>	<i>Amount</i>
Total		R0

Support the implementation of the financial misconduct regulations and promote consequence management to reduce UIF&W incurred by municipalities		
<i>Activities</i>	<i>Completion date</i>	<i>Amount</i>
Total		R0

Support to strengthen financial governance and oversight, as well as functioning of Municipal Public Accounts Committees		
<i>Activities</i>	<i>Completion date</i>	<i>Amount</i>
Total		R0

Support the training of municipal officials that are members of the BID committees		
<i>Activities</i>	<i>Completion date</i>	<i>Amount</i>
Total		R0

Allocation as per DoRA		R0
Total as per Support Plan		R0
Difference		R0

\_\_\_\_\_  
 Municipal Manager

\_\_\_\_\_  
 Date



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**FINANCIAL MANAGEMENT GRANT CASH FLOW PROJECTION**

FOR THE FINANCIAL PERIOD: 1 JULY 2021 TO 30 JUNE 2022

ACTIVITIES	2021						2022						TOTAL
	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	
Strengthen capacity and up skill officials in the Budget and Treasury Office (BTO), Internal Audit and Audit Committees													R0
At least five interns in local municipalities and three interns in metropolitan and district municipalities must be appointed over a multi-year period. Municipalities must submit a plan for the retention of skills developed through the internship programme													R0
Acquisition, upgrade and maintenance of financial management systems to produce multi- year budgets, in-year reports, Service Delivery and Budget Implementation Plans, Annual Financial Statements, annual reports and automated financial management practices , including													R0
Support the training of municipal officials in financial management towards attaining the minimum competencies													R0
Support the preparation and timely submission of quality annual financial statements for audits. Technical support to municipalities must include the transfer of skills to municipal officials													R0
Support implementation of corrective actions to address root causes/audit findings in municipalities													R0
Implementation of financial management reforms and address shortcomings identified in the Financial Management Capability Maturity Model (FMCM) Assessment report													R0
Support the implementation of the financial misconduct regulations and promote consequence management to reduce UIF&W incurred by municipalities													R0
Support the implementation of the financial misconduct regulations and promote consequence management to reduce UIF&W incurred by municipalities													R0
Support the training of municipal officials that are members of the BID committees													R0
<b>TOTAL</b>	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0

I \_\_\_\_\_, the Municipal Manager of \_\_\_\_\_ Municipality certify that the content of this support plan is to my knowledge a true representation of the intended utilisation of the Financial Management Grant for the 2021/22 financial year.

\_\_\_\_\_  
Municipal Manager

\_\_\_\_\_  
Date: