



Our reference: Circulars to Municipalities
Inkomba yethu :
Ons verwysing:

Date: 14 February 2017
Usuku:
Datum:

Please quote our reference on all correspondence

To: **MAYORS
MUNICIPAL MANAGERS
CHIEF FINANCIAL OFFICERS
KWAZULU NATAL MUNICIPALITIES**

PROVINCIAL TREASURY CIRCULAR PT/MF5 OF 2016/17

NON-COMPLIANCE WITH THE MFMA REPORTING REQUIREMENTS

Provincial Treasury issues circulars to Mayors to highlight non-compliance with the Municipal Finance Management Act (MFMA) Act No. 56 of 2003 and the Division of Revenue Act (DoRA) Act No. 3 of 2016 reporting requirements. Despite the issuing of previous non-compliance circulars by me as MEC for Finance, it is of serious concern that a number of municipalities in KwaZulu-Natal are still not fully complying with all the requirements of the MFMA and DoRA.

Following the reports submitted for the second quarter of the 2016/17 financial year, it emerged that a number of municipalities in the province are either failing to comply with **ALL** the reporting requirements as set out in the different sections of the MFMA and DoRA; or are submitting reports for compliance purposes only without ensuring the accuracy of the information submitted.

The following annexures list some of the most important MFMA and DoRA reporting requirements that have not been complied with by municipalities:

- Annexure A: 2016/17 MFMA Implementation Plan;
- Annexure B: 2016/17 Budget Returns (Appendix B) and 2015/16 Annual Returns;
- Annexure C: 2016/17 Section 71 Monthly Returns;
- Annexure D: 2016/17 Quarterly Returns;
- Annexure E: 2016/17 Conditional Grants Return Forms;
- Annexure F: 2016/17 Verification of Figures for Quarter 2;
- Annexure G: 2016/17 Mid-Year Budget and Performance Assessment;
- Annexure H: Publication of Section 75 Information on Municipal Websites;
- Annexure I: Financial Management Grant (FMG) Conditions/Appointment of Municipal Interns;
- Annexure J: 2016/17 MFMA Competency Level Return (S1); and
- Annexure K: 2017/18 Budget Schedule of Key Deadlines.

Both the National and Provincial Treasuries provided support and training to assist municipalities in meeting their reporting requirements and can no longer allow any deliberate or inadvertent non-compliance with the law. Provincial Treasury will consider the following steps, should the non-compliance by municipalities persist:

1. Notify the Auditor-General of the municipality's failure to comply with the relevant MFMA reporting requirements;
2. Recommend to the concerned municipality's Council that it considers investigating the Accounting Officer in terms of Section 171(4) of the MFMA, with a view to taking disciplinary action against the Accounting Officer in the light of his or her failure to comply with the relevant MFMA reporting requirements;
3. Launch an investigation with a view to laying charges against the Accounting Officer for financial misconduct in terms of Section 171 of the MFMA and Regulation 19 of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings; and
4. Explore options together with the National Treasury to stop all transfers to the municipality for breach of their reporting obligations.

During the 2015/16 financial year, Provincial Treasury reported non-compliance with both the MFMA and DoRA reporting requirements to the KwaZulu-Natal Provincial Legislature on a quarterly basis through the Section 71(7) Reports, where I as MEC for Finance am required to submit a consolidated statement on the state of municipalities' budgets *to the provincial legislature no later than 45 days after the end of each quarter*. It is therefore the intention of Provincial Treasury to continue to submit a list of those municipalities that are persistently not complying with the MFMA and DoRA reporting requirements to the legislature for their consideration.

The KwaZulu-Natal Provincial Treasury urges all the municipalities to ensure full compliance with all the reporting requirements in terms of the MFMA and DoRA in the 2016/17 financial year. The officials from Provincial Treasury will continue to assist and support their designated municipalities to enforce full compliance by all municipalities.

It should also be noted that our source of information is the National Treasury's Local Government Database (lgdatabase). Should your municipality dispute any of the information reflected in the annexures, please provide both the Provincial and National Treasuries with the evidence to confirm any discrepancy.

Please direct any enquiries to the Chief Director: Municipal Finance: Mr. Farhad Cassimjee on telephone number (033) 897 4321.

Yours sincerely



MS B F SCOTT
MEC FOR FINANCE- KZN

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Annexure A: 2016/17 MFMA Implementation Plan

The National Treasury issued MFMA Circular 7 “MFMA Implementation Plan Template” on 23 September 2004. All municipalities were required to prepare and submit the MFMA Implementation Plan indicating how they would implement the MFMA reforms. The MFMA Implementation Plan should be used by municipalities to enable them to achieve compliance with relevant legislation. Municipalities are required to establish a steering committee to manage and oversee, inter alia the MFMA Implementation Plan. The MFMA Implementation Plan for 2016/17 was due on 31 October 2016. As at 02 February 2017, the 24 municipalities shown in Table 1 below had not submitted their 2016/17 MFMA Implementation Plans.

Table 1: List of the municipalities that did not submit their MFMA Implementation Plan for the 2016/17 financial year.

Non Compliant Municipalities	Non Compliant Municipalities
Ray Nkonyeni	eDumbe
uMngeni	AbaQulusi
Mpofana	Nongoma
iMpendle	Ulundi
Mkhambathini	uMlalazi
uMgungundlovu DM	Mthonjaneni
Okhahlamba	King Cetshwayo DM
uThukela DM	Ndwedwe
Nquthu	uBuhlebezwe
uMsinga	Harry Gwala DM
uMvoti	eMadlangeni
Dannhauser	Amajuba DM

Source: Local Government Database

Annexure B: 2016/17 Budget Returns (Appendix B) and 2015/16 Annual Returns

In terms of Section 22(b) of the MFMA, *the accounting officer of the municipality must submit the annual budget -*

- (i) in both printed and electronic formats to the National Treasury and the relevant Provincial Treasury; and*
- (ii) in either format to any prescribed national or provincial organs of the state and to other municipalities affected by the budget.*

The budget figures from Appendix B: Budget Returns Forms is utilised by National Treasury for their quarterly publications on municipal financial performance. National Treasury further hosts the LG Database to which the municipalities submit various other monthly, quarterly and annual returns, as the department endeavours to maintain accurate and complete financial information on all municipalities for planning, reporting and decision making purposes. Table 2 shows the municipalities that have not uploaded/submitted their relevant returns to the LG Database. The non-complying municipalities have been identified from the National Treasury database report dated 02 February 2017.

Table 2: List of municipalities that have not submitted the Appendix B Budget Returns Forms and Annual Returns as at 02 February 2017

Name of Return	Period	Non Compliant Municipalities
IDP to Budget	2016/17	Dannhauser, eNdumeni, uMsinga, Alfred Duma, eDumbe, Maphumulo and Mthonjaneni.
Financial Position Adjusted	2016/17	uMzumbe
Age Creditors Audited	2015/16	Amajuba DM, Dannhauser, Harry Gwala DM, uBuhlebezwe, Ray Nkonyeni, uMsinga, uMvoti, Okhahlamba, uThukela DM, AbaQulusi, eDumbe, Nongoma, Zululand DM, Mpofana, uMshwathi and Mthonjaneni.
Age Debtors Audited	2015/16	Amajuba DM, Dannhauser, eMadlangeni, uBuhlebezwe, Ray Nkonyeni, uMsinga, uMvoti, Okhahlamba, uThukela DM, AbaQulusi, eDumbe, Nongoma, Zululand DM, Mpofana, uMshwathi, and Mthonjaneni.
Asset Management Audited	2015/16	Amajuba DM, Dannhauser, Harry Gwala DM, uBuhlebezwe, Ray Nkonyeni, Jozini, uMsinga, Nquthu, uMvoti, Okhahlamba, uThukela DM, AbaQulusi, eDumbe, Nongoma, uPhongolo, Zululand DM, Maphumulo, Mpofana, uMshwathi, uMfolozi, Mthonjaneni, Nkandla and uMlalazi.
Financial Position Audited	2015/16	Amajuba DM, Dannhauser, Harry Gwala DM, uBuhlebezwe, Ray Nkonyeni, uMsinga, uMvoti, uMzinyathi DM, Okhahlamba, eDumbe, Nongoma, Zululand DM, Mpofana, uMshwathi and Mthonjaneni.
Capital Acquisition Audited	2015/16	Amajuba DM, Harry Gwala DM, uBuhlebezwe, Ray Nkonyeni, uMsinga, Nquthu, uMvoti, uMzinyathi DM, Okhahlamba, AbaQulusi, eDumbe, Nongoma, uPhongolo, Zululand DM, Mpofana, uMshwathi and Mthonjaneni.
Cash Flow Audited	2015/16	Amajuba DM, Harry Gwala DM, uBuhlebezwe, Ray Nkonyeni, uMkhanyakude DM, uMsinga, uMvoti, Okhahlamba, uThukela DM, eDumbe, Nongoma, Ulundi, Zululand DM, Mpofana, uMshwathi and Mthonjaneni.
Financial Perform Audited	2015/16	Amajuba DM, eMadlangeni, Harry Gwala DM, uBuhlebezwe, Ray Nkonyeni, uMsinga, uMvoti, Okhahlamba, AbaQulusi, eDumbe, Nongoma, uPhongolo, Zululand DM, Mandeni, Mpofana, uMshwathi and Mthonjaneni.
Annual Financial Statement Pre-audit	2015/16	eDumbe
Annual Financial Statement Audited	2015/16	Amajuba DM, Dannhauser, Harry Gwala DM, uBuhlebezwe, uMsinga, uMvoti, Okhahlamba, uThukela DM, AbaQulusi, eDumbe, Ulundi, Zululand DM, Ndwedwe, iMpendle, Mkhambathini, uMshwathi, Mthonjaneni.

Source: Local Government Database

Annexure C : 2016/17 Section 71 Monthly Returns

In terms of Section 71(1) of the MFMA, *the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant Provincial Treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:*

- (a) *actual revenue, per revenue source;*
- (b) *actual borrowings;*
- (c) *actual expenditure, per vote;*
- (d) *actual capital expenditure, per vote;*
- (e) *the amount of any allocations received; and*
- (f) *actual expenditure of those allocations.*

The Section 71 Monthly Returns are divided into two categories, namely the monthly *Budget Reform Return Forms* and the *Conditional Grants Return Forms*.

As at 02 February 2017, the monthly returns shown in Table 3 had not been submitted to the local government database.

Table 3: List of municipalities that did not submit the monthly returns

Name of Return	Period	Non Compliant Municipalities
Financial Position Actuals	Sep 2016	Dannhauser
	Oct 2016	Dannhauser, uMsinga and Nongoma.
	Nov 2016	uMsinga, AbaQulusi and Nongoma.
	Dec 2016	Amajuba DM, uMsinga, Nquthu, Nongoma, Mandeni, iMpindle and uMgungundlovu DM.
	Dec 2016	uMgungundlovu DM and uMshwathi.
Capital Acquisition Actuals	Sep 2016	Jozini
	Oct 2016	AbaQulusi
	Nov 2016	AbaQulusi
	Dec 2016	AbaQulusi, Mandeni and uMgungundlovu DM
Financial Perform Actuals	Dec 2016	iNkosi Langalibalele
Age Creditors	Sep 2016	Dannhauser
	Oct 2016	Dannhauser and Nongoma.
	Nov 2016	Nongoma and uMgungundlovu DM.
Age Debtors	July 2016	Mandeni
	Aug 2016	Mandeni
	Sept 2016	Mandeni
	Oct 2016	iNkosi Langalibalele and Mandeni
	Nov 2016	Mandeni and uMgungundlovu DM
	Dec 2016	iNkosi Langalibalele and Mandeni.
Repairs and Maintenance Expenditure	Dec 2016	uMgungundlovu DM.

Source: Local Government Database

Annexure D: 2016/17 Quarterly Returns

Section 74(1) of the MFMA states that *the accounting officer of a municipality must submit to the National Treasury, the Provincial Treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.*

National Treasury has prescribed that the quarterly returns must be submitted on borrowings, investments, long term contracts, municipal entities, the implementation of the MFMA priorities (as specified in MFMA Circular No. 38) and public-private partnerships. Table 4 shows the list of municipalities that did not submit the required returns for the first and second quarters of the 2016/17 financial year as at 02 February 2017.

It should be noted that Table 4 also includes municipalities that do not have a municipal entity, however municipalities are still required to submit a MFMA Municipal Entity return with nil information.

Table 4: List of the municipalities that did not submit quarterly returns for the 2016/17 financial year

Quarterly Returns	Quarter 1	Quarter 2
Borrowings Monitoring	eDumbe Nongoma	Newcastle Jozini uMsinga Nquthu Alfred Duma iNkosi Langalibalele Maphumulo Ndwedwe Mpofana
MFMA Long term Contract	eMadlangeni Jozini Nquthu uMvoti AbaQulusi eDumbe Nongoma Ndwedwe Mpofana	Amajuba DM eMadlangeni Newcastle Jozini uMsinga Nquthu uMvoti Alfred Duma iNkosi Langalibalele uThukela DM AbaQulusi Nongoma Ulundi Mandeni Maphumulo Ndwedwe Mpofana uMngeni

Quarterly Returns	Quarter 1	Quarter 2
MFMA Municipal Entities	Dannhauser eMadlangeni eNdumeni uMsinga uMvoti iNkosi Langalibalele eDumbe Nongoma Ndwedwe Mpofana	Amajuba DM Dannhauser eMadlangeni Newcastle Jozini eNdumeni uMsinga Nquthu uMvoti Alfred Duma iNkosi Langalibalele uThukela DM Nongoma Ulundi Zululand DM Maphumulo Ndwedwe Mpofana uMngeni
MFMA Implementation Priorities	eDumbe Nongoma	eMadlangeni Newcastle Ugu DM uMsinga Nquthu iNkosi Langalibalele uThukela DM Maphumulo Ndwedwe Mpofana uMgungundlovu DM
Investment Monitoring	Nquthu uMvoti Okhahlamba eDumbe Nongoma	Newcastle Jozini uMsinga Nquthu iNkosi Langalibalele Okhahlamba eDumbe Maphumulo Ndwedwe Mpofana

Source: Local Government Database

The municipalities are also reminded to submit the quarterly returns for the third and fourth quarters as and when they fall due.

Annexure E: 2016/17 Conditional Grants Return Forms

In terms of Section 12(2) (b) of the 2016 DoRA, a municipality must, as part of the report required in terms of Section 71 of the MFMA, report on their grant expenditure *to the relevant Provincial Treasury, the National Treasury and the relevant transferring national officer.*

Section 12(4) of 2016 DoRA further specifies that the report by a municipality in terms of Section (2)(b) *must set out for that month and for the financial year up to the end of that month:*

- (a) the amount received by the municipality;
- (b) the amount of funds stopped or withheld from the municipality;
- (c) the extent of compliance with this Act and with the conditions of an allocation or part of an allocation provided for in a framework;
- (d) an explanation of any material problems experienced by the municipality;
- (e) regarding an allocation which has been received and a summary of the steps taken to deal with such problems;
- (f) any matter or information that may be prescribed in the relevant framework for the particular allocation; and
- (g) such other issues and information as the National Treasury may determine.

Table 5: List of the municipalities that did not submit conditional grant returns to the Local Government Database for the 2016/17 financial year as at 02 February 2017

Conditional Grant	Period	Non Complaint Municipalities
Finance Management Grant	July 2016	AbaQulusi
	Aug 2016	AbaQulusi
	Sep 2016	AbaQulusi
	Oct 2016	uMsinga, Alfred Duma and AbaQulusi
	Nov 2016	uMsinga and Alfred Duma
	Dec 2016	uMkhanyakude DM, uMsinga, Alfred Duma and Mpofana
Integrated Nat Electrification Programme Grant	Nov 2016	uMsinga
	Dec 2016	uMsinga
Municipal Demarcation Transition Grant	Nov 2016	Alfred Duma
	Dec 2016	Alfred Duma
Municipal Infrastructure Grant	Sep 2016	Dannhauser
	Nov 2016	uMsinga
	Dec 2016	uMsinga
Expanded Public Works Programme Grant	Nov 2016	uMsinga
	Dec 2016	uMsinga and Mpofana

Source: Local Government Database

Annexure F: 2016/17 Verification of Figures for Quarter 2

Provincial Treasury is concerned about the reliability of budget and expenditure figures published by National Treasury. It was noted in the past that there has been discrepancies in the data submitted to the Local Government Database by municipalities. To ensure that the figures published by National Treasury are reliable, it is imperative that municipalities scrutinise, verify and sign-off the verifications schedules sent to them by National Treasury on a quarterly basis.

There are four quarterly verification schedules, namely:

- (a) Statement of Operating and Capital Expenditure (Section 71 Verification);
- (b) Conditional Grants Actual Transfers and Expenditure Schedule (Grant Verification);
- (c) Borrowing Monitoring Schedule; and
- (d) Investment Monitoring Schedule.

Table 6: List of the municipalities that did not submit quarterly verification schedules to National Treasury for the second quarter of the 2016/17 financial year as at 02 February 2017

Section 71	Conditional Grants	Borrowings	Investments
Mpofana uThukela DM AbaQulusi Ulundi Ndwedwe Harry Gwala DM	Mpofana uThukela DM Ulundi Harry Gwala DM	Mpofana Okhahlamba iNkosi Langalibalele Alfred Duma uThukela DM Nquthu uMsinga Newcastle Dannhauser Amajuba DM eDumbe AbaQulusi Ulundi Jozini Mthonjaneni Nkandla Maphumulo uBuhlebezwe Harry Gwala DM	Mpofana Okhahlamba iNkosi Langalibalele Alfred Duma uThukela DM Nquthu uMsinga Newcastle Dannhauser Amajuba DM eDumbe Nongoma Ulundi Jozini uMkhanyakude DM Mthonjaneni Nkandla Maphumulo Greater Kokstad Harry Gwala DM

Source: KZN Provincial Treasury

Annexure G: 2016/17 Mid-Year Budget and Performance Assessment

Section 72(1)(a) of the MFMA requires that the Accounting Officer of a municipality assesses the performance of the municipality for the first half of the financial year. A report on such assessment must be completed and submitted to the Mayor of the municipality, the National Treasury and the relevant Provincial Treasury by 25 January of each year as per Section 72(1)(b) of the MFMA.

Provincial Treasury issued Circular TC/RM 4 of 2016/17 on 07 December 2016 to all delegated municipalities, reminding municipalities on the date of submission, format and other necessary information regarding the preparation of the Mid-Year Budget and Performance Assessment Report.

Table 7 shows the municipalities which did not submit their Mid-Year Budget and Performance Assessment Reports by the prescribed deadline of 25 January 2017.

Table 7: List of the municipalities that did not submit Mid-Year Budget and Performance Assessment Reports as at 25 January 2017

Non Compliant Municipalities	Non Compliant Municipalities	Non Compliant Municipalities
Mthonjaneni	Nquthu	Dannhauser

Source: KZN Provincial Treasury

Annexure H: Publication of Section 75 Information on Municipal Websites

In terms of Section 75(1) of the MFMA, municipalities are required to place the following documents on their municipal websites:

- a) *The annual and adjustments budgets and all budget-related documents;*
- b) *All budget-related policies;*
- c) *Annual Report;*
- d) *All performance agreements required in terms of Section 57(1)(b) of the Municipal Systems Act;*
- e) *All service delivery agreements;*

- f) All long-term borrowing contracts;
- g) All supply chain management contracts above a prescribed value;
- h) An information statement containing a list of assets over a prescribed value that have been disposed of in terms of Section 14(2) or (4) during the previous quarter;
- i) Contracts to which subsection (1) of Section 33 apply, subject to Subsection (3) of that Section;
- j) Public-private partnership agreements referred to in Section 120;
- k) All quarterly reports tabled in the council in terms of Section 52(d); and
- l) Any other documents that must be placed on the website in terms of this Act or any other applicable legislation, or as may be prescribed.

Section 75(2) of the MFMA further requires that documents must be placed on the website not later than five working days after its tabling in Council, or on the date on which it must be made public, which-ever occurs first.

As at 02 February 2017, the municipalities shown in Table 8 below had not placed the majority of the required documents on their websites.

Table 8: List of the municipalities that did not place the majority of the required documents on their websites

Non Compliant Municipalities	Non Compliant Municipalities	Non Compliant Municipalities	Non Compliant Municipalities
uMuziwabantu	Dannhauser	Nkandla	Dr. Nkosazana Dlamini Zuma
uMsinga	Big Five Hlabisa	Umkhanyakude DM	Greater Kokstad

Source: Municipal Websites

Annexure I: Financial Management Grant (FMG) Conditions/Appointment of Municipal Interns

In terms of the Financial Management Grant (FMG) conditions published in the 2016 DoRA, the grant may be utilised for amongst others, the establishment of a Budget and Treasury Office with positions filled by appropriately qualified personnel and for the appointment of a minimum of five interns over a multi-year period. As at 02 February 2017, the municipalities shown in Table 9 have not appointed five interns.

Table 9: List of the municipalities that did not appoint five interns

Non Compliant Municipalities	Non Compliant Municipalities
Ugu DM	uMngeni
Mpofana	uMgungundlovu DM
iNkosi Langalibalele	Nquthu
eMadlangeni	eDumbe
Ulundi	Zululand DM
Mthonjaneni	

Source: KZN Provincial Treasury

Annexure J: 2016/17 MFMA Competency Level Return (S1)

Regulation 14(1) of the Municipal Regulations on Minimum Competency Levels states that *the municipal manager of the municipality and chief executive officer of a municipal entity must monitor the compliance with the prescribed minimum competency levels of financial and supply chain management officials.* Regulation 14(2)(a) states further *that such information must be reported to the National Treasury and the relevant Provincial Treasury by 30 January and 30 July of each year.*

As at 02 February 2017, municipalities shown in Table 10 had not submitted the relevant return pertaining to the minimum competency levels for the first half of the 2016/17 financial year, which was due on 30 January 2017.

Municipalities are reminded to submit the return pertaining to the minimum competency levels (S2) for the second half of the 2016/17 financial year as it falls due on **30 July 2017**.

Table 10: List of the municipalities that had not submitted the minimum competency levels return (S1)

Non Compliant Municipalities	Non Compliant Municipalities
eDumbe	Nongoma
Amajuba DM	Ulundi
Dannhauser	uPhongolo
eMadlangeni	Zululand DM
Newcastle	Mandeni
uBuhlebezwe	Maphumulo
Ray Nkonyeni	Ndwedwe
uMzumbe	iMpendle
Jozini	Mkhambathini
uMkhanyakude DM	Mpofana
uMsinga	uMgungundlovu DM
Nquthu	uMngeni
Okhahlamba	uMshwathi
uThukela DM	Mthonjaneni
uMlalazi	

Source: Local Government Database

Annexure K: 2017/18 Budget Schedule of Key Deadlines

Section 21(1)(b) of the MFMA requires the Mayor to table in Council at least 10 months before the start of financial year, a *time schedule outlining key deadlines* for the municipal budget process. The objective of this section seeks to ensure that amongst others, the budget preparation process commences timeously to ensure that the budget process is properly conducted including consultations with all affected communities and stakeholders.

To date, the municipality shown in Table 11 below has not submitted a copy of its approved 2017/18 Budget Schedule of Key Deadlines to Provincial Treasury and National Treasury after the approval of the Budget Schedule of Key Deadlines in Council.

Table 11: Municipality that did not submit the 2017/18 Budget Schedule of Key Deadlines to Provincial Treasury and National Treasury

Non Compliant Municipalities
Nquthu

Source: Local Government Database