



## HEAD OF DEPARTMENT

Our Ref: 11/6/13/6  
Enquiries: Mr F. Cassimjee  
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**TO: MAYORS  
MUNICIPAL MANAGERS  
CHIEF FINANCIAL OFFICERS  
KWAZULU NATAL MUNICIPALITIES**

### PROVINCIAL TREASURY CIRCULAR PT/MF 11 OF 2016/17

#### UNIFORM FINANCIAL RATIOS AND NORMS

##### **Purpose**

The purpose of this Circular is to update municipalities on the implementation of National Treasury MFMA Circular No. 71 – Uniform Financial Ratios and Norms and the related National Treasury requirements.

##### **Background**

Provincial Treasury issued Provincial Treasury Circular TC/RM 1 of 2016/17 – Uniform Financial Ratios and Norms dated 07 July 2016, the purpose of which was *to appraise municipalities on the implementation of National Treasury MFMA Circular No. 71 – Uniform Financial Ratios and Norms issued in January 2014.*

##### **Implementation**

Municipalities and municipal entities are required to annually populate the financial ratios template for the Calculation of Uniform Financial Ratios and Norms issued by National Treasury utilising the audited Annual Financial Statements (AFS). Currently, municipalities and municipal entities are completing the 2015/16 financial ratios template based on the audited 2015/16 AFS. The deadline for submission of the completed financial ratios template to National Treasury and Provincial Treasury of 31 January 2017 has long since lapsed. There are however still municipalities and municipal entities which have not completed and submitted their 2015/16 financial ratios template to National Treasury and Provincial Treasury, despite repeated reminders by Provincial Treasury.

In addition to completing the financial ratios template annually, municipalities and municipal entities are required to table the 2015/16 financial ratios results with interpretations and explanations to their Councils, Finance Committees and MPAC's to inform Councillors of their status. This must result in resolutions taken by Council to implement measures to address the relevant gaps and weaknesses based on the results following the completion of financial ratio template.

Municipalities and municipal entities are required to institutionalise this process going forward by completing the financial ratio information immediately after the release of the audited 2016/17 AFS using the audited information and submit such to the National and Provincial Treasury for review, guidance and uploading.

As a matter of priority, non-compliant municipalities and municipal entities are required to complete their 2015/16 financial year ratio template. The financial ratio template for the municipality should be named as follows; Municipality Code\_Ratios\_2016 (eg. KZN211\_Ratios\_2016).

### Conclusion

Upon completion of the financial ratio template for 2015/16 (2014/15 restated), municipalities are to:

- 1) Submit the completed ratio template to National Treasury at [mfma@treasury.gov.za](mailto:mfma@treasury.gov.za) and copy the KwaZulu-Natal Provincial Treasury at [mfma@kzntreasury.gov.za](mailto:mfma@kzntreasury.gov.za); and
- 2) Table their 2015/16 financial ratios results with interpretations and explanations to their Councils, Finance Committees and MPAC's to inform Councillors of their status. This must result in resolutions to implement measures to address the relevant gaps and weaknesses.

Yours faithfully



**Mr L.S. MAGAGULA**

**HEAD OF DEPARTMENT: PROVINCIAL TREASURY**

cc J Hattingh, National Treasury

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