



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

Date: 8 August 2017
Usuku:
Datum:

Please quote our reference on all correspondence

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

PROVINCIAL TREASURY CIRCULAR PT/MF 3 OF 2017/18

NON-COMPLIANCE WITH THE MFMA REPORTING REQUIREMENTS

Provincial Treasury issues circulars to Mayors to highlight non-compliance with the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) and the Division of Revenue Act, Act No. 1 of 2016 (DoRA) reporting requirements. Despite the issuing of non-compliance circulars in previous years, it is of serious concern that a number of municipalities in KwaZulu-Natal are still not fully complying with all the reporting requirements of the MFMA and DoRA.

Following the reports submitted for the fourth 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 and/or are submitting reports for compliance purposes only without ensuring the accuracy of the information submitted.

The following sections list out some of the most important MFMA and DoRA reporting requirements that have not been complied with by municipalities, together with a list of municipalities who did not fully comply with those reporting requirements:

- Section A: 2016/17 MFMA Implementation Plan;
- Section B: 2016/17 Budget Returns (Appendix B) and Annual Returns;
- Section C: 2016/17 Section 71 Monthly Returns;
- Section D: 2016/17 Quarterly Returns;
- Section E: 2016/17 Conditional Grants Return Forms;
- Section F: 2016/17 Verification of Figures for Quarter 4;
- Section G: 2016/17 Mid Year Budget and Performance Assessment;
- Section H: 2016/17 Adjustments Budget Process;
- Section I: Publication of MFMA Section 75 Information on Municipal Websites;
- Section J: Financial Management Grant (FMG) Conditions/Appointment of Municipal Interns;
- Section K: 2016/17 MFMA Competency Level Return (S1 and S2);

- Section L: Tabling of the Time schedules outlining key deadlines for the 2017/18 budget preparation process;
- Section M: 2017/18 Tabled Budget Process;
- Section N: 2017/18 Approved Budget Process; and
- Section O: 2017/18 Funding Position.

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 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 relevant MFMA reporting requirements;
3. Launch an investigation with a view of 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 (*issued on 30 May 2014*); and
4. Explore options to stop all transfers to the municipality for breach of their reporting obligations.

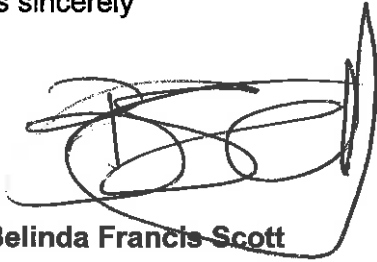
During the 2016/17 financial year, Provincial Treasury reported non-compliance with both the MFMA and DoRA reporting requirements to the KwaZulu-Natal Provincial Legislature on a quarterly basis through the MFMA Section 71(7) Report, where the MEC for Finance is required to submit a consolidated statement 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 municipalities to ensure full compliance with all the reporting requirements in terms of the MFMA and DoRA in the 2017/18 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 Sections, 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

A handwritten signature in black ink, appearing to read 'MS Belinda Francis Scott'. The signature is stylized with several loops and a long horizontal stroke at the end.

MS Belinda Francis Scott
MEC FOR FINANCE - KZN

CC Jan Hattingh, National Treasury
T V Pillay, National Treasury
P Stamper, Acting Business Executive (Auditor - General)
S L Magagula, HOD, KZN Provincial Treasury
N R Shezi, DDG – Fiscal Resource Management, KZN Provincial Treasury

Section A: 2016/17 MFMA Implementation Plan

National Treasury issued MFMA Circular No.7 "MFMA Implementation Plan Template" on 23 September 2004. All municipalities are required to prepare and submit their MFMA Implementation Plan indicating how they will 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 their MFMA Implementation Plan. The MFMA Implementation Plan for the 2016/17 financial year was due on 31 October 2016.

As at 31 July 2017, the municipalities shown in Table 1 below had still not submitted their 2016/17 MFMA Implementation Plans.

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

Non Compliant Municipalities	Non Compliant Municipalities	Non Compliant Municipalities
Amajuba DM	uMngeni	Nquthu
Dannhauser	uMgungundlovu DM	Alfred Duma
eMadlangeni	Nongoma	!Nkosi Langalibalele
Harry Gwala DM	Maphumulo	AbaQulusi
Jozini	Ndwedwe	eDumbe
uMsinga	Ukundi	

Source: Local Government Database

Section 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 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 had not uploaded/submitted their relevant return forms to the LG Database. The non-complying municipalities have been identified from the National Treasury database report dated 31 July 2017.

Table 2: List of municipalities that have not submitted the Appendix B Budget Returns Forms and Annual Returns as at 31 July 2017

Name of Return	Period	Non Compliant Municipalities
Grant and Subsidies Given	2016/17	Ugu DM, uMdoni
Grant and Subsidies Received	2016/17	Ugu DM, uMdoni
IDP to Budget	2016/17	Dannhauser, eNdumeni, uMsinga, Alfred Duma, eDumbe, Mthonjaneni, uMdoni
Age Creditors Audited	2015/16	Dannhauser, Harry Gwala DM, Hlabisa, The Big Five False Bay, Imbabazane, Umtshezi, Ntambanana
Age Debtors Audited	2015/16	Hlabisa, The Big Five False Bay, Imbabazane, Umtshezi, Ntambanana
Capital Acquisition Audited	2015/16	Hlabisa, The Big Five False Bay, Imbabazane, Umtshezi, Ntambanana
Cash Flow Audited	2015/16	Hlabisa, The Big Five False Bay, Imbabazane, Umtshezi, Ntambanana
Financial Position Audited	2015/16	Hlabisa, The Big Five False Bay, Imbabazane, Umtshezi, Ntambanana
Financial Perform Audited	2015/16	Hlabisa, The Big Five False Bay, Imbabazane, Umtshezi, Ntambanana
Asset Management Audited	2015/16	Dannhauser, Harry Gwala DM, Hlabisa, Jozini, The Big False Bay, Nqutu, Imbabazane, Umtshezi, Nongoma, Ntambanana

Source: Local Government Database

Section 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, excluding expenditure on-*
 - (i) its share of the local government equitable share; and*
 - (ii) allocations exempted by the annual Division of Revenue Act from compliance with this paragraph.*

As at 31 July 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
Age Creditors	April 2017	Jozini
	May 2017	Dannhauser; Harry Gwala DM
	June 2017	Harry Gwala DM
Age Debtors	May 2017	AbaQulusi; eMadlangeni
	June 2017	Harry Gwala DM, Mpošana
Financial Position	October 2016	Dannhauser
	April 2017	Harry Gwala DM; UThukela DM; AbaQulusi; Nongoma;
	May 2017	Amajuba DM; Dannhauser; Nquthu; uThukela DM; AbaQulusi; Nongoma
	June 2017	Nongoma; uThukela DM; Nquthu; Harry Gwala DM; Amajuba DM
Financial Performance	December 2016	Inkosi Langalibalele
	April 2017	Inkosi Langalibalele; AbaQulusi;
	May 2017	AbaQulusi
	June 2017	Harry Gwala DM; Ray Nkonyeni; AbaQulusi;
Capital Acquisitions Actuals	April 2017	AbaQulusi
	May 2017	Dannhauser; Mbatuba; Bg Five Hlabisa; Nquthu, uMvoti, AbaQulusi
	June 2017	Amajuba DM; Harry Gwala DM; Ray Nkonyeni; Jozini; Nquthu; AbaQulusi
Cash Flow Actuals	April 2017	Dannhauser; AbaQulusi
	May 2017	Mpošana, Nquthu; Dannhauser
	June 2017	Dannhauser; Harry Gwala DM; Ray Nkonyeni; Nquthu; AbaQulusi; Ulundi; Mpošana; Mblozi
Repairs and Maintenance	June 2017	Harry Gwala DM; Ray Nkonyeni; AbaQulusi;

Source: Local Government Database

Section 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 quarterly returns for 2016/17 as at 31 July 2017.

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

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

Quarter	Borrowings Monitoring	MFMA Long Term Contracts	MFMA Municipal Entity	MFMA Implementation Priorities	Investment Monitoring
Quarter 1	Nongoma	Big Five Hlabisa	Dannhauser	eDumbe	Nquthu
		Abaquusi	uMsinga		eDumbe
		Nongoma	uMvoti		Nongoma
		Ndwedwe	Inkosi Langalibalele		
			Nongoma		
Quarter 2	Jozini	Amajuba DM	Amajuba DM	eDumbe	Jozini
	Nquthu	Jozini	Dannhauser		Nquthu
	Nongoma	AbaQulusi	Jozini		eDumbe
		Nongoma	uMsinga		
		Ndwedwe	uMvoti		
			Inkosi Langalibalele		
			Nongoma		
Quarter 3	eMadlangeni	eMadlangeni	Dannhauser	eMadlangeni	Amajuba DM
	uMkhanyakude DM	Jozini	eMadlangeni	Mtubatuba	eMadlangeni
	Nongoma	Mtubatuba	Jozini		Nquthu
		Big Five Hlabisa	Mtubatuba		Nongoma
		uMvoti	Big Five Hlabisa		
		AbaQulusi	uMkhanyakude DM		
		Nongoma	uMsinga		
		Ndwedwe	uMvoti		
		Mthonjaneni	Inkosi Langalibalele		
			Nongoma		
Quarter 4	Dannhauser	Dannhauser	Dannhauser	Dannhauser	Dannhauser
	Harry Gwala DM	eMadlangeni	eMadlangeni	eMadlangeni	Newcastle
	Jozini	Newcastle	Newcastle	Newcastle	Harry Gwala DM
	Mtubatuba	Harry Gwala DM	Harry Gwala DM	Harry Gwala DM	Jozini
	uMkhanyakude DM	Ugu DM	uMzambe	Jozini	Mtubatuba
	Nquthu	uMzambe	Jozini	Mtubatuba	uMkhanyakude DM
	Nongoma	Jozini	Mtubatuba	uMkhanyakude DM	Nquthu
	Mblozi	Mtubatuba	Big Five Hlabisa	Nquthu	eDumbe
		Big Five Hlabisa	uMkhanyakude DM	AbaQulusi	Nongoma
		uMkhanyakude DM	uMsinga	Nongoma	Mpoiana
		Nquthu	Nquthu	uMgungundlovu DM	uMblozi
		uMvoti	uMvoti	uMngeni	
		Inkosi Langalibalele	Inkosi Langalibalele	uMblozi	
		uThukela DM	uThukela DM		
		AbaQulusi	AbaQulusi		
		Nongoma	Nongoma		
		Ujundi	Ndwedwe		
		Maphumulo	Impendle		
		Ndwedwe	uMblozi		
	Impendle				
	uMblozi				

Source: Local Government Database

Section 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 officer.*

Section 12(4) of 2016 DoRA further specifies that *a report for a municipality in terms of subsection (2)(b) must set out for the month in question and for the 2016/17 financial year up to the end of the month—*

- (a) the amount received by the municipality;*
- (b) the amount of funds stopped or withheld in terms of section 18 or 19 and the reason for the stopping or withholding;*
- (c) the extent of compliance with this Act and with the conditions of the allocation or part of the allocation provided for in its framework;*
- (d) an explanation of any material problems experienced by the municipality regarding an allocation which has been received and a summary of the steps taken to deal with such problems;*
- (e) any matter or information that may be determined in the framework for the allocation; and*
- (f) such other matters and information as the National Treasury may determine.*

As at 31 July 2017, the conditional grant returns shown in Table 5 had not been submitted to the Local Government Database.

Table 5: List of municipalities that did not submit the monthly conditional grants returns for the 2016/17 financial year

Name of Return	Period	Non-Compliant Municipalities
Energy Efficiency And Demand Management Grant	June 2017	Harry Gwala DM
Finance Management Grant	July 2016	AbaQulusi
	January 2017	AbaQulusi
	February 2017	Dannhauser
	March 2017	Dannhauser
	April 2017	Dannhauser
	May 2017	Dannhauser and AbaQulusi
	June 2017	Dannhauser and Harry Gwala DM
Integrated National Electrification Programme	June 2017	Ray Nkonyeni and AbaQulusi
Municipal Demarcation Transition Grant	November 2016	Alfred Duma
	December 2016	Alfred Duma
	January 2017	Alfred Duma
	February 2017	Alfred Duma
	March 2017	Alfred Duma
	April 2017	Alfred Duma
	May 2017	Alfred Duma
	June 2017	Alfred Duma
Municipal Infrastructure Grant	June 2017	Harry Gwala DM, Ray Nkonyeni and AbaQulusi
Expanded Public Works Programme Grant	February 2017	Jozini
	March 2017	Jozini
	April 2017	Jozini
	May 2017	Dannhauser and Nquthu
	June 2017	Harry Gwala DM, Nquthu and AbaQulusi
Regional Bulk Infrastructure Grant	June 2017	Harry Gwala DM
Rural Roads Asset Management Systems Grant	June 2017	Harry Gwala DM

Source: Local Government Database

Section F: 2016/17 Verification of Figures for Quarter 4

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.

As at 1 August 2017, the signed Quarter 4 verifications shown in Table 6 had not been submitted to the Local Government Database.

Table 6: List of municipalities that did not submit their Quarter 4 signed verifications to National Treasury by 01 August 2017

Section 71	Conditional Grants	Borrowing Monitoring	Investment Monitoring
Ray Nkonyeni	Ray Nkonyeni	uLundi	Mpofana
Mpofana	Mpofana	Mpofana	Inkosi Langalibalele
Inkosi Langalibalele	Inkosi Langalibalele	Inkosi Langalibalele	Newcastle
Newcastle	Newcastle	Newcastle	eMadlangeni
eMadlangeni	eMadlangeni	eMadlangeni	Dannhauser
Dannhauser	Dannhauser	Dannhauser	Amajuba DM
Amajuba DM	Amajuba DM	Amajuba DM	eDumbe
eDumbe	eDumbe	eDumbe	AbaQulusi
AbaQulusi	AbaQulusi	AbaQulusi	Nongoma
Nongoma	Nongoma	Nongoma	uMfolozi
uMfolozi	uMfolozi	uMfolozi	Maphumulo
Greater Kokstad	Greater Kokstad	Greater Kokstad	Greater Kokstad
		Big Five Hlabisa	uMkhanyakude DM
		uMkhanyakude DM	Ndwedwe
		Nkandla	
		Ndwedwe	

Source: KZN Provincial Treasury

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

Table 7 shows the municipalities that did not submit their 2016/17 Mid-Year Budget and Performance Assessment Reports by the prescribed deadline of 25 January 2017 to the Provincial Treasury.

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

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

Source: KZN Provincial Treasury

Table 8 shows the municipalities that did not upload their 2016/17 Mid-Year Budget and Performance Assessment Reports on their websites within 5 working days of 25 January 2017.

Table 8: List of municipalities that did not upload their 2016/17 Mid-Year Budget and Performance Assessment Reports on their websites within 5 workings days of 25 January 2017

Non Compliant Municipalities	Non Compliant Municipalities	Non Compliant Municipalities
Ugu: DM	Umtlalazi	Richmond
uThukela DM	Greater Kokstad	uMhlabyafingana

Source: KZN Provincial Treasury

Section H: 2015/16 Adjustments Budget Process

When the annual budget has been adjusted, the municipality is required to table their Adjustments Budget to Council at any time after the Mid-Year Budget and Performance Assessment has been tabled in Council but no later than 28 February of the current year as required by Regulation 23(1) of the MBRR.

All 51 delegated municipalities submitted their tabled Adjustments Budgets to Provincial Treasury. The tabled Adjustments Budget for the 14 municipalities shown in Table 9 were assessed by Provincial Treasury to be unfunded.

The Nkandla Local Municipality, the uThukela District Municipality and the uMkhanyakude District Municipality subsequently resubmitted Adjustments Budgets on 30 March 2017, 31 March 2017 and 26 April 2017 respectively. However the resubmitted Adjustments Budgets still appeared to be unfunded.

As at 31 July 2017, the remaining 10 municipalities had not re-submitted funded Adjustments Budgets to Provincial Treasury as requested.

Table 9: Unfunded 2016/17 Adjustments Budgets

Non Compliant Municipalities	Non Compliant Municipalities	Non Compliant Municipalities	Non Compliant Municipalities
Mpofana	uThukela DM	eDumbe	Zululand DM
Nkandla	Newcastle	uPhongolo	Big Five Hlabisa
Harry Gwala DM	iNkosi Langalibalele	Amajuba DM	AbaQulusi
uMkhanyakude DM	Okhahlamba		

Source: KZN Provincial Treasury

Provincial Treasury could not determine the true funding position of the uMngeni Local Municipality due to the poor population of Cash Flow Tables B7 and B8. The municipality did not resubmit a funded Adjustments Budget within 7 working days as requested by Provincial Treasury.

Section I: 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) *The 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 5 working days after its tabling in the Council, or on the date on which it must be made public, which-ever occurs first.*

As at 31 July 2017, the municipalities shown in Table 10 have not placed the majority of the required documents on their websites:

Table 10: List of municipalities that did not place majority of the required documents on their websites

Non Compliant Municipalities	Non Compliant Municipalities	Non Compliant Municipalities
uMuziwabantu	Richmond	Greater Kokstad
Ray Nkonyeni	Nkandla	

Source: Municipal Websites

Section J: 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 appointment of a minimum of five interns over a multi-year period.

As at 31 July 2017, the municipalities shown in Table 11 have not appointed five interns.

Table 11: List of municipalities that did not appoint five interns

Non Compliant Municipalities	Non Compliant Municipalities
Richmond	uMgungundlovu DM
Alfred Duma	iNkosi Langalibalele
uMvoti	eMadlangeni
Dannhauser	Zululand DM
uMkhanyakude DM	Maphumulo

Source: KZN Provincial Treasury

Section K: 2015/16 MFMA Competency Level Return (S1 and S2)

Regulation 14(1) of the Municipal Regulations on Minimum Competency Levels states that *the municipal manager of a municipality and chief executive officer of a municipal entity must monitor and take any necessary steps to ensure compliance, with the prescribed minimum competency levels for financial officials and supply chain management officials within the timeframes set out in regulation 15.*

Regulation 14(2) further states that such information must be reported to National Treasury and the relevant Provincial Treasury by 30 January and 30 July of each year.

As at 31 July 2017, municipalities shown in Table 12 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.

Table 12: List of municipalities that have not submitted the minimum competency levels return (S1)

Non Compliant Municipalities	Non Compliant Municipalities
Amajuba DM	eDumbe
Jozini	Nongoma
Okhahlamba	Maphumulo
uMngeni	

Source: Local Government Database

As at 31 July 2017, municipalities shown in Table 13 had not submitted the relevant return pertaining to the minimum competency levels for the second half of the 2016/17 financial year, which was due on 30 July 2017.

Table 13: List of municipalities that have not submitted the minimum competency levels return for the Second half (S2)

Non Compliant Municipalities	Non Compliant Municipalities	Non Compliant Municipalities
eThekwini	Maphumulo	Amajuba DM
eMahlangueni	Mpofana	Newcastle
Ugu DM	uMngeni	Harry Gwala DM
Jozini	King Cetshwayo DM	Mtubatuba
Big Five Hlabisa	Mthonjaneni	uMhlabayalingana
uMkhanyakude DM	uMlalazi	eNdumeni
uMsinga	Ndwedwe	uMvoti
uThukela DM	uMshwathi	Okhahlamba
eDumbe	uMfolozi	AbaQulusi
Zululand DM	KwaDukuza	Nongoma
Ulundi	uPhongolo	

Source: Local Government Database

Section L: Tabling of the Time schedules outlining key deadlines for the 2017/18 budget preparation process

Section 21(1)(b) of the MFMA requires the Mayor of a municipality to table in the municipal Council at least 10 months before the start of the budget year, a *Time schedule outlining key deadlines* for the budget process. One of the objectives of this section is to ensure that the budget preparation process commences timeously and complies with all the legislative requirements.

In this regard, 34 of the 51 delegated municipalities timeously tabled their *Time schedule outlining key deadlines* by 31 August 2016 as per the requirements of the MFMA. Table 14 shows the municipalities which did not table their *Time schedule outlining key deadlines* by the prescribed deadline of 31 August 2016. The MEC for Finance sent non-compliance letters to the Mayors of these municipalities.

Table 14: Municipalities that tabled their 2017/18 Time schedules outlining key deadlines after 31 August 2016

Non Compliant Municipalities	Non Compliant Municipalities	Non Compliant Municipalities
uThukela DM	Nquthu	eMadiangeni
eNdumeni	Mthonjaneni	Maphumulo
Amajuba DM	uMfolozi	Mtubatuba
Newcastle	Zululand DM	uMngeni
uMzinyathi DM	uPhongolo	uMgungundlovu DM
uMvoti	eDumbe	

Source: KZN Provincial Treasury

Only Nquthu Municipality out of the 17 municipalities shown in Table 14 above did not subsequently table their *Time schedule outlining key deadlines* in Council due to the political instability at the municipality.

Table 15 below shows that 5 municipalities out of the 51 delegated municipalities had not submitted their 2017/18 Budget Schedule of key deadlines to Provincial Treasury and National Treasury as at 31 July 2017

Table 15: Municipalities that did not submit their 2017/18 Budget Schedule of key deadlines

Non-compliant municipalities	Non-compliant municipalities
Dannhauser	Nongoma
eDumbe	Ndwedwe
Mthonjaneni	

Source: KZN Provincial Treasury

Municipalities are reminded to ensure that their 2018/19 Time schedules outlining key deadlines for the budget process are tabled in Council by 31 August 2017 in terms of Section 21 of the MFMA.

Section M: 2017/18 Tabled Budget Process

Section 16(2) of the MFMA states that *the Mayor of the municipality must table the annual budget at a Council meeting at least 90 days before the start of the budget year.*

With the exception the eNdumeni and eDumbe Local Municipalities, all delegated municipalities tabled their 2017/18 Budgets in Council by 31 March 2017. eNdumeni and eDumbe Local Municipalities did not request for an extension for the late tabling of their 2017/18 Budget in line with Section 27(1) of the MFMA from the MEC for Finance and non-compliance letters were sent to the municipalities in this respect.

Table 16 shows municipalities that did not table their 2017/18 Budgets by 32 March 2017.

Table 16: List of the municipalities that did not table their 2017/18 Budgets by 31 March 2017

Non-compliant municipalities	Non-compliant municipalities
eNdumeni	eDumbe

Source: KZN Provincial Treasury

Submission of the 2017/18 Tabled Budget

Section 22(b)(i) of the MFMA requires that immediately after an annual budget is tabled in a municipal Council, the annual budget must be submitted to National and Provincial Treasury in both printed and electronic format. Only uMshwathi Local Municipality did not timeously submit their 2017/18 Tabled Budget to Provincial Treasury and a non-compliance letter was issued to them in this respect.

Section N: 2017/18 Approved Budget Process

As per Section 24(1) of the MFMA, the municipal Council must at least 30 days before the start of the budget year consider approval of the annual budget, while Section 25(1) of the MFMA stipulates that if a municipal Council fails to approve an annual budget, including revenue-raising measures necessary to give effect to the budget, the Council must reconsider the budget and again vote on the budget, or on an amended version thereof, within seven days of the council meeting that failed to approve the budget.

With the exception of the eDumbe Local Municipality, all the delegated municipalities tabled their 2017/18 Budgets for consideration 30 days before the start of the budget year. A corresponding non-compliance letter was sent to the eDumbe Local Municipality in this respect.

Section O: 2017/18 Funding Position

Table 17 shows the funding positions of the 2017/18 Tabled and Approved Budgets of all delegated municipalities. The table shows that initially there were only 24 Tabled Budgets which were Funded, 14 were Unfunded while the funding position for 13 municipalities could not be determined mainly due to incomplete information. Table 17 further shows that 37 of the Approved Budgets were Funded, 13 were Unfunded while the funding position of only 1 municipality could not be determined.

Table 17: Funding Position of 2017/18 Tabled and Approved Budgets as per Provincial Treasury's assessments

No.	Name of Municipality	2017/18 Tabled Budget	2017/18 Approved Budget
1	uMdoni	Funded	Funded
2	uMzumbane	Funded	Funded
3	uMuzwabantu	Funded	Funded
4	Ray Nkonyeni	Undetermined	Funded
5	Ugu DM	Funded	Funded
6	uMshwathi	Funded	Funded
7	uMngeni	Funded	Funded
8	Mpofana	Unfunded	Unfunded
9	Impendle	Unfunded	Funded
10	Mkhambathini	Funded	Funded
11	Richmond	Funded	Funded
12	uMgungundlovu DM	Funded	Funded
13	Okhahlamba	Unfunded	Funded
14	Inkosi Langalibalele	Unfunded	Unfunded
15	Alfred Duma	Funded	Funded
16	uThukela DM	Unfunded	Unfunded
17	eNdumeni	Unfunded	Unfunded
18	Nquthu	Undetermined	Funded
19	uMsinga	Undetermined	Undetermined
20	uMvoti	Unfunded	Unfunded
21	uMzinyathi DM	Unfunded	Funded
22	Newcastle	Funded	Unfunded
23	eMadlangeni	Funded	Funded
24	Dannhauser	Funded	Funded
25	Amajuba DM	Unfunded	Unfunded
26	eDumbe	Unfunded	Unfunded
27	uPhongolo	Undetermined	Funded
28	Abaqulusi	Undetermined	Funded
29	Nongoma	Undetermined	Funded
30	Ulundi	Unfunded	Unfunded
31	Zululand	Undetermined	Unfunded
32	uMhlabuyalingana	Undetermined	Funded
33	Jozini	Undetermined	Funded
34	Mtubatuba	Funded	Funded
35	Big Five Hlabisa	Unfunded	Funded
36	uMkhanyakude	Unfunded	Unfunded
37	uMfolozi	Undetermined	Unfunded
38	uMlalazi	Funded	Funded
39	Mthonjaneni	Undetermined	Funded
40	Nkandla	Undetermined	Funded
41	King Cetshwayo DM	Funded	Funded
42	Mandeni	Funded	Funded
43	KwaDukuza	Funded	Funded
44	Ndwedwe	Funded	Funded
45	Maphumulo	Undetermined	Funded
46	iLembe DM	Funded	Funded
47	Greater Kokstad	Funded	Funded
48	uBuhlebezwe	Funded	Funded
49	uMzimkhulu	Funded	Funded
50	Dr Nkosazana Dlamini Zuma	Funded	Funded
51	Harry Gwala DM	Unfunded	Unfunded

Source: KZN Provincial Treasury