



treasury

Department
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HEAD OF DEPARTMENT

Our Ref: 11/6/13/6
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**TO: MUNICIPAL MANAGERS
CHIEF EXECUTIVE OFFICERS
CHIEF FINANCIAL OFFICERS
KWAZULU-NATAL MUNICIPALITIES
KWAZULU-NATAL MUNICIPAL ENTITIES**

PROVINCIAL TREASURY CIRCULAR PT/MF 01 OF 2018/19

FINANCIAL MANAGEMENT CAPABILITY MATURITY MODEL (FMCMM)

1. PURPOSE

The purpose of this Circular is to apprise municipalities and their entities on the FMCMM process that was undertaken by National Treasury, the expected actions to be performed by municipalities and their entities with regards to the FMCMM implementation plan as a result thereof and the reporting responsibilities of municipalities and their entities to National Treasury and the Provincial Treasury.

2. INTRODUCTION

The FMCMM is an assessment tool that comprises twenty-one key financial management modules and addresses multiple disciplines. Each module contains a number of questions, assists with risk identification and mitigation measures, assigns responsible officials to specific tasks and provides timelines for completion thereof. The outcome of the assessment guides municipalities in developing procedures, processes, systems and improving compliance with the legal framework. Scores are attributed to responses to questions which provide the municipality with a rating of its financial maturity, both within a particular module and overall. The different maturity levels can be described as (1) start-up, (2) developmental and (3) control levels of maturity. An assessment score of 1 = no, 2 = partial and 3 = yes. These are averaged to provide overall scores.

3. BACKGROUND AND DISCUSSION

The National Treasury identified a need for municipalities and their entities to implement and maintain sound and effective financial management practices for their long-term sustainability and improvement in their service delivery. To support local government in their financial management, the National Treasury developed diagnostic tools targeting various components of financial management in municipalities. The tools developed include the FMCMM and the Financial Ratios which were designed to support municipalities in monitoring their financial management capability and assist them in identifying areas of financial weakness with a view to improving their financial position and overall sustainability. During 2015, the National Treasury rolled out these tools by undertaking assessments of municipalities and their entities. The outcome of this exercise resulted in a holistic picture providing information on the capability, maturity and financial sustainability of the municipality and their entity. Municipalities and their entities

were thereafter issued with their **Municipal Report on FMCMM and Ratio/Indicator Assessment by the National Treasury.**

4. THE FMCMM IMPLEMENTATION PLAN

In terms of the FMCMM report issued by National Treasury, the municipality should have developed an implementation plan which addresses the corrective measures to be undertaken in respect of the identified risks of the municipality. The implementation plan should have incorporated at least:

- 4.1 Assignment or delegation of responsibilities;
- 4.2 Time frames; and
- 4.3 A monitoring framework.

The plan should have been developed and owned jointly by the Municipal Manager and Chief Financial Officer and, upon completion:

- 4.4 Be submitted to Council for approval; and
- 4.5 Copies of the approved implementation plan and the resolution approving such be submitted to both National Treasury and the Provincial Treasury.

5. REPORTING ON THE IMPLEMENTATION OF THE FMCMM IMPLEMENTATION PLAN

Municipalities are required to report to Council, National Treasury and the Provincial Treasury on a quarterly basis on the following:

- 5.1 Which module(s) was the area of focus for the quarter ending XXX (the applicable quarter);
- 5.2 Indicate the actions that were taken to address the findings;
- 5.3 Whether the findings have been addressed or not: and
- 5.4 The progress made in addressing the findings.

6. CURRENT STATUS

Following the issuing of the FMCMM reports to municipalities and their entities by National Treasury, the Provincial Treasury has on a regular basis requested copies of the approved FMCMM implementation plans from municipalities and their entities with little success. The 8 delegated municipalities shown in the table below have submitted copies of their FMCMM implementation plans to the Provincial Treasury as at 03 August 2018 while the copies of the FMCMM implementation plans for the remaining 43 delegated municipalities and their related entities remain outstanding.

Municipalities that have submitted copies of their FMCMM Implementation Plans to the Provincial Treasury

No	Name of Municipality	No	Name of Municipality
1	uMdoni Local Municipality	5	uMlalazi Local Municipality
2	uMzombe Local Municipality	6	iLembe District Municipality
3	Richmond Local Municipality	7	uBuhlebezwe Local Municipality
4	eNdumeni Local Municipality	8	uMzimkhulu Local Municipality

Source: KZN Provincial Treasury

7. CONCLUSION AND WAY FORWARD

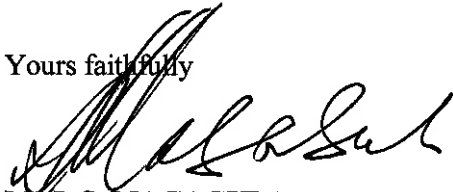
Upon receipt of this Circular, municipalities and their entities are required to undertake the following by no later than 28 September 2018:

- 7.1 Draft and submit their FMCMM implementation plan for approval to Council at its next scheduled Council meeting where applicable;
- 7.2 Submit their approved FMCMM implementation plan together with a copy of their Council resolution to the MFMA help desk (MFMA@treasury.gov.za) and copy the Provincial Treasury at mfma@kzntreasury.gov.za, immediately after approval;
- 7.3 Municipalities that are listed in Section 6 of this Circular are requested to submit their updated FMCMM Implementation Plans together with copies of the relevant council resolution to the email addresses.
- 7.4 Report quarterly to Council in line with Section 5 of this Circular; and
- 7.5 Submit their quarterly FMCMM implementation plan progress report together with a copy of their council resolution to the MFMA help desk (MFMA@treasury.gov.za) and copy the Provincial Treasury at mfma@kzntreasury.gov.za.

A copy of your FMCMM assessment report can be requested from National Treasury at MFMA@treasury.gov.za.

Your cooperation herein will be greatly appreciated.

Yours faithfully



M.F.L.S. MAGAGULA

HEAD OF DEPARTMENT: PROVINCIAL TREASURY

cc Mayors

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N Mhlongo, Business Executive (Auditor-General)

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