



treasury

Department
Treasury
PROVINCE OF KWAZULU-NATAL

Natalia Building
330 Langalibalele Street
Pietermaritzburg 3201
P O Box 3613
Pietermaritzburg 3200
Tel: +27 (0) 33 846 6800
Fax: +27 (0) 33 846 6801/2
Internet: www.kzntreasury.gov.za

OFFICE OF THE MEC FOR FINANCE

Our reference: M-3/2/1/66 Circulars
Inkomba yethu:
Ons verwysing:

Date: 28 February 2020
Usuku:
Datum:

Please quote our reference on all correspondence

To: MAYORS
MUNICIPAL MANAGERS
CHIEF FINANCIAL OFFICERS
KWAZULU-NATAL (KZN) MUNICIPALITIES

PROVINCIAL TREASURY CIRCULAR PT/MF 09 OF 2019/20

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. 16 of 2019 reporting requirements. Despite the issuing of previous non-compliance circulars in previous years by my office, it is of serious concern that a number of municipalities in KZN are still not fully complying with all the reporting requirements of the MFMA and DoRA.

Following the reports submitted for the second quarter of the 2019/20 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: 2019/20 Budget data strings;
- Section B: 2019/20 Section 71 Monthly data strings;
- Section C: 2019/20 Verification of Figures for Quarter 2;
- Section D: 2019/20 Mid-Year Budget and Performance Assessment;
- Section E: Publication of Section 75 Information on Municipal Websites;
- Section F: Financial Management Grant (FMG) Conditions/Appointment of Municipal Interns;
- Section G: Tabling of the Time schedules outlining key deadlines for the 2020/21 budget preparation process; and
- Section H: 2019/20 Service Delivery and Budget Implementation Plan (SDBIP).

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 going forward:

1. Notify the Auditor-General of the municipality's failure to comply with the relevant MFMA and DoRA 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 and DoRA 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; and
4. Explore options to stop all transfers to the municipality for breach of their reporting obligations.

During the 2019/20 financial year, Provincial Treasury reported non-compliance with both the MFMA and DoRA reporting requirements to the KZN Provincial Legislature on a quarterly basis through the MFMA Section 71(7) reports, where I, the 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 KZN Provincial Treasury urges all municipalities to ensure full compliance with all the reporting requirements in terms of the MFMA and DoRA in the 2019/20 financial year. 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 any section, 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 Management: Mr. Farhad Cassimjee on telephone (033) 897 4541.

Yours sincerely


12/03/20
MR. R. R. PILLAY
MEC FOR FINANCE – KZN

cc: Mr. J. Hattingh, National Treasury
Mr. T.V. Pillay, National Treasury
Mr. S. L. Magagula, HOD: KZN Provincial Treasury
Ms. N. Mhlongo, Business Executive (Auditor-General)

Section A: 2019/20 Budget data strings

In terms of Section 22(b) of the MFMA, *immediately after an annual budget is tabled in a municipal council, 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 the Budget data strings are 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 reports as the department endeavours to maintain accurate and complete financial information on all municipalities for planning, reporting and decision making purposes. Table 1 shows the municipalities that have not uploaded/submitted their relevant Budget data strings as at 10 February 2020.

Table 1: List of municipalities that have not submitted the Budget data strings

Name of Data string	Submission Code	Period	Non-Compliant Municipalities
ProjectDetails Original Budget	PROR	2019/20	uPhongolo
ProjectDetails Tabled Budget	PRTA	2019/20	uPhongolo
Original Budget	ORGB	2019/20	uPhongolo
Tabled Budget	TABB	2019/20	uPhongolo

Source: Local Government Database

Section B: 2019/20 Section 71 Monthly data strings

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.*

As at 10 February 2020, the monthly data strings shown in Table 2 were not submitted to the local government database.

Table 2: List of municipalities that did not submit the monthly data strings.

Name of datastrings	Period	Non-Compliant Municipalities
Age Creditors	July 2019	iPhongolo
	August 2019	Nquthu, uPhongolo
	September 2019	Amajuba, Nquthu, uPhongolo
	October 2019	iMpendle, Richmond, uPhongolo
	November 2019	Dannhauser, Mpošana, uPhongolo
	December 2019	Dannhauser, Mpošana, uPhongolo, Mtubatuba, eDumbe
Age Debtors	July 2019	iNkosi Langalibalele, uPhongolo
	August 2019	Nquthu, iNkosi Langalibalele, uPhongolo
	September 2019	Nquthu, iNkosi Langalibalele, uPhongolo
	October 2019	iMpendle, iNkosi Langalibalele, uPhongolo
	November 2019	Dannhauser, Mpošana, iNkosi Langalibalele, uMalazi, uPhongolo
	December 2019	Dannhauser, Mpošana, iNkosi Langalibalele, uMalazi, eDumbe, uPhongolo, Mtubatuba
mSCOA - Monthly Data Strings	July 2019	uPhongolo
	August 2019	uPhongolo
	September 2019	Amajuba, Nquthu, uPhongolo
	October 2019	uPhongolo
	November 2019	uPhongolo
	December 2019	uPhongolo

Source: Local Government Database

Section C: 2019/20 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 (MFMA Section 71 Verification);
- (b) Conditional Grants Actual Transfers and Expenditure Schedule (Grant Verification);
- (c) Borrowing Monitoring Schedule; and
- (d) Investment Monitoring Schedule.

Table 3 below lists the municipalities that did not submit their Quarter 2 signed verifications to National or Provincial Treasury by 10 February 2020.

Table 3: List of municipalities that did not submit their Quarter 2 signed verifications to National Treasury by 10 February 2020.

MFMA Section 71	Conditional Grants	Borrowing Monitoring	Investment Monitoring
Mpořana	Mpořana	Ugu DM	uMshwathi
Mkhambathini	Mkhambathini	uMshwathi	Mpořana
uThukela DM	uThukela DM	Mpořana	iMpendle
Nquthu	Nquthu	Mkhambathini	Mkhambathini
Dannhauser	Dannhauser	Richmond	Richmond
Amajuba DM	Amajuba DM	uMgungundlovu DM	uMgungundlovu DM
eDumbe	eDumbe	uThukela DM	uThukela DM
uPhongolo	uPhongolo	Dannhauser	Nquthu
Mthonjaneni	eMlalazi	Amajuba DM	uMvoti
Dr. Nkosazana Dlamini Zuma	Mthonjaneni	uPhongolo	Newcastle
uMzinkhulu	Dr. Nkosazana Dlamini Zuma	Nkandla	Dannhauser
	uMzinkhulu	Mtubatuba	Amajuba DM
			uPhongolo
			Nongoma
			uMkhanyakude DM
			Mthonjaneni
			Nkandla
			Jozini
			Mtubatuba

Source: Local Government Database and Provincial Treasury

Section D: 2019/20 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 performed and submitted to the Mayor of the municipality, 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 PT/MF 06 of 2019/20 dated 18 December 2019 to all delegated municipalities, reminding them of the date of submission, format and other necessary information regarding the preparation of the 2019/20 Mid-Year Budget and Performance Assessment Report.

Submission of the 2019/20 Mid-Year Budget and Performance Assessment Reports

As at 25 January 2020, 46 of the 51 delegated municipalities had submitted their 2019/20 Mid-Year Budget and Performance Assessment Reports to Provincial Treasury in both the electronic and printed versions. The five municipalities shown in Table 4 below failed to submit their 2019/20 Mid-Year Budget and Performance Assessments Reports to Provincial Treasury in either the electronic or printed formats or both timeously, thereby contravening Section 72(1)(b)(iii) of the MFMA. All these municipalities have subsequently submitted their 2019/20 Mid-Year Budget and Performance Assessment Reports in the relevant formats to Provincial Treasury.

Table 4: List of the municipalities that did not submit their Mid-Year Budget and Performance Assessment Reports as at 25 January 2020.

Non - Compliant Municipalities	Non - Compliant Municipalities
uThukela DM	Amajuba DM
Nquthu	eDumbe
Dannhauser	

Source: KZN Provincial Treasury

Format of the 2019/20 Mid-Year Budget and Performance Assessment Reports

All the delegated municipalities submitted their 2019/20 Mid-year Budget and Performance Assessment Reports in the prescribed Schedule C format as required in terms of Regulation 33 of the MBRR.

Tabling of the 2019/20 Mid-Year Budget and Performance Assessment Reports

All the delegated municipalities have tabled their 2019/20 Mid-Year Budget and Performance Assessments Reports to Council by 31 January 2020 as required by Section 54(1)(f) of the MFMA.

Uploading of the 2019/20 Mid-Year Budget and Performance Assessment Reports onto municipal websites

The three municipalities shown in Table 5 did not upload their 2019/20 Mid-Year Budget and Performance Assessments Reports on their municipal websites within five days after 25 January 2020, thereby contravening Regulation 34(1) of the MBRR as well as Section 75(2) of the MFMA.

Table 5: List of the municipalities that did not upload the 2019/20 Mid-Year Budget and Performance Assessment Reports onto their municipal websites.

Non - Compliant Municipalities	Non - Compliant Municipalities	Non - Compliant Municipalities
iMpendle	uMgungundlovu DM	Mtubatuba

Source: KZN Provincial Treasury

Section E: 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:

- The annual and adjustments budgets and all budget-related documents;*
- all budget-related policies;*
- the annual report;*
- all performance agreements required in terms of Section 57(1)(b) of the Municipal Systems Act;*
- all service delivery agreements;*
- all long-term borrowing contracts;*
- all supply chain management contracts above a prescribed value;*
- 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;*
- 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 a document 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, whichever occurs first.

As at 10 February 2020, the municipalities shown in Table 6 had not placed majority of the required documents on their websites:

Table 6: List of the municipalities that did not place majority of the required documents on their websites.

Non-Compliant Municipalities	Non-Compliant Municipalities
uMuzwabantu	Dannhauser
uMfolozi	Nkandla
Mtubatuba	Mpofana
eDumbe	Nquthu

Source: Municipal Websites

Section F: Financial Management Grant (FMG) Conditions/Appointment of Municipal Interns

In terms of the Financial Management Grant (FMG) conditions published in the 2019 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 the appointment of a minimum of five interns over a multi-year period for a local municipality and three interns over a multi-year period for a district municipality.

As at 10 February 2020, the four municipalities shown in Table 7 had not appointed five interns.

Table 7: List of the municipalities that did not appoint five interns.

Non-Compliant Local Municipalities	Non-Compliant District Municipalities
Alfred Duma	Harry Gwala DM
uMsinga	
uPhongolo	

Source: KZN Provincial Treasury

Section G: Tabling of the Time schedules outlining key deadlines for the 2020/21 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.

Table 8 shows that six municipalities did not table their *Time schedule outlining key deadlines* in their Council as at 31 August 2019

Table 8: Municipalities that did not table their 2020/21 Time schedules outlining key deadlines by 31 August 2019.

Non - Compliant Municipalities	Non - Compliant Municipalities
uMgungundlovu DM	Dannhauser
Richmond	uPhongolo
Mpofana	Newcastle

Source: KZN Provincial Treasury

Municipalities are reminded to ensure that their 2021/22 *Time schedules outlining key deadlines* for the budget process are tabled in Council by 31 August 2020 in terms of Section 21(1)(b) of the MFMA.

Section H: 2019/20 Service Delivery and Budget Implementation Plan (SDBIP)

Section 53(1)(c)(ii) of the MFMA states that *the mayor of a municipality must take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget.* On 05 August 2019 a non-compliance letter was issued to the Richmond Local Municipality as a result of the Mayor failing to approve the SDBIP within 28 days of approval of the budget. The mayor subsequently approved the SDBIP and the SDBIP was submitted to Provincial Treasury.

Regulation 20(2)(b) of the Municipal Budget and Reporting Regulations (MBRR) states that *the Municipal Manager must submit to the National Treasury and the relevant Provincial Treasury, in both printed and electronic format, the approved service delivery and budget implementation plan within ten working days after the mayor has approved the plan.*

As at 21 February 2020, Mayors of 50 delegated municipalities had approved their Service Delivery and Budget Implementation Plans and the Municipal Managers have submitted these plans to Provincial Treasury. The uMzumbe Local Municipality had received a non-compliance letter as the municipality had failed to submit the approved SDBIP to Provincial Treasury.

Regulation 19 of the Municipal Budget and Reporting Regulations (MBRR) further states that *the Municipal Manager in accordance with section 21A of the Municipal Systems Act make public the approved service delivery and budget implementation plan within ten working days after the mayor has approved the plan in terms of Section 53(1)(c)(ii) of the Act.*

The municipalities as shown in Table 9 received non-compliance letters for not making their SDBIP's public as required by Regulation 19 of the MBRR. The three municipalities have subsequently made their SDBIP's public.

Table 9: List of the municipalities that did not make public their approved SDBIP for the 2019/20 financial year within 10 working days.

Non Compliant Municipalities	Non Compliant Municipalities	Non Compliant Municipalities
uThukela DM	eNdumeni	Nquthu

Source: KZN Provincial Treasury