



## KWAZULU-NATAL PROVINCE

TREASURY  
REPUBLIC OF SOUTH AFRICA

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Date: 01 March 2021

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

### **PROVINCIAL TREASURY CIRCULAR PT/MF 07 OF 2020/21**

#### **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. 4 of 2020 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 2020/21 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 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: 2020/21 Budget data strings;
- Section B: 2020/21 MFMA Section 71 Monthly data strings;
- Section C: 2020/21 Submission of Quarterly data strings;
- Section D: 2020/21 Verification of Figures for Quarter 2;
- Section E: 2020/21 Mid-Year Budget and Performance Assessment;
- Section F: Publication of MFMA Section 75 Information on Municipal Websites;

- Section G: Financial Management Grant (FMG) Conditions/Appointment of Municipal Interns;
- Section H: Tabling of the Time schedules outlining key deadlines for the 2021/22 budget preparation process; and
- Section I: 2020/21 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 2020/21 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. 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 2020/21 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 (LG Database). 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



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**Ms. N. Dube-Ncube**  
**MEC for Finance- KwaZulu-Natal (KZN)**

CC Mr. J. Hattingh, National Treasury

Ms. N. Shezi, Acting Head of Department – KZN Provincial Treasury

Mr. T.V. Pillay, National Treasury

Ms. N. Mhlongo, Business Executive (Auditor-General)

## **Section A: 2020/21 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 municipalities submit their various 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 list of the municipalities that have not uploaded their relevant 2020/21 Budget data strings as at 01 February 2021.

**Table 1: List of municipalities that have not submitted their 2020/21 Budget data strings**

Name of Data String	Submission Code	Period	Non-Compliant Municipalities
Project Details Original Budget	PROR	2020/21	KwaDukuza LM
Project Details Tabled Budget	PRTA	2020/21	KwaDukuza LM, Richmond LM
Project Details Adjusted Budget	DBPA	2020/21	uThukela DM

Source: Local Government Database

## **Section B: 2020/21 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 01 February 2021, the monthly data strings shown in Table 2 were not submitted to the LG Database.

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

Name of Data Strings	Period	Non-Compliant Municipalities
Age Creditors	July 2020	Dannhauser LM
	November 2020	Dannhauser LM
	December 2020	uPhongolo LM, Mpošana LM
Age Debtors	July 2020	Amajuba DM
	September 2020	Mandeni LM
	October 2020	Amajuba DM, Jozini LM
	November 2020	Amajuba, DM, Nquthu LM
	December 2020	uPhongolo LM
In Year Reporting - Monthly Data Strings	November 2020	Mpošana LM
	December 2020	uPhongolo LM

Source: Local Government Database

### **Section C: 2020/21 Submission of Quarterly 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:*

As at 01 February 2021, the quarterly data strings shown in Table 3 were not submitted to the LG Database.

**Table 3: List of municipalities that did not submit the quarterly data strings**

Name of Data Strings	Period	Non-Compliant Municipalities
Borrowing Monitoring	Quarter 1	Amajuba DM
		Dannhauser LM
		Ray Nkonyeni LM
		Richmond LM
	Quarter 2	uMgungundlovu DM
Investments Monitoring	Quarter 1	Amajuba DM
		Ray Nkonyeni LM
		Richmond LM
		uMsinga LM
	Quarter 2	eMadlangeni LM
		Ray Nkonyeni LM
		iMpendle LM
		Richmond LM

Source: Local Government Database

### **Section D: 2020/21 Verification of Figures for Quarter 2**

Provincial Treasury is concerned about the reliability of the budget and expenditure figures published by National Treasury. It was noted in the past that there have been discrepancies in the data submitted to the LG 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 (Monthly In Year Monitoring);
- (b) Conditional Grants Actual Transfers and Expenditure Schedule;

- (c) Borrowing Monitoring Schedule; and  
 (d) Investment Monitoring Schedule.

Table 4 shows the list of municipalities that did not submit the signed verifications schedules for Quarter 2.

**Table 4: List of municipalities that did not submit the signed verifications schedules**

Monthly In year Reporting	Conditional Grants	Borrowing Monitoring	Investment Monitoring
uMzambe LM	uMzambe LM	Ugu DM	uMzambe LM
Ugu DM	Ugu DM	uPhongolo LM	uPhongolo LM
uPhongolo LM	uPhongolo LM	uMfolozi LM	uMfolozi LM
uMfolozi LM	uMfolozi LM		

Source: Local Government Database and KZN Provincial Treasury

Only uMfolozi Local Municipality subsequently submitted their signed verifications schedules for Quarter 2.

### **Section E: 2020/21 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 2020/21 dated 18 December 2020 to all delegated municipalities, reminding them of the date of submission, format and other necessary information regarding the preparation of the 2020/21 Mid-Year Budget and Performance Assessment Report.

#### **Submission of the 2020/21 Mid-Year Budget and Performance Assessment Reports**

As at 25 January 2021, 48 of the 51 delegated municipalities had submitted their 2020/21 Mid-Year Budget and Performance Assessment Reports to Provincial Treasury in the prescribed PDF format in terms of Section 72(1)(b)(iii) of the MFMA. The three municipalities that did not submit their 2020/21 Mid-Year Budget and Performance Assessment Reports are shown in Table 5. The Nquthu and eDumbe Local Municipalities have subsequently submitted their 2020/21 Mid-Year Budget and Performance Assessment Reports in the relevant formats to Provincial Treasury.

**Table 5: List of the municipalities that did not submit their Mid-Year Budget and Performance Assessment Reports as at 25 January 2021**

Municipalities who did not submit Section 72 report as at 25 January 2021	Municipalities who did not submit their PDF documents as at 25 January 2021
Nquthu LM	uDondi LM
eDumbe LM	

Source: KZN Provincial Treasury

#### **Format of the 2020/21 Mid-Year Budget and Performance Assessment Reports**

All the delegated municipalities submitted their 2020/21 Mid-year Budget and Performance Assessment Reports in the prescribed Schedule C format as required in terms of Regulation 33 of the Municipal Budget and Reporting Regulations (MBRR).

### Tabling of the 2020/21 Mid-Year Budget and Performance Assessment Reports

Section 54(1)(f) of the MFMA states that *on receipt of a statement or report submitted by the accounting officer of the municipality in terms of Section 71 or 72, the mayor must, in the case of a Section 72 report, submit the report to the council by 31 January of each year.* The six municipalities shown in Table 6 failed to table their Mid-Year Budget and Performance Assessment reports to Council by 31 January 2021 as required by Section 54(1)(f) of the MFMA.

**Table 6: List of the municipalities that failed to table their Mid-year Budget and Performance Assessment Reports to Council by 31 January 2021**

Non-Compliant Municipalities	Non-Compliant Municipalities
uMkhanyakude DM	Maphumulo LM
eMadlangeni LM	uMgungundlovu DM
uMdoni LM	AbaQulusi LM

Source: KZN Provincial Treasury

It should be noted that the uMgungundlovu District Municipality and the Maphumulo Local Municipality notified Provincial Treasury of their impending non-compliance in terms Regulation 65(1) of the MBRR before 31 January 2021. The Maphumulo and AbaQulusi Local Municipalities as well as the uMgungundlovu District Municipality have all subsequently tabled their Mid-year Budget and Performance Assessment reports to their Councils.

### Uploading of the 2020/21 Mid-Year Budget and Performance Assessment Reports onto municipal websites

The eight municipalities shown in Table 7 did not upload their 2020/21 Mid-Year Budget and Performance Assessments Reports on their municipal websites within five days after 25 January 2021, thereby contravening Regulation 34(1) of the MBRR as well as Section 75(2) of the MFMA.

**Table 7: List of the municipalities that did not upload the 2020/21 Mid-Year Budget and Performance Assessment Reports onto their municipal websites within five days after 25 January 2021**

Non-Compliant Municipalities	Non-Compliant Municipalities
Mpofana LM	Ugu DM
uMdoni LM	Nkandla LM
uMshwathi LM	eDumbe LM
uMngeni LM	uMkhanyakude DM

Source: Municipal Websites

### Alignment of the 2020/21 Section 71 Month 06 data strings to the 2020/21 Section 72 Report

Section 72(1)(a)(i) of the MFMA states that *the Accounting Officer of a municipality must by 25 January of each year assess the performance of the municipality during the first half of the financial year, taking into account - the monthly statements referred to in Section 71 for the first half of the financial year.*

MFMA Circular No. 107 states that *one of the key objectives of the mSCOA reform is to ensure that municipalities are budgeting, transacting and reporting directly on and from integrated ERP systems to have one version of the truth in terms of the reported financial performance. The manual correction of data strings by municipal officials or system vendors are not allowed in terms of the mSCOA Regulations.*

Furthermore, Provincial Treasury PT/MF Circular 06 of 2020/21 dated 18 December 2020 which was issued to all KwaZulu-Natal municipalities emphasised the importance of ensuring perfect alignment between the figures reflected in the MFMA Section 71 report (data strings) for the first six months of the 2020/21 financial year and the figures reflected in the 2020/21 MFMA Section 72 Mid-Year Budget and Performance Assessment Report submitted to the Mayor, National Treasury and Provincial Treasury.

All 50 delegated municipalities in the KwaZulu-Natal province who uploaded data strings to the National Treasury Database did not comply with the requirement of ensuring perfect alignment between the figures reflected in the MFMA Section 71 data strings for the first six months of the 2020/21 financial year and the figures reflected in the 2020/21 MFMA Section 72 Mid-Year Budget and Performance Assessment Report (Schedule C). The uPhongolo Local Municipality had still not uploaded their data strings to the National Treasury database as at 22 February 2021.

#### **Section F: 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 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 01 February 2021, the seven municipalities shown in Table 8 had not placed majority of the required documents on their websites.

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

Non-Compliant Municipalities	Non-Compliant Municipalities
uMdoni LM	uMfobozi LM
Nquthu LM	Nkandla LM
Dannhauser LM	uBuhlebezwe LM
eDumbe LM	Mpofana LM

Source: Municipal Websites

### **Section G: Financial Management Grant (FMG) Conditions/Appointment of Municipal Interns**

In terms of the Financial Management Grant (FMG) conditions published in the 2020 DoRA, the grant may be utilised for amongst others, appointing at least five interns in local municipalities and three interns in metropolitan and district municipalities over a multi-year period.

As at 01 February 2021, the 12 municipalities shown in Table 9 had not appointed the required number of interns. The eDumbe Local Municipality had not submitted their compliance status as at 01 February 2021.

**Table 9: List of the municipalities that did not appoint the required number of interns**

Non-Compliant Municipalities	Non-Compliant Municipalities	Non-Compliant Municipalities
uMzumbi LM	uMfobozi LM	uThukela DM
eNdumeni LM	uMlalazi LM	Amajuba DM
Dannhauser LM	Mthonjaneni LM	Ulundi LM
uPhongolo LM	Nkandla LM	Dr. Nkosazana Dlamini Zuma LM

Source: KZN Provincial Treasury

### **Section H: Tabling of the Time schedules outlining key deadlines for the 2021/22 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 10 shows that 12 municipalities did not table their *Time schedule outlining key deadlines* in their Council as at 31 August 2020.

**Table 10: Municipalities that did not table their 2021/22 Time schedules outlining key deadlines by 31 August 2020**

Non-Compliant Municipalities	Non-Compliant Municipalities	Non-Compliant Municipalities
AbaQulusi LM	Ugu DM	Ndwedwe LM
Zululand DM	uMfobozi LM	Nquthu LM
Dannhauser LM	uMgungundlovu DM	uMngeni LM
uMkhanyakude DM		

Source: KZN Provincial Treasury

All the municipalities were expected to table their 2021/22 *Time schedules outlining key deadlines* for the budget process of 2021/22 financial year in Council by the 31 August 2020 in terms of Section 21(1)(b) of the MFMA.

### **Section I: 2020/21 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.*

The municipalities shown in Table 11 received non-compliance letters as a result of their Mayors failing to approve their SDBIPs within 28 days of approval of their budgets.

**Table 11: List of municipalities that did not approve their 2020/21 SDBIPs within 28 days of approval of the budget**

Non Compliant Municipalities	Non Compliant Municipalities	Non Compliant Municipalities
Ugu DM	Amajuba DM	eMadlangeni LM

Source: KZN Provincial Treasury

Regulation 20(2)(b) of the 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 01 February 2021, Mayors of 48 delegated municipalities had approved their SDBIPs and of the 48 municipalities, only 42 municipalities have submitted their SDBIPs to Provincial Treasury within ten working days after the Mayor had approved the SDBIP.

The six municipalities shown in Table 12 received non-compliance letters as they failed to submit their approved SDBIPs to Provincial Treasury within ten working days after the mayor has approved the plan.

**Table 12: List of municipalities that did not timeously submit their approved 2020/21 SDBIP for the 2020/21 financial year within 10 working days**

Non Compliant Municipalities	Non Compliant Municipalities	Non Compliant Municipalities
uMshwathi LM	Nongoma LM	Nkandla LM
AbaQulusi LM	eNdumeni LM	uMzinyathi DM

Source: KZN Provincial Treasury

All the municipalities listed in Table 12 have subsequently submitted their approved SDBIPs to Provincial Treasury.

Regulation 19 of the 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 shown in Table 13 received non-compliance letters for not making their SDBIPs public as required by Regulation 19 of the MBRR.

**Table 13: List of municipalities that did not make public their approved SDBIP for the 2020/21 financial year within 10 working days**

Non Compliant Municipalities	Non Compliant Municipalities
Mthonjaneni LM	Zululand DM
eNdumeni LM	uMzinyathi DM

Source: KZN Provincial Treasury

The eNdumeni Local Municipality and the uMzinyathi District Municipality subsequently made public their approved SDBIP for the 2020/21 financial year.