



P. O. Box 3613, PIETERMARITZBURG, 3200

Natalia Building, 330 Langalibalele Street, Pietermaritzburg, 3201

Tel: 033 846 6800 Fax: 033 846 6801/2

Our Ref: 11/6/13/7
Enquiries: Mr. F.
Cassimjee
Date: 03 March 2021

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

PROVINCIAL TREASURY CIRCULAR PT/MF 08 OF 2020/21

REQUEST FOR RESPONSE TO THE MEC FOR FINANCE REGARDING NON-COMPLIANCE WITH THE MFMA REPORTING REQUIREMENTS

On 01 March 2021, I issued Provincial Treasury Circular PT/MF 07 of 2020/21 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. I further highlighted my serious concern that a number of municipalities in KZN are still not fully complying with all the reporting requirements of the MFMA and DoRA.

The municipalities are reminded that Section 2 of the MFMA states that *“the object of this Act is to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements for—*

- (a) ensuring transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of municipalities and municipal entities;*
- (b) the management of their revenues, expenditures, assets and liabilities and the handling of their financial dealings;*
- (c) budgetary and financial planning processes and the co-ordination of those processes with the processes of organs of state in other spheres of government;*
- (d) borrowing;*
- (e) the handling of financial problems in municipalities;*
- (f) supply chain management; and*
- (g) other financial matters.”*

Some of the legislative requirements that municipalities are still failing to comply with are highlighted in Provincial Treasury Circular PT/MF 07 of 2020/21. These include Section 21 of the MFMA which requires municipalities to adequately prepare for a financial year starting with the budget process and Section 72 of the MFMA which requires municipalities to assess their performance to determine if there is a need to adjust their budgets accordingly. The Section 71 of the MFMA which requires the reporting of the monthly data strings and the Section 75 of the MFMA which enhances accountability to communities and other stakeholders by ensuring access to information of the municipality. Both these provisions of the MFMA necessitate municipalities to employ efficient and transparent processes involving the finances of the municipalities. Therefore, non-compliance with such legislative provisions results in inefficient management of fiscal and financial affairs at municipalities which could lead to little or no service delivery and accountability to communities.

It is in this light that I request that every municipality that was listed in the Provincial Treasury Circular PT/MF 07 of 2020/21, dated 01 March 2021, provides a response to my office via the office of the Mayor indicating:

- The non-compliance for which the municipality was highlighted as per the Circular;
- The reasons for the non-compliance reported;
- The steps that have been taken to correct the non-compliance with the legislation; and
- The processes that will be employed by the municipality to ensure that such non-compliance does not re-occur.

As we should endeavor to correct these matters urgently, I would appreciate a response by **Friday, 12 March 2021**. All the responses should be sent to my office for the attention of Ms. Nonhle Mbele at NONHLE.MBELE@kzntreasury.gov.za.

Yours sincerely



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)