



## KWAZULU-NATAL PROVINCE

TREASURY  
REPUBLIC OF SOUTH AFRICA

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

### **PROVINCIAL TREASURY CIRCULAR PT/MF 03 OF 2022/23**

#### **NON-COMPLIANCE WITH THE MFMA REPORTING REQUIREMENTS**

In terms of Section 5(4)(a)(i) of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA), Provincial Treasury is required to monitor compliance with the MFMA by all delegated municipalities. As part of the monitoring framework established by Provincial Treasury in order to fulfil its mandate in terms of Section 5(4)(a)(i) of the MFMA, guidelines and circulars were issued to municipalities to promote compliance with the MFMA and the Division of Revenue Act (DoRA) and support was provided to municipalities to prevent non-compliance with the MFMA and DoRA. A crucial aspect of the monitoring framework involved the issuing of non-compliance letters to municipalities that did not adhere to the requirements of the MFMA and DoRA during the various processes over the course of the year.

The purpose of the Provincial Treasury non-compliance circular is to:

- Provide a status of the non-compliance with the MFMA and the DoRA by the 51 delegated municipalities for the various key processes and reporting requirements in the second half of the 2021/22 financial year;
- Highlight the main areas of non-compliance to enable municipalities to develop and implement relevant procedures and internal controls within their monitoring and reporting processes to avoid any future contravention of the MFMA and DoRA. For example, ensure that reports and documents are reviewed by senior municipal officials for accuracy and completeness prior to their submission to National and Provincial Treasuries; and
- List the municipalities that did not comply with the MFMA and DoRA to enable the leadership of the non-compliant municipalities to implement consequence management in instances of persistent non-compliance with the provisions of the MFMA and DoRA.

It has been noted after considering the reports submitted for the fourth quarter of the 2021/22 financial year, 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.

Despite all the support provided as detailed below and notifying municipalities of the areas of non-compliance via the issuing of non-compliance letters and non-compliance circulars in previous years, it



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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.

During the 2021/22 financial year, Provincial Treasury reported non-compliance with both the MFMA and DoRA reporting requirements to the KZN Provincial Legislature. It is 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 Provincial Legislature for their consideration.

Provincial Treasury therefore urges all municipalities to ensure full compliance with all the reporting requirements in terms of the MFMA and DoRA in the 2022/23 financial year. The officials from Provincial Treasury will continue to assist and support their designated municipalities to enforce full compliance by all municipalities and will continue to notify municipalities of the areas of non-compliance via the issuing of non-compliance letters in terms of our mandate in Section 5(4)(a)(i) of the MFMA.

It should also be noted that our source of information is the National Treasury Local Government (LG) Database. Should your municipality dispute any of the information reflected in the various sections, please provide both the National and Provincial Treasuries with the evidence to confirm any discrepancy.

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 the municipalities who did not fully comply with those reporting requirements:

- Section A: 2021/22 MFMA Section 71 Monthly data strings;
- Section B: 2021/22 Quarterly data strings;
- Section C: 2021/22 Verification of figures for Quarter Four;
- Section D: 2021/22 Adjustments Budget Process;
- Section E: Publication of MFMA Section 75 Information on Municipal Websites;
- Section F: Financial Management Grant (FMG) Conditions/Appointment of Municipal Interns;
- Section G: 2022/23 Tabled Budget Process;
- Section H: 2022/23 Approved Budget Process; and
- Section I: Submission of the 2022/23 Final Service Delivery Budget Implementation Plans (SDBIP).

In order to avoid any future contravention of the MFMA and the DoRA, you are required to ensure that your municipality develops and implements relevant processes and internal controls to ensure that your monthly, quarterly and annual data strings are timeously uploaded to the National Treasury GoMuni Upload Portal. It is vital that these data strings are reviewed by senior municipal officials to ensure the accuracy of the data strings uploaded to the GoMuni Upload Portal.

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 by the municipalities.

Support provided to municipalities includes, but is not limited to the following: sending the exception reports drawn from the National Treasury LG Database reflecting the status of compliance by all the delegated municipalities on a weekly basis; engaging on the status of compliance with the municipalities during various bilateral engagements as well as frequent reminders to municipalities to submit outstanding documents through telephonic and email correspondence. Provincial Treasury also provided technical support when requested by the municipalities.

In a bid to enforce compliance by municipalities, Provincial Treasury will continue to:

1. Report non-compliance with the MFMA and DoRA to the KZN Provincial Legislature for their consideration and further action via the quarterly MFMA Section 71(7) Reports;



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2. Report non-compliance with the MFMA and DoRA to National Treasury for their consideration in invoking Section 38 of the MFMA which empowers National Treasury to withhold a municipality's Equitable share transfer if the municipality commits a serious breach of the measures established in terms of Section 216(1) of the Constitution which includes reporting obligations set out in the MFMA; and
3. Notify the Auditor-General of the municipality's failure to comply with relevant MFMA and DoRA reporting requirements.

Provincial Treasury may also consider recommending to the concerned municipality's Council to consider 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 in order to promote consequence management.

Yours sincerely

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**Ms. C. Coetzee**

**Head of Department: KwaZulu-Natal (KZN) Provincial Treasury**

### **CC Mayors**

**Ms. N. P. Nkonyeni – KZN MEC for Finance**

**Mr. J. Hattingh - National Treasury**

**Mr. TV Pillay - National Treasury**

**Ms. N. Mkhize - KZN Business Unit Leader (Auditor General)**

**Administrators**



### **Section A: 2021/22 MFMA 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, 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.*

It should be noted that municipalities were allowed to submit outstanding monthly data strings or resubmit monthly data strings with errors to the GoMuni Upload Portal up until the conclusion of the verification process for the relevant quarter to which the monthly data strings relate for the 2021/22 financial year. The verification process required the Accounting Officers and Chief Financial Officers of the municipalities to sign off on the quarterly total of the monthly data strings to ensure that they were accurate and complete. The data strings could not be submitted or resubmitted by the municipalities after the verification process as the LG Database was closed for submission at the end of the verification period. The closing date of the verification period for the fourth quarter of the 2021/22 financial year was 02 August 2022.

Furthermore, a municipality that submitted their data string with errors is regarded as non-submission as the municipality would not have successfully uploaded their data string to the GoMuni Upload Portal.

The monthly data strings for the 2021/22 financial year shown in Table 1 had not been submitted to the GoMuni Upload Portal by 15 August 2022.

**Table 1: List of municipalities that did not submit the monthly data strings**

Name of data string	Period	Non-Compliant Municipalities
In-year Monthly - Outstanding	June 2022	uMkhanyakude DM
Creditors - Outstanding	June 2022	uMkhanyakude DM
Debtors - Outstanding	June 2022	uMkhanyakude DM

Source: Local Government Database

### **Section B: 2021/22 Quarterly data strings**

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 quarterly Borrowing and Investment information in the form of data strings must be uploaded to the GoMuni Upload Portal.

It should be noted that municipalities were allowed to submit outstanding quarterly data strings or resubmit quarterly data strings with errors to the GoMuni Upload Portal up until the conclusion of the verification process for the relevant quarter. The verification process required the Accounting Officers and Chief Financial Officers of the municipalities to sign off on the quarterly data strings to ensure that they were accurate and complete. The data strings could not be submitted or resubmitted by the municipalities after the verification process as the LG Database was closed for submission at the end



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of the verification period. The closing date of the verification period for the fourth quarter of the 2021/22 financial year was 02 August 2022.

Furthermore, if a municipality submitted a data strings with errors, it is regarded as a non-submission as the municipality would not have successfully uploaded their data string to the GoMuni Upload Portal.

Table 2 shows the list of municipalities that did not submit the required quarterly data strings for the 2021/22 financial year by the close of the LG Database for the relevant quarter.

**Table 2: List of municipalities that did not submit the different quarterly returns for the 2021/22 financial year**

Quarter	Borrowings Monitoring	Investment Monitoring
Quarter 2 - Submitted with errors		Mtubatuba
Quarter 4 - Outstanding	uMkhanyakude DM	uMkhanyakude DM

Source: Local Government Database

### **Section C: 2021/22 Verification of figures for Quarter Four**

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 GoMuni LG Upload Portal by municipalities. To ensure that figures published by National Treasury are reliable, it is imperative that municipalities scrutinise, verify and sign-off the verifications schedules that are sent to them by National Treasury on a quarterly basis.

There are four quarterly verification schedules, namely:

- Statement of Capital and Operating Expenditure (Monthly In Year Monitoring);
- Conditional Grants Transfers by National Treasury and Actual Payments made by the municipality;
- Borrowing Monitoring Schedule; and
- Investment Monitoring Schedule.

The AbaQulusi Local Municipality did not submit their Borrowing Monitoring signed quarterly verification for Quarter four of the 2021/22 financial year as at 15 August 2022, while the uMkhanyakude District Municipality did not submit the Borrowing and Investment Monitoring Schedules. As indicated in Sections A and B above, the uMkhanyakude District Municipality also did not submit monthly and quarterly data strings which are the source of information for the verification schedules.

### **Section D: 2021/22 Adjustments Budget Process**

When an annual budget has been adjusted, a municipality is required to table their Adjustments Budget to Council at any time after the Mid-Year Budget and Performance Assessment Report has been tabled in Council but not later than 28 February of the current year as required by Regulation 23(1) of the MBRR.

#### **Approval of the 2021/22 Adjustments Budget**

As at 28 February 2022, 50 of the 51 delegated municipalities had tabled and approved their 2021/22 Adjustments Budgets in Council. The uThukela District Municipality tabled their 2021/22 Adjustments Budget by 28 February 2022 but the municipality did not approve their 2021/22 Adjustments Budget as required by Regulation 23(1) of the MBRR.

A non-compliance letter to communicate the municipality's failures to comply with the MFMA and the MBRR was issued by the MEC for Finance dated 08 March 2022. The uThukela District Municipality subsequently approved their 2021/22 Adjustments Budget on 10 March 2022.

#### **Submission of the 2021/22 Adjustments Budget**

The 2021/22 Adjustments Budget must be submitted to the National and Provincial Treasuries within ten working days after the Mayor has tabled the Adjustments Budget to the municipal Council as per



Regulation 24(1) of the MBRR. Furthermore, the 2021/22 Adjustments Budget Data String (ADJB) and the Project Detail Adjustments Budget Data String (PRAD) must be uploaded to the GoMuni Upload Portal within ten working days after the Mayor has tabled the Adjustments Budget to the municipal Council. All 51 delegated municipalities that had tabled their 2021/22 Adjustments Budget submitted their 2021/22 Adjustments Budget in the required format to Provincial Treasury and uploaded the ADJB data string to the GoMuni Upload Portal timeously.

### **Uploading of the 2021/22 Adjustments Budget to the municipal websites**

Only the Maphumulo Local Municipality did not upload their 2021/22 Adjustments Budget on their municipal website within five days of tabling the Approved Budget to Council thereby contravening Section 75 of the MFMA.

### **Section E: Publication of MFMA 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 five days after its tabling in Council or on the date on which it must be made public, whichever occurs first.*

As at 15 August 2022, the 16 municipalities shown in Table 3 had not placed the majority of the required documents as per Section 75(1)(a) to (l) of the MFMA on their websites within five days.



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**Table 3: List of the municipalities that did not place majority of the required documents on their websites**

Name of municipality	Reviewed IDP for the next cycle	2021/22 SDBIP published on website	2020/21 Annual report	Oversight report of prior year	Most recent signed Performance Agreements as per s57(1)(b) of MSA	All active service delivery agreements	All active long term borrowing contracts	All active SCM contracts above a prescribed value.	Active PPP agreements	Third quarter reports tabled in council in terms of s52 (d)	All active long term contracts extending beyond three years.	Information statements containing list of assets over prescribed value that have been disposed of in terms of s14(2) or during the current financial year.
uMzumbe	x	x	x	x	x	x		x		x	x	
uMuziwabantu		x		x		x		x		x	x	x
Ugu DM		x				x		x			x	
Okhahlamba	x			x		x	x	x	x		x	x
Allred Duma						x	x	x	x		x	x
uThukela DM			x	x	x	x	x	x	x	x	x	x
uPhongolo						x	x					
Ulundi				x		x						
uMkhanyakude DM		x	x	x	x	x	x			x	x	
uMlalazi						x	x			x		x
Mthonjaneni		x	x							x		
Nkandla			x			x				x		
King Cetshwayo DM				x		x	x					
Ndwedwe				x	x	x						
uMzimkhulu							x	x	x		x	x
Harry Gwala DM			x			x		x		x		

Source: Municipal Websites

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

In terms of the conditions for the Financial Management Grant (FMG) published in the 2021 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 15 August 2022, the seven (7) delegated municipalities shown in Table 4 had not appointed the required number of interns.

**Table 4: List of municipalities which did not appoint the required number of interns**

No	Name of municipality	No	Name of municipality
1	eNdumeni	5	Nquthu
2	Mthonjaneni	6	Dr. Nkosazana Dlamini Zuma
3	uMzimkhulu	7	eMadlangeni
4	Greater Kokstad		

Source: KZN Provincial Treasury

### **Section G: 2022/23 Tabled Budget Process**

#### **Tabling of the 2022/23 Annual Budget**

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*. All 51 delegated municipalities complied with Section 16(2) of the MFMA and tabled their 2022/23 Annual Budget by 31 March 2022.

#### **Submission of the 2022/23 Tabled Budget documents and data strings**

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 Treasuries in both PDF and



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electronic formats. As per MFMA Budget Circulars No. 112 and 115, the date for the submission of the PDF and electronic copies was 01 April 2022 if a municipality tabled on 31 March 2022. The budget circulars also clarified that the budget documents to be submitted includes the budget financial data string (TABB), budget non-financial data string (A1D) and the Project Details Tabled Budget data string (PRTA). Provincial Treasury sent non-compliance letters to 19 municipalities that did not submit one or more of the budget documents and data strings required above. The high level of non-compliance could be attributed to the non-financial budget data string still being fairly new to the municipalities.

The municipalities listed in Table 5 did not submit one or more of their 2022/23 Tabled Budget documents or data strings timeously as per the requirement of Section 22(b)(i) of the MFMA and MFMA Circular No. 112 and 115.

**Table 5: Municipalities which did not submit their 2022/23 Tabled Budget timeously**

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	uMdoni	8	iMpendle	14	eDumbe
2	uMzumbe	9	uThukela DM	15	Nongoma
3	uMuziwabantu	10	Nquthu	16	Jozini
4	Ugu DM	11	uMsinga	17	Mtubatuba
5	uMshwathi	12	uMzinyathi DM	18	uMlalazi
6	uMngeni	13	Dannhauser	19	KwaDukuza
7	Mpofana				

Source: KZN Provincial Treasury

As at 15 August 2022, only the Dannhauser Local Municipality had still not submitted their PRTA data string, while the uMsinga Local Municipality had still not submitted their A1D data string and the eDumbe Municipality had submitted their A1D data string with errors.

### Submission of the 2022/23 Draft Service Delivery and Budget Implementation Plans (SDBIP)

In addition to the 19 municipalities listed in Table 5, the four (4) municipalities listed in Table 6 did not submit their Draft SDBIPs timeously in terms of Regulation 15(3)(b) of the MBRR.

**Table 6: Municipalities which did not submit their 2022/23 Draft SDBIPs timeously**

No	Name of municipality	No	Name of municipality
1	uMzimkhulu	3	eMadlangeni
2	Nkosazana Dlamini-Zuma	4	Amajuba DM

Source: KZN Provincial Treasury

The uMzimkhulu and the Nkosazana Dlamini-Zuma Local Municipalities subsequently submitted their Draft SDBIP whereas the Amajuba District Municipality and eMadlangeni Local Municipality had still not submitted their Draft SDBIP as at 15 August 2022.

## Section H: 2022/23 Approved Budget Process

### Approving of the 2022/23 Annual Budget

Section 24(1) of the MFMA states that 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. Furthermore, Section 26(1) of the MFMA states that *if by the start of the budget year a municipal council has not approved an Annual Budget or any revenue-raising measures necessary to give effect to the budget, the Provincial Executive of the relevant province must intervene*





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in the municipality in terms of Section 139(4) of the Constitution by taking any appropriate steps to ensure that the budget or those revenue-raising measures are approved.

Of the total of 51 delegated municipalities in the province, 50 municipalities approved their 2022/23 Annual Budgets before 01 July 2022, in compliance with Section 24(2)(a) of the MFMA, whilst the uMkhanyakude District Municipality has not approved an Annual Budget for the 2022/23 financial year to date.

### Submission of the 2022/23 Approved Budget

Section 24(3) of the MFMA requires that the accounting officer of a municipality must submit the approved Annual Budget to the National Treasury and the relevant Provincial Treasury.

Regulation 20(1) of the MBRR states that *the municipal manager must comply with Section 24(3) of the MFMA within ten working days after the municipal council has approved the Annual Budget*. As per National Treasury MFMA Circular No. 112 and 115, if the council approves the Annual Budget on 31 May 2022, the adopted budget data strings and documentation must be submitted by the latest 01 June 2022. Table 7 shows the five (5) municipalities that did not submit all their 2022/23 Approved Budget documentation and data strings.

**Table 7: Municipalities which did not submit their 2022/23 Approved Budget documentation and data strings timeously**

No	Name of municipality	No	Name of municipality
1	eDumbe	4	uMzumbhe
2	Nquthu	5	Dannhauser
3	uMlalazi		

Source: KZN Provincial Treasury

The eDumbe, Nquthu, uMlalazi and uMzumbhe Local Municipalities did not submit their budget non-financial (A1F) data string. The Dannhauser Local Municipality did not submit its IDP Project details (PROR) data string. Non-compliance letters were sent to the respective municipalities in this regard. The eDumbe, Nquthu, uMlalazi and uMzumbhe Local Municipalities subsequently submitted their outstanding A1F data strings while the Dannhauser Local Municipality still did not submit its PROR data string as at 15 August 2022.

### Uploading of the 2022/23 Approved Budget to the municipal websites

Only the Nkandla Local Municipality did not upload their 2022/23 Approved Budget on their municipal website within five days of tabling the Approved Budget to Council thereby contravening Section 75 of the MFMA.

### **Section I: Submission of the 2022/23 Final Service Delivery Budget Implementation Plans**

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 form, the approved service delivery and budget implementation plan within ten working days after the Mayor has approved the plan*.

Non-compliance letters were sent to the Big Five Hlabisa and Maphumulo Local Municipalities as per Table 8 for the non-submission of their SDBIPs to Provincial Treasury as per Regulation 20(2)(b) of the MBRR and for not uploading their SDBIPs to their municipal websites as per Section 75 of the MFMA.



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**Table 8: Municipalities which did not submit their 2022/23 Final SDBIP timeously**

No	Name of municipality	No	Name of municipality
1	Big Five Hlabisa	2	Maphumulo

Source: KZN Provincial Treasury

Both the Big Five Hlabisa and Maphumulo Local Municipalities subsequently submitted their SDBIPs to Provincial Treasury.