



## KWAZULU-NATAL PROVINCE

TREASURY  
REPUBLIC OF SOUTH AFRICA

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Reference: 11/6/13/6  
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**TO: MUNICIPAL MANAGERS  
CHIEF FINANCIAL OFFICERS  
KWAZULU-NATAL MUNICIPALITIES AND MUNICIPAL ENTITIES**

#### PROVINCIAL TREASURY CIRCULAR PT/MF 05 OF 2022/23

#### **WEB-ENABLED IMPLEMENTATION OF THE FINANCIAL MANAGEMENT CAPABILITY MATURITY MODEL (FMCMM), THE FINANCIAL RATIOS AND THE AUDIT ACTION PLAN (AAP) SYSTEM**

The objectives of this circular are:

- To update municipalities on the implementation status of the web-enabled FMCMM, Financial Ratios and AAP system;
- To provide guidance and time frames to municipalities on the process for the completion and population of the FMCMM modules, Financial Ratios and AAP on the web enabled system; and
- To share with municipalities, the FMCMM and Financial Ratio Assessment NT/PT User Guide, which also includes guidance on the AAP.

#### **Background**

National Treasury issued MFMA Circular No. 113 - Web Enabled Audit Action Plan System (AAP) and MFMA Circular No. 114 - Web-enabled implementation of the Financial Management Capability Maturity Model (FMCMM) in February 2022 (the circulars) to advise and guide municipalities on the implementation of the web enabled system.

Prior to the issuing of the circulars, National Treasury conducted training on the web enabled system on 19 January 2022 with municipal officials for the non-delegated municipalities.

#### **Discussion**

Following the issuing of the circulars by National Treasury, Provincial Treasury commenced with the registration of the relevant responsible municipal officials on the web enabled FMCMM, Financial Ratios and AAP system as supplied by municipalities and their entities. Thereafter, municipalities and their entities should have commenced with the completion of the relevant FMCMM 123 modules, the 2020/21 Financial Ratios and the 2020/21 AAP on the system.



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The Provincial Treasury notes with concern that the utilisation of the system by municipalities and their entities in the province has been slow.

### Way Forward

In an effort to improve the use of the system, municipalities and their entities which have not yet commenced with the use of the system are requested to commence as follows;

#### 1. Financial Management Capability Maturity Model (FMCMM) 123

Municipalities and their entities are to commence completing the modules that were due for completion from July 2022 as per the table below. Municipalities must target to have the July 2022, August 2022, September 2022 and December 2022 modules completed by 31 December 2022.

Please note that there are no modules due for completion in October 2022 and November 2022. The remainder of the modules are to be completed from January 2023 through to June 2023 as per the table below.

When completing these modules, municipalities and their entities must choose the 2022/23 financial year on the system.

#### List of modules to be completed

PLAN for FMCMM 123		
Timeframes	Modules and Action Plans	Financial Year Module to select
July 2022	Bank, Cash and Investments Compensation of employees Revenue Management	2022/23
August 2022	Annual Reports Expenditure Management Capacity Building	2022/23
September 2022	Reassessment: Annual Financial Statements	2022/23
October 2022	No modules will be assessed	
November 2022	No modules will be assessed	
December 2022	Entities Reassessment: Revenue Management	2022/23
January 2023	Reporting BTO Reassessment: Bank, Cash & Investments	2022/23
February 2023	Risk Management Grant and Subsidies Reassessments: Annual Reports	2022/23
March 2023	Supply Chain Management Asset Management Human Resources	2022/23
April 2023	Internal Audit Borrowing Budget	2022/23
May 2023	Liability Management Public, Private and Partnerships Information Technology	2022/23
June 2023	Annual Financial Statements Reporting Reassessment: Budget	2022/23

Source: MFMA Circular No 114



## **2. Financial Ratios**

Municipalities and their entities are to commence with the population of the Financial Ratios on the web-enabled system based on the audited 2020/21 Annual Financial Statements (AFS). When populating this module, municipalities and their entities must choose the 2020/21 financial year. Municipalities and their entities are also reminded to populate the restated 2019/20 figures which will be the comparative figures (2019/20 financial year) found in the audited 2020/21 AFS. The 2019/20 restated option must be chosen to populate the ratios.

Upon completion of the 2020/21 Financial Ratios on the system, municipalities and their entities must commence with the population of the 2021/22 Financial Ratios using the audited 2021/22 AFS upon the finalization of the audit process by the AG and once the Audit report has been signed-off. The due date for the completion and submission of the 2021/22 Financial Ratios (2020/21 Restated and 2021/22 Audited) on the web-enabled system is 31 January 2023.

## **3. Audit Action Plans (AAP)**

Municipalities and their entities are to prioritise the development of their 2021/22 AAPs on the web-enabled system. When using the system, municipalities and their entities must choose the 2021/22 financial year. This process must be completed by 15 January 2023 for municipalities, whilst the deadline for municipal entities is 15 December 2022.

## **4. Registration of responsible officials**

Municipalities and their entities that have not yet submitted the names of their respective responsible officials to Provincial Treasury are requested to submit such to their designated Provincial Treasury Municipal Budget Analyst by 30 November 2022.

To assist municipalities and their entities in this regard, attached please find a copy of the FMCMM and Financial Ratio Assessment NT/PT User Guide, which also includes guidance on the AAP.

Yours sincerely

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**Ms. C. Coetzee**  
**Head of Department**  
**KwaZulu-Natal (KZN) Provincial Treasury**

### **CC Mayors**

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

**Mr. T. V. Pillay - National Treasury**

**Administrators**