

# MFMA Implementation and Reporting

CFO Forum

03 March 2016

OAG: MFMA Implementation Unit



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# MFMA Compliance and Monitoring

## Background and Purpose

- MFMA Implementation Unit within the OAG is responsible for (amongst other things), monitoring and reporting on MFMA activities.
- Consolidated reporting is undertaken every quarter. Reports reflecting the status of MFMA compliance are compiled on a quarterly and annual basis.
- Focus of this presentation is to highlight areas of progress by non-delegated municipalities with MFMA activities for the quarter ending March 2016 and also indicate gaps in compliance.
- Correspondence was sent to all non-delegated municipalities regarding the following compliance areas. Municipalities were required to have submitted to NT by 02 March 2016.
- Responses to be e-mailed to [mpho.banda@treasury.gov.za](mailto:mpho.banda@treasury.gov.za).
- City of Cape Town has provided full response of the reporting requirements.

# MFMA Compliance and Monitoring

## Implementation of Audit Action Plans on 2014/15 Audit Outcomes:

### Addressing Unauthorised, Irregular, Fruitless and Wasteful Expenditure

For municipalities that have audit findings on unauthorised, irregular, fruitless and wasteful expenditure or have disclosed figures on the expenditure in the 2014/15 Annual Report:

It is required that the municipality indicates whether the persons identified to have conducted such expenditure were found liable upon conclusion of investigations and further indicate if there is a process plan to recover such expenditure.

*- Only City of Cape Town has responded.*

# MFMA Compliance and Monitoring

## In-Year Reporting: Management of Withdrawals and Overdrafts

- Municipalities are required to submit Form D (withdrawals not i.t.o. an approved budget) and F (overdrafts) for the for the 2nd Quarter (October-December 2015).
- **Municipalities are encouraged to submit the required forms as provided in MFMA Circular 61 on a quarterly basis for withdrawals and overdrafts and annual for investments held by the municipality.**

# MFMA Compliance and Monitoring

## Monitoring of Annual Reporting Requirements

Section 127 (2) of the MFMA requires that the annual report for the municipality and municipal entity for the year ended 30 June be tabled in council within 7 months after the Financial Year end while sub-section (5) further requires that such Annual Report be made public and invitations be made for comments from the local community and submit the report to the Auditor General, Provincial and National Treasury. The municipality is required to indicate:

- The date on which the municipality tabled the 2014/15 Annual Report in council. *(dates provided for Nelson Mandela Bay, City of Johannesburg, City of Tshwane and Sol Plaatje)*
- The date on which the municipality published the 2014/15 Annual Report.
- Indicate whether or not the municipality conducted public participation and invited comments on the 2014/15 Annual Report.

# MFMA Compliance and Monitoring

NT conducted an analysis on the municipalities annual reports to determine alignment of the format with MFMA Circular 63. It is evident that municipalities are in complying with the provisions of the circular.

Municipality	Mayor's Forward & Exec. Summary	Governance	Service Delivery Performance	Organisational Development Performance	Financial Performance	AG Findings
Nelson Mandela Bay Municipality	✓	✓	✓	✓	✓	✓
OR Tambo District Municipality	✓	✓	✓	✓	✓	✓
Buffalo City Municipality	✓	✓	✓	✓	✓	✓
Mangaung Municipality	✓	✓	✓	✓	✓	✓
City of Johannesburg Municipality	✓	✓	✓	✓	✓	✓
City of Tshwane Municipality	✓	✓	✓	✓	✓	✓
Ekurhuleni Municipality	✓	✓	✓	✓	✓	✓
eThekweni Municipality	✓	✓	✓	✓	✓	✓
Msunduzi Municipality	✓	✓	✓	✓	✓	✓

# Accounting and Financial Reporting: Monitoring Annual Reporting Requirements

## Annual Report format aligned to MFMA Circular 63

Municipality	Mayor's Forward & Exec. Summary	Governance	Service Delivery Performance	Organisational Development Performance	Financial Performance	AG Findings
uMhlathuze Municipality	✓	✓	✓	✓	✓	✓
Polokwane Municipality	✓	✓	✓	✓	✓	✓
Mbombela Municipality	✓	✓	✓	✓	✗	✗
Sol Plaatje Municipality	✓	✓	✓	✓	✓	✓
Mafikeng Municipality	✓	✓	✓	✓	✓	✓
Rustenburg Municipality	✓	✓	✓	✓	✓	✓
City of Cape Town Municipality	✓	✓	✓	✓	✓	✓
George Municipality	✓	✓	✓	✓	✓	✓



Aligned



Not Aligned

Note: The Annual Report does not include the AFS and Audit Report.

# MFMA Compliance and Monitoring

## PTs participation in the Outcomes of the FMCMM & 32 Financial Ratios Reports

- The municipality is required to indicate confirmation of receipt of the municipal and municipal entities FMCMM and Ratio reports.
- Indicate areas the municipality has identified to be of priority during 2016 based on the outcomes of the report and the municipality is required to provide measures to address the findings.

*-(City of Cape Town responded)*



# SYSTEM OF DELEGATIONS



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# BACKGROUND TO DELEGATIONS PROJECT

- Initiated by President's concern that there seems to be No correlation between the delegation of authority and service delivery
- This concern is driven by the Governance & Administration cluster through the President's outcome 12 focusing on "efficient, effective and development orientated public service"
- DPSA, NT & DCoG collaborating in the delegation and decision rights focus area to:
  - ✓ Develop a principle document to guide effective FM, HR and Admin delegations

# GUIDELINES AND PROCESSES IN PLACE

- On 13 May 2014, NT issued and published MFMA Circular 73 which is supported by 5 Annexures:
  - ❖ *Annexure A: Principles Document which:*
    - ✓ Provides insight & knowledge on the legal framework for the SoD's
    - ✓ Provides an understanding of the requirements for the SoD's in terms of the MFMA
    - ✓ Places emphasis on the requirements for accountability, effectiveness & efficiency on the functionality of the SoD's
    - ✓ Outlines the principles that give effect to the delegations
    - ✓ Provides guidance to the MM and all other role players in the municipality on implementing the delegations
  - ❖ *Annexure B: Delegations Template*
  - ❖ *Annexure C: Sub-Delegations Template*
  - ❖ *Annexure D: Sub-Delegations to Acting Position Template*
  - ❖ *Annexure E: Detailed Delegation Framework*

# DELEGATIONS FRAMEWORK

- Municipalities are required to compile the SoD in a cascading manner

- ✓ Must be reviewed when a new council is elected or
- ✓ When a new municipal manager is appointed or
- ✓ Change on organisational structure, policies or legislation

The delegations from the Municipal Council to the Mayor

The delegations from the Municipal Council to the Accounting Officer

The delegations from the Accounting Officer to the CFO & Senior Managers

The sub-delegation from CFO to the Managers in the BTO and Divisions within the municipality

- ✓ Must be in writing
- ✓ Delegator may still perform function
- ✓ May be withdrawn at any time
- ✓ May delegate to specific official or holder of function
- ✓ Ensure delegate has required capacity and skills

**Accountability still rests with the person having the utmost authority**

# MFMA Circular 76: Financial Misconduct Procedures and Criminal Proceedings



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# MFMA Circular 76

The circular aims to explain the purpose of the regulations and to clarify specific provisions within the regulations

Objective and overview

Clarification of transitional and transparency provisions

Synergy with other LG reforms

Clarification of specific provisions in the regulations

Clarification of specific provisions in the regulations

The circular is also accompanied by a step-by-step flowchart which explains process to be followed when addressing allegations of financial misconduct

- Thank You
  - Dankie
  - Enkosi