



MINISTRY
COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

Private Bag x 802, PRETORIA, 0001 Tel: (+27 12) 334 0705 Fax: (+27 12) 336 5950
Private Bag x 9123, CAPE TOWN, 8000 Tel: (+27 21) 469 6701 Fax: (+27 21) 461 0851

Ref: 19/2/2

Dear Executive Mayor / Mayor

NATIONAL TREASURY CRITERIA FOR THE RELEASE OF THE EQUITABLE SHARE FOR THE 2022/23 MUNICIPAL FINANCIAL YEAR

1. The attention of the Honourable Executive Mayor / Mayor is drawn to the contents of MFMA Circular No. 112 (Municipal Budget Circular for the 2022/23 MTREF) issued by the National Treasury to municipalities on 6 December 2021.
2. The criteria for the release of the equitable share for the 2022/23 municipal financial year are as follows:
 - The 2022/23 adopted budget must be funded and adopted by Council as per the legal framework, as required in terms of section 18 of the MFMA;
 - a. The adopted budget must include budget allocations for bulk suppliers current account payments;
 - b. Should the adopted budget still be unfunded, then a funding plan will be required to show how the municipality intends moving progressively out of this position into a funded state, if this plan has been adopted in the past, then a progress report must be submitted on the framework previously shared to guide municipalities which is aligned to the rescue phase of the new approach to Municipal Financial Recovery Service;
 - c. Those municipalities that adopted an unfunded budget must work with their respective Provincial Treasuries to rectify this position in the lead up to the main adjustments budget process in February 2023; and
 - d. A council resolution showing commitment to address the unfunded position must be submitted by these municipalities to the National Treasury.

NATIONAL TREASURY CRITERIA FOR THE RELEASE OF THE EQUITABLE SHARE FOR THE 2022/23 MUNICIPAL FINANCIAL YEAR

- Credible mSCOA data strings and source documents for the 2022/23 MTREF and 2021/22 audits must be generated directly from the core municipal financial system and successfully uploaded to the Local Government GoMuni Portal. Source documents must be submitted in PDF, and no excel based spreadsheet/ templates will be accepted;
- The report submitted by bulk suppliers in terms of section 41 of the MFMA must indicate that the current account has been paid timeously in terms of section 65(2)(e) of the MFMA. In addition, where the municipality has a repayment plan with Eskom and/ or the water boards, proof that the current accounts have been paid and a copy of the agreed upon payment plan (or evidence of negotiations underway with creditors) must be submitted to the National and provincial treasuries;
- Municipalities must provide evidence that SARS, pension and other staff benefits deducted from municipal officials have been paid over to the appropriate Funds and/or institutions;
- The information requested in MFMA Circulars No. 93, 98 and 107 on the reconciliation of the valuation roll have been submitted to the National Treasury as per the required timeframes;
- The Competency Regulations reporting requirements have been complied with;
- Provide a copy of the Unauthorised, Irregular, Fruitless and Wasteful (UIF&W) expenditure register, the latest copy of the Municipal Public Accounts Committee (MPAC) recommendations, Council Resolution on UIFW as well as council approved UIFW Reduction Strategy, proof of establishment of the Disciplinary Committee Board (or evidence of progress towards their establishment) and updated audit action plan (where the audit has been completed);
- Those municipalities that received an adverse or disclaimed opinions for the 2020/21 financial year will not receive their funding allocation unless there is a council resolution committing to address these opinions with an implementable plan. The resolution must be signed by each member of the Council and submitted to National Treasury;
- The Municipal Financial Recovery Service progress reporting framework for financial recovery plans must be complied with by municipalities under intervention in terms of section 139 of the Constitution;
- Additionally, those municipalities that have outstanding audits for both the 2019/20 and 2020/21 financial years as well as municipalities with outstanding 2020/21 audit opinions that also received an adverse or disclaimer opinion in 2019/20, will also not receive their allocation; and

NATIONAL TREASURY CRITERIA FOR THE RELEASE OF THE EQUITABLE SHARE FOR THE 2022/23 MUNICIPAL FINANCIAL YEAR

- Any other outstanding documents as per the legal framework have been submitted including the AFS submission (municipality only and consolidated AFS). Failure to comply with the above criteria will result in National Treasury invoking section 38 of the MFMA which empowers National Treasury to withhold a municipality's equitable share if the municipality commits a serious or persistent breach of the measures established in terms of Section 216(2) of the Constitution which includes reporting obligations set out in the MFMA and National Treasury requests for information in terms of Section 74 of the MFMA.
3. It is important that municipalities adhere to the compliance criteria outlined above for the release of the equitable share for the 2022/23 municipal financial year.

Yours sincerely,

NC Zuma

**DR NKOSAZANA DLAMINI ZUMA, MP
MINISTER**

DATE: 01.12.2022

cc. Speaker