



national treasury

Department
National Treasury
REPUBLIC OF SOUTH AFRICA

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Ref No: NW371/14

Mr Thabo Matshabe
Municipal Manager
Moretele Municipality
PRIVATE BAG X367
MAKAPANSTAD
0404

Dear Mr Matshabe

FAILURE TO ADOPT A FUNDED ADJUSTMENTS BUDGET FOR THE 2019/20 FINANCIAL YEAR – INTENTION TO INVOKE SECTION 216(2) OF THE CONSTITUTION

The letter signed on the 8 October 2019 and sent to you subsequently has reference.

The letter referenced above indicated that your municipality had proceeded to adopt an unfunded budget for the 2019/20 financial year. This, subsequently does not conform to the prescripts of section 18 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003), therefore, the municipality was judged as being non-compliant.

An unfunded budget is indicative that the financial plan adopted by the municipality is inadequate to give effect to the priorities identified by a municipality for a particular year. It is also a leading indicator of impending financial distress. Your municipality was given a further opportunity to rectify this situation through a special adjustments budget process with support from the provincial and National Treasury. Correcting the budget at this point in time would align expenditure to the actual revenue expected.

Your municipality has failed to take advantage of this opportunity and has proceeded once more to adopt an adjustments budget for the 2019/20 financial year that does not adequately cover the municipalities operations. This suggests that the municipality would have difficulty honouring timeous payments to creditors due to the deficit cash flow position. The disregard of this opportunity to correct the budget is unacceptable, as this places the municipality at financial exposure and risk. It further points to the fact that you as the Accounting Officer has not taken this process seriously.

This transgression leaves the National Treasury with no option but to invoke Section 216 (2) of the Constitution which permits the Treasury to stop the allocation of funds

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to a municipality. The previous letter to the municipality clearly articulated this message.

Therefore, I wish to inform the municipality that your municipality's next equitable share tranche, which would have been due on the 2 December 2019, will be stopped.

Yours faithfully



pt **DONDO MOGAJANE**
DIRECTOR-GENERAL
DATE: 19/11/2019

CC: The Mayor
CFO
MFMA Co-ordinator
Office of the Auditor-General
Department of Co-operative Governance (DCoG)