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## THE PRESIDENCY

No. 176

13 February 2004

It is hereby notified that the President has assented to the following Act, which is hereby published for general information:—

**No. 56 of 2003: Local Government: Municipal Finance Management Act, 2003.**



**AIDS HELPLINE: 0800-123-22 Prevention is the cure**

(English text signed by the President.)  
(Assented to 9 February 2004.)

# ACT

**To secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government; to establish treasury norms and standards for the local sphere of government; and to provide for matters connected therewith.**

**B**E IT ENACTED by the Parliament of the Republic of South Africa, as follows:—

## ARRANGEMENT OF SECTIONS

### CHAPTER 1

#### INTERPRETATION, OBJECT, APPLICATION AND AMENDMENT OF ACT 5

1. Definitions
2. Object of Act
3. Institutions to which Act applies
4. Amendments to Act

### CHAPTER 2 10

#### SUPERVISION OVER LOCAL GOVERNMENT FINANCE MANAGEMENT

5. General functions of National Treasury and provincial treasuries
6. Delegations by National Treasury

### CHAPTER 3

#### MUNICIPAL REVENUE 15

##### *Part 1: Municipal bank accounts*

7. Opening of bank accounts
8. Primary bank accounts
9. Bank account details to be submitted to provincial treasuries and Auditor-General 20
10. Control of municipal bank accounts
11. Withdrawals from municipal bank accounts
12. Relief, charitable, trust or other funds

##### *Part 2: Cash, investment and asset management*

13. Cash management and investments 25
14. Disposal of capital assets

**CHAPTER 4****MUNICIPAL BUDGETS**

15.	Appropriation of funds for expenditure	
16.	Annual budgets	
17.	Contents of annual budgets and supporting documents	5
18.	Funding of expenditure	
19.	Capital projects	
20.	Matters to be prescribed	
21.	Budget preparation process	
22.	Publication of annual budgets	10
23.	Consultations on tabled budgets	
24.	Approval of annual budgets	
25.	Failure to approve budget before start of budget year	
26.	Consequences of failure to approve budget before start of budget year	
27.	Non-compliance with provisions of this Chapter	15
28.	Municipal adjustments budgets	
29.	Unforeseen and unavoidable expenditure	
30.	Unspent funds	
31.	Shifting of funds between multi-year appropriations	
32.	Unauthorised, irregular or fruitless and wasteful expenditure	20
33.	Contracts having future budgetary implications	

**CHAPTER 5****CO-OPERATIVE GOVERNMENT**

34.	Capacity building	
35.	Promotion of co-operative government by national and provincial institutions	25
36.	National and provincial allocations to municipalities	
37.	Promotion of co-operative government by municipalities	
38.	Stopping of funds to municipalities	
39.	Stopping of equitable share allocations to municipalities	
40.	Stopping of other allocations to municipalities	30
41.	Monitoring of prices and payments for bulk resources	
42.	Price increases of bulk resources for provision of municipal services	
43.	Applicability of tax and tariff capping on municipalities	
44.	Disputes between organs of state	

**CHAPTER 6**

35

**DEBT**

45.	Short-term debt	
46.	Long-term debt	
47.	Conditions applying to both short-term and long-term debt	
48.	Security	40
49.	Disclosure	
50.	Municipal guarantees	
51.	National and provincial guarantees	

**CHAPTER 7****RESPONSIBILITIES OF MAYORS**

45

52.	General responsibilities	
53.	Budget processes and related matters	
54.	Budgetary control and early identification of financial problems	

Act No. 56, 2003

LOCAL GOVERNMENT:  
MUNICIPAL FINANCE MANAGEMENT ACT, 2003

- |     |  |   |
|-----|--|---|
| 55. | Report to provincial executive if conditions for provincial intervention exist |   |
| 56. | Exercise of rights and powers over municipal entities                          |   |
| 57. | Municipalities which do not have mayors  |   |
| 58. | Municipalities with executive committees                                       |   |
| 59. | Delegations of mayoral powers and duties                                       | 5 |

### CHAPTER 8

#### RESPONSIBILITIES OF MUNICIPAL OFFICIALS

##### *Part 1: Accounting officers*

- |     |   |    |
|-----|---|----|
| 60. | Municipal managers to be accounting officers      |    |
| 61. | Fiduciary responsibilities of accounting officers | 10 |

##### *Financial management*

- |     |  |    |
|-----|--|----|
| 62. | General financial management functions                           |    |
| 63. | Asset and liability management                                   |    |
| 64. | Revenue management   |    |
| 65. | Expenditure management   | 15 |
| 66. | Expenditure on staff benefits                                    |    |
| 67. | Funds transferred to organisations and bodies outside government |    |
| 68. | Budget preparation   |    |
| 69. | Budget implementation  |    |
| 70. | Impending shortfalls, overspending and overdrafts                | 20 |

##### *Reports and reportable matters*

- |     |  |    |
|-----|--|----|
| 71. | Monthly budget statements  |    |
| 72. | Mid-year budget and performance assessment                                 |    |
| 73. | Reports on failure to adopt or implement budget-related and other policies |    |
| 74. | General reporting obligation   | 25 |
| 75. | Information to be placed on websites of municipalities                     |    |
| 76. | Protection of accounting officer   |    |

##### *Part 2: Financial administration*

- |     |   |    |
|-----|---|----|
| 77. | Top management of municipalities                      |    |
| 78. | Senior managers and other officials of municipalities | 30 |
| 79. | Delegations   |    |

### CHAPTER 9

#### MUNICIPAL BUDGET AND TREASURY OFFICES

- |     |   |    |
|-----|---|----|
| 80. | Establishment   |    |
| 81. | Role of chief financial officer                       | 35 |
| 82. | Delegations   |    |
| 83. | Competency levels of professional financial officials |    |

### CHAPTER 10

#### MUNICIPAL ENTITIES

##### *Part 1: Establishment*

- |     |   |    |
|-----|---|----|
| 84. | Financial implications for municipalities | 40 |
|-----|---|----|

Act No. 56, 2003

LOCAL GOVERNMENT:  
MUNICIPAL FINANCE MANAGEMENT ACT, 2003

***Part 2: Financial governance***

85.	Bank accounts	
86.	Bank account details	
87.	Budgets	
88.	Mid-year budget and performance assessment	5
89.	Remuneration packages	
90.	Disposal of capital assets	
91.	Financial year	
92.	Audit	

***Part 3: Accounting officers*** 10

93.	Chief executive officer to be accounting officer	
94.	Fiduciary duties of accounting officers	
95.	General financial management functions of accounting officers	
96.	Asset and liability management	
97.	Revenue management	15
98.	Monthly reconciliation of revenue and accounts	
99.	Expenditure management	
100.	Budget implementation	

***Part 4: Reports and reportable matters***

101.	Impending under-collection, shortfalls, overspending, overdrafts and non-payment	20
102.	Irregular or fruitless and wasteful expenditure	
103.	Reporting of improper interference by councillors	
104.	General reporting obligations	

***Part 5: Other officials of municipal entities*** 25

105.	Duties of other officials	
106.	Delegation of powers and duties by accounting officers	
107.	Competency levels of professional financial officials	

***Part 6: General***

108.	Borrowing of money	30
109.	Financial problems in municipal entities	

**CHAPTER 11**

**GOODS AND SERVICES**

***Part 1: Supply chain management***

110.	Application of this Part	35
111.	Supply chain management policy	
112.	Supply chain management policy to comply with prescribed framework	
113.	Unsolicited bids	
114.	Approval of tenders not recommended	
115.	Implementation of system	40
116.	Contracts and contract management	
117.	Councillors barred from serving on municipal tender committees	
118.	Interference	
119.	Competency levels of officials involved in municipal supply chain management	45

***Part 2: Public-private partnerships***

120.	Conditions and process for public-private partnerships	
------	--	--

**CHAPTER 12****FINANCIAL REPORTING AND AUDITING**

121. Preparation and adoption of annual reports	
122. Preparation of financial statements	
123. Disclosures on intergovernmental and other allocations	5
124. Disclosures concerning councillors, directors and officials	
125. Other compulsory disclosures	
126. Submission and auditing of annual financial statements	
127. Submission and tabling of annual reports	
128. Compliance to be monitored	10
129. Oversight reports on annual reports	
130. Council meetings open to public and certain public officials	
131. Issues raised by Auditor-General in audit reports	
132. Submissions to provincial legislatures	
133. Consequences of non-compliance with certain provisions	15
134. Annual report to Parliament	

**CHAPTER 13****RESOLUTION OF FINANCIAL PROBLEMS***Part 1: Identification of financial problems*

135. Primary responsibility for resolution of financial problems	20
--	----

*Part 2: Provincial interventions*

136. Types of provincial interventions	
137. Discretionary provincial interventions	
138. Criteria for determining serious financial problems	
139. Mandatory provincial interventions arising from financial crises	25
140. Criteria for determining serious or persistent material breach of financial commitments	
141. Preparation of financial recovery plans	
142. Criteria for financial recovery plans	
143. Approval of financial recovery plans	30
144. Amendment of financial recovery plans	
145. Implementation of financial recovery plans in discretionary provincial interventions	
146. Implementation of financial recovery plans in mandatory provincial interventions	35
147. Regular review of provincial interventions	
148. Termination of provincial interventions	
149. Access to information, records and documents of municipalities	
150. National interventions	

*Part 3: Debt relief and restructuring* 40

151. Legal rights	
152. Application for stay of legal proceedings	
153. Application for extraordinary relief	
154. Suspension of financial obligations	
155. Termination of financial obligations and settlement of claims	45
156. Matters to be prescribed	

**Part 4: Municipal Financial Recovery Service**

157. Establishment	
158. Functions and powers	
159. Appointment of Head	
160. Responsibilities of Head	5
161. Staff	
162. Delegations	

**CHAPTER 14****GENERAL TREASURY MATTERS**

163. Liabilities and risks payable in foreign currencies	10
164. Forbidden activities	
165. Internal audit unit	
166. Audit committees	
167. Councillors' remuneration	
168. Treasury regulations and guidelines	15
169. Consultative processes before promulgation of regulations	
170. Departures from treasury regulations or conditions	

**CHAPTER 15****FINANCIAL MISCONDUCT****Part 1: Disciplinary proceedings** 20

171. Financial misconduct by municipal officials	
172. Financial misconduct by officials of municipal entities	

**Part 2: Criminal proceedings**

173. Offences	
174. Penalties	25

**Part 3: General**

175. Regulations on financial misconduct procedures and criminal proceedings	
--	--

**CHAPTER 16****MISCELLANEOUS**

176. Liability of functionaries exercising powers and functions in terms of this Act	30
177. Delays and exemptions	
178. Transitional provisions	
179. Repeal and amendment of legislation	
180. Short title and commencement	

**SCHEDULE** 35**CHAPTER 1****INTERPRETATION, OBJECT, APPLICATION AND AMENDMENT OF ACT****Definitions**

1. (1) In this Act, unless the context indicates otherwise— “accounting officer”—	40
(a) in relation to a municipality, means the municipal official referred to in section 60; or	

## Act No. 56, 2003

LOCAL GOVERNMENT:  
MUNICIPAL FINANCE MANAGEMENT ACT, 2003

- (b) in relation to a municipal entity, means the official of the entity referred to in section 93,  
and includes a person acting as the accounting officer;
- “allocation”**, in relation to a municipality, means—
- (a) a municipality’s share of the local government’s equitable share referred to in section 214(1)(a) of the Constitution; 5
- (b) an allocation of money to a municipality in terms of section 214(1)(c) of the Constitution;
- (c) an allocation of money to a municipality in terms of a provincial budget; or
- (d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction; 10
- “annual Division of Revenue Act”** means the Act of Parliament which must be enacted annually in terms of section 214 (1) of the Constitution;
- “annual report”**, in relation to a municipality or municipal entity, means an annual report contemplated in section 121; 15
- “approved budget”** means an annual budget—
- (a) approved by a municipal council; or
- (b) approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, 20
- and includes such an annual budget as revised by an adjustments budget in terms of section 28;
- “Auditor-General”** means the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person—
- (a) acting as Auditor-General; 25
- (b) acting in terms of a delegation by the Auditor-General; or
- (c) designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General;
- “basic municipal service”** means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment; 30
- “board of directors”**, in relation to a municipal entity, has the meaning assigned to it in section 1 of the Municipal Systems Act;
- “Budget Forum”** has the meaning assigned in section 1 of the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997); 35
- “budget-related policy”** means a policy of a municipality affecting or affected by the annual budget of the municipality, including—
- (a) the tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or 40
- (c) the credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act;
- “budget year”** means the financial year for which an annual budget is to be approved in terms of section 16(1); 45
- “category”**, in relation to municipalities, means a category A, B or C municipality referred to in section 155(1) of the Constitution;
- “chief financial officer”** means a person designated in terms of section 80(2)(a);
- “councillor”** means a member of a municipal council;
- “creditor”**, in relation to a municipality, means a person to whom money is owing by the municipality; 50
- “current year”** means the financial year which has already commenced, but not yet ended;
- “debt”** means—
- (a) a monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments; or 55
- (b) a contingent liability such as that created by guaranteeing a monetary liability or obligation of another;
- “delegation”**, in relation to a duty, includes an instruction or request to perform or to assist in performing the duty; 60

- “**district municipality**” means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category C municipality;
- “**financial recovery plan**” means a plan prepared in terms of section 141;
- “**financial statements**”, in relation to municipality or municipal entity, means 5  
statements consisting of at least—
- (a) a statement of financial position;
  - (b) a statement of financial performance;
  - (c) a cash-flow statement;
  - (d) any other statements that may be prescribed; and 10
  - (e) any notes to these statements;
- “**financial year**” means a year ending on 30 June;
- “**financing agreement**” includes any loan agreement, lease, instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time; 15
- “**fruitless and wasteful expenditure**” means expenditure that was made in vain and would have been avoided had reasonable care been exercised;
- “**Head**”, in relation to the Municipal Finance Recovery Service, means a person—
- (a) appointed in terms of section 159 as the Head of the Service; or
  - (b) acting as the Head of the Service; 20
- “**irregular expenditure**”, in relation to a municipality or municipal entity, means—
- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170; 25
  - (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
  - (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act 30 No. 20 of 1998); or
  - (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in 35 terms of such policy or by-law,
- but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”;
- “**investment**”, in relation to funds of a municipality, means—
- (a) the placing on deposit of funds of a municipality with a financial institution; 40  
or
  - (b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;
- “**lender**”, in relation to a municipality, means a person who provides debt finance to a municipality; 45
- “**local community**” has the meaning assigned to it in section 1 of the Municipal Systems Act;
- “**local municipality**” means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B 50 municipality;
- “**long-term debt**” means debt repayable over a period exceeding one year;
- “**mayor**”, in relation to—
- (a) a municipality with an executive mayor, means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act; or 55
  - (b) a municipality with an executive committee, means the councillor elected as the mayor of the municipality in terms of section 48 of that Act;
- “**MEC for finance**” means the member of the Executive Council of a province who is responsible for finance in that province; 60
- “**MEC for local government**” means the member of the Executive Council of a province who is responsible for local government in that province;
- “**Minister**” means the Cabinet member responsible for finance;

- “**month**” means one of the 12 months of a calendar year;
- “**multi-jurisdictional service utility**” has the meaning assigned to it in section 1 of the Municipal Systems Act;
- “**municipal council**” or “**council**” means the council of a municipality referred to in section 18 of the Municipal Structures Act; 5
- “**municipal debt instrument**” means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;
- “**municipal entity**” has the meaning assigned to it in section 1 of the Municipal Systems Act; 10
- “**Municipal Financial Recovery Service**” means the Municipal Financial Recovery Service established by section 157;
- “**municipality**”—
- (a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or 15
- (b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);
- “**municipal manager**” means a person appointed in terms of section 82(1)(a) or (b) of the Municipal Structures Act; 20
- “**municipal service**” has the meaning assigned to it in section 1 of the Municipal Systems Act;
- “**Municipal Structures Act**” means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
- “**Municipal Systems Act**” means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000); 25
- “**municipal tariff**” means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;
- “**municipal tax**” means property rates or other taxes, levies or duties that a municipality may impose; 30
- “**National Treasury**” means the National Treasury established by section 5 of the Public Finance Management Act;
- “**official**”, in relation to a municipality or municipal entity, means—
- (a) an employee of a municipality or municipal entity; 35
- (b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee; 40
- “**organised local government**” means an organisation recognised in terms of section 2(1) of the Organised Local Government Act, 1997 (Act No. 52 of 1997), to represent local government nationally or provincially;
- “**overspending**”—
- (a) in relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure, as the case may be; 45
- (b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or 50
- (c) in relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;
- “**parent municipality**” has the meaning assigned to it in section 1 of the Municipal Systems Act;
- “**past financial year**” means the financial year preceding the current year; 55
- “**political office-bearer**”, in relation to a municipality, means—
- (a) the speaker, executive mayor, deputy executive mayor, mayor, deputy mayor or a member of the executive or mayoral committee of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act; or 60
- (b) a councillor referred to in section 57(1) of this Act;
- “**political structure**”, in relation to a municipality, means—
- (a) the council of a municipality; or