

MPUMALANGA PROVINCIAL GOVERNMENT

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Department of Finance

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UmNyango weZeemali

Departement van Finansies

Kgoro ya Matlotlo

Enquiries: Mr N Hlabane
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PROVINCIAL TREASURY CIRCULAR NO 34

THE MUNICIPAL MANAGER: BUSHBUCKRIDGE LOCAL MUNICIPALITY (MR DL SHABANGU)
THE MUNICIPAL MANAGER: CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY (MR VN MPILA)
THE ACTING MUNICIPAL MANAGER: DIPALESENG LOCAL MUNICIPALITY (MR JB MASEKO)
THE ACTING MUNICIPAL MANAGER: DR JS MOROKA LOCAL MUNICIPALITY (MR ZW MCINEKA)
THE MUNICIPAL MANAGER: DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY (MR PB MALEBYE)
THE MUNICIPAL MANAGER: EHLANZENI DISTRICT MUNICIPALITY (ADV H MBATHA)
THE MUNICIPAL MANAGER: EMAKHAZENI LOCAL MUNICIPALITY (MR ON NKOSI)
THE MUNICIPAL MANAGER: EMALAHLENI LOCAL MUNICIPALITY (MR G MTHIMUNYE)
THE MUNICIPAL MANAGER: GERT SIBANDE DISTRICT MUNICIPALITY (MR CA HABILE)
THE MUNICIPAL MANAGER: GOVAN MBEKI LOCAL MUNICIPALITY (MR M MAHLANGU)
THE MUNICIPAL MANAGER: LEKWA LOCAL MUNICIPALITY (MR L TSHABALALA)
THE MUNICIPAL MANAGER: MBOMBELA LOCAL MUNICIPALITY (MR X MZOBE)
THE MUNICIPAL MANAGER: MKHONDO LOCAL MUNICIPALITY (MR AN MAHLANGU)
THE MUNICIPAL MANAGER: MSUKALIGWA LOCAL MUNICIPALITY (MR TBW DLAMINI)
THE ACTING MUNICIPAL MANAGER: NKANGALA DISTRICT MUNICIPALITY (MR AG ZIMBWA)
THE MUNICIPAL MANAGER: NKOMAZI LOCAL MUNICIPALITY (MR MD NGWENYA)
THE MUNICIPAL MANAGER: STEVE TSHWETE LOCAL MUNICIPALITY (MR WD FOCHE)
THE MUNICIPAL MANAGER: THABA CHWEU LOCAL MUNICIPALITY (MR B KOMA)
THE MUNICIPAL MANAGER: THEMBISILE HANI LOCAL MUNICIPALITY (MR JI SINDANE)
THE ACTING MUNICIPAL MANAGER: UMJINDI LOCAL MUNICIPALITY (MR P MPELE)
THE MUNICIPAL MANAGER: VICTOR KHANYE LOCAL MUNICIPALITY (MS RM MAREDI)

THE GENERAL MANAGER: SUSTAINABLE RESOURCE MANAGEMENT: DEPARTMENT OF FINANCE (MS N NKAMBA)
THE GENERAL MANAGER: FINANCIAL GOVERNANCE: DEPARTMENT OF FINANCE (MS J BEZUIDENHOUT)
THE ACTING GENERAL MANAGER: ASSETS AND LIABILITIES MANAGEMENT: DEPARTMENT OF FINANCE (MR R MASAMBO)

ARREAR ACCOUNT FOR BULK PURCHASES - SECTION 41 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 56 OF 2003

The above matter refers.

The Provincial Treasury has been inundated with requests from Eskom and Water boards to engage municipalities to improve in terms of financial obligations towards these bulk resource providers as municipalities has been in areas for 31- 60 or 90 days and over .

It should be noted that the Provincial Treasury is required to monitor the prompt payment of bulk resources by municipalities in terms of Section 41 of the Municipal Finance Management Act 56 of 2003.

However it has come to our attention that your municipality has been persistently failing to meet your obligations in this regard within 30 days of receiving the relevant invoice from the relevant organ of state and this is in contravention with Section 65 (e) of the Municipal Finance Management Act 56 of 2003.

You are further reminded that the failure by your municipality to act swiftly may have serious implications as these organs of state may institute drastic measures such as cutting your electricity supply or restricting water and this will have a severe impact on the community in particular consumers who honour their payment for municipal services in a promptly on a monthly basis.

We would like to remind your municipality that non-compliance to Sections 62 (1), 64(2)(a), 65(2)(a, c, e) of this Act would trigger Section 171 and 173 related misconduct and in addition to this lead to a discretionary or mandatory intervention by the Provincial Treasury and COGTA in terms of Chapter 13 of the Municipal Finance Management Act 56 of 2003.

We therefore request your municipality to refer to Circular 49 for guidance on how to effectively deal with your financial obligations and in a case where there is a dispute, notify the Provincial Treasury to mediate and assist in amicably resolving the dispute out of court. (Refer to Circular 21) for further guidance.

The Provincial Treasury hereby recommends the following proposed solutions to your municipality

- Development of an adequate service level agreement with the assistance of DWA(bulk water) and NERSA(Bulk electricity)
- Strengthen and maintains a system of internal control in respect of creditors and payments as well as monitoring mechanism to ensure timely payments.
- Strengthening of intergovernmental and customer relations between your municipality and Eskom and Water boards
- Prepare and implement financial recovery plan with the assistance from the Provincial Treasury to holistically address its financial challenges.

- Develop and rigorously implement credit control policies and by laws to collect arrears from consumers.
- Budget adequately for bulk purchases (water and electricity).
- Conclude payment agreement to settle arrears covering both the current and arrear amounts

We hope the above will assist in creating a basis for further engagement to find a sustainable solution to the problem.

Kind Regards

A handwritten signature in black ink, appearing to read 'JB Mbatha', enclosed within a hand-drawn oval border.

MR JB MBATHA
ACTING HEAD OF DEPARTMENT
DATE: 7/11/2012