



# **MFMA LEGISLATIVE DISCLOSURE CHECKLIST**

This document is a checklist for all disclosures required in the annual financial statements of Municipalities and Municipal Entities in terms of the Municipal Finance Management Act, Act 56 of 2003

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## MFMA LEGISLATIVE DISCLOSURE CHECKLIST

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# MFMA LEGISLATIVE DISCLOSURE CHECKLIST

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### PREFACE

This checklist has been prepared by the Public Sector Division of The South African Institute of Chartered Accountants (SAICA) primarily to provide guidance to SAICA members and associates on the legislative disclosures required to be disclosed in the annual financial statements of municipalities and municipal entities in terms of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA).

This checklist covers disclosure in terms of the MFMA only, and not the accounting standards. Members and associates are advised to read the checklist in conjunction with the MFMA.

*Every effort has been made to ensure that this checklist is correct. Nevertheless the checklist is given purely as guidance to members of SAICA to assist them with particular problems relating to the subject matter of the guide and SAICA will have no responsibility to any person for any claim of any nature whatsoever which may arise out of or relate to the contents of this checklist.*

# MFMA disclosure checklist for Municipalities

**MFMA disclosure checklist for Municipalities**

<b>Applicable section in the MFMA</b>	<b>Disclosure Requirement</b>	<b>Yes/No/N/A</b>	<b>Comment/Reference</b>
122(1)	Do the annual financial statements of the municipality fairly presents		
	<ul style="list-style-type: none"> <li>the state of affairs of the municipality?</li> </ul>		
	<ul style="list-style-type: none"> <li>its performance against its budget?</li> </ul>		
	<ul style="list-style-type: none"> <li>its management of revenue and expenditure?</li> </ul>		
	<ul style="list-style-type: none"> <li>its business activities?</li> </ul>		
	<ul style="list-style-type: none"> <li>its financial results?</li> </ul>		
	<ul style="list-style-type: none"> <li>its financial position as at the end of the financial year?</li> </ul>		
122(2)	Did the municipality prepare consolidated annual financial statements incorporating the annual financial statements of the municipality and of its municipal entities where a municipality has sole control of a municipal entity, or has effective control within the meaning of the Municipal Systems Act of a municipal entity which is a private company?		
122(3)	Are the annual financial statements prepared in accordance with generally recognised accounting practice prescribed in terms of section 91(1)(b) of the Public Finance Management Act?		
123(1)(a)	Do the annual financial statements of the municipality include disclosure information on any allocations received by the municipality from –		
	<ul style="list-style-type: none"> <li>an organ of state in the national or provincial sphere of government; or</li> </ul>		
	<ul style="list-style-type: none"> <li>a municipal entity or another municipality?</li> </ul>		
123(1)(b)	Do the annual financial statements of the municipality include disclosure information		

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Applicable section in the MFMA	Disclosure Requirement	Yes/No/N/A	Comment/Reference
	on any allocations made by the municipality to – <ul style="list-style-type: none"> <li>• a municipal entity or another municipality; or</li> </ul>		
	<ul style="list-style-type: none"> <li>• any other organ of state?</li> </ul>		
123(1)(c)	Do the annual financial statements of the municipality include disclosure information on how any allocations referred to in paragraph 123(1)(a) were spent, per vote, excluding allocations received by the municipality as its portion of the equitable share or where prescribed otherwise because of the nature of the allocation?		
123(1)(d)	Do the annual financial statements of the financial statements include disclosure information on whether the municipality has complied with the conditions of -		
	(i) any allocations made to the municipality in terms of section 214(1)(c) of the Constitution; and		
	(ii) any allocations made to the municipality other than by national organs of state?		
123(1)(e)	Do the annual financial statements of the financial statements include disclosure information on the reasons for any non-compliance with conditions referred to in paragraph 123(1)(d)?		
124(1)(a)	Do the notes to the annual financial statements of a municipality include particulars of the salaries, allowances and benefits of political office-bearers and councillors of the municipality, whether financial or in kind, including a statement by the accounting officer whether or not those salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution?		
124(1)(b)	Do the notes to the annual financial statements of a municipality include		

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Applicable section in the MFMA	Disclosure Requirement	Yes/No/N/A	Comment/Reference
	particulars of any arrears owed by individual councillors to the municipality, or a municipal entity under its sole or shared control, for rates or services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councillors?		
124(1)(c)	Do the notes to the annual financial statements of a municipality include the salaries, allowances and benefits of the:		
	<ul style="list-style-type: none"> <li>• municipal manager,</li> </ul>		
	<ul style="list-style-type: none"> <li>• the chief financial officer,</li> </ul>		
	<ul style="list-style-type: none"> <li>• every senior manager and</li> </ul>		
	<ul style="list-style-type: none"> <li>• such categories of other officials as may be prescribed?</li> </ul>		
125(1)(a)	Do the notes to the financial statements of the municipality include a list of all municipal entities under the sole or shared control of the municipality during the financial year and as at the last day of the financial year?		
125(1)(b)	Do the notes to the financial statements of the municipality include:		
	<ul style="list-style-type: none"> <li>• the total amount of contributions to organised local government for the financial year, and the amount of any contributions outstanding as at the end of the financial year; and</li> </ul>		
	<ul style="list-style-type: none"> <li>• the total amounts paid in audit fees, taxes, levies, duties and pension and medical aid contributions, and whether any amounts were outstanding as at the end of the financial year.</li> </ul>		
125(2)(a)	Do the notes to the annual financial statements of the municipality disclose in respect of each bank account held by the municipality during the relevant financial year –		



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Applicable section in the MFMA	Disclosure Requirement	Yes/No/N/A	Comment/Reference
	i. the name of the bank where the account is or was held, and the type of account; and		
	ii. year opening and year end balances in each of these bank accounts?		
125(2)(b)	Do the notes to the annual financial statements of the municipality disclose a summary of all investments of the entity as at the end of the financial year?		
125(2)(c)	Do the notes to the annual financial statements of the municipality disclose particulars of any contingent liabilities of the entity as at the end of the financial year?		
125(2)(d)(i)	Do the notes to the annual financial statements of the municipality disclose the following that occurred during the year and whether these are recoverable:		
	<ul style="list-style-type: none"> <li>particulars of any material losses</li> </ul>		
	<ul style="list-style-type: none"> <li>any irregular expenditure</li> </ul>		
	<ul style="list-style-type: none"> <li>any fruitless and wasteful expenditures, and</li> </ul>		
	<ul style="list-style-type: none"> <li>unauthorised expenditure?</li> </ul>		
125(2)(d)(ii)	Do the notes to the annual financial statements of the municipality disclose particulars of any criminal or disciplinary steps taken as a result of the following :		
	<ul style="list-style-type: none"> <li>material losses</li> </ul>		
	<ul style="list-style-type: none"> <li>irregular expenditure</li> </ul>		
	<ul style="list-style-type: none"> <li>fruitless and wasteful expenditures or</li> </ul>		
	<ul style="list-style-type: none"> <li>unauthorised expenditure?</li> </ul>		
125(2)(d)(iii)	Do the notes to the annual financial statements of the municipality disclose particulars of any material losses recovered or written off?		
125(2)(e)	Do the notes to the annual financial statements of the municipality disclose		

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Applicable section in the MFMA	Disclosure Requirement	Yes/No/N/A	Comment/Reference
	particulars of non-compliance with the MFMA?		

# MFMA disclosure checklist for Municipal Entities

**MFMA disclosure checklist for Municipal Entities**

<b>Applicable section in the MFMA</b>	<b>Disclosure Requirement</b>	<b>Yes/No/N/A</b>	<b>Comment/Reference</b>
122(1)	Do the annual financial statements of the municipal entity fairly presents:		
	<ul style="list-style-type: none"> <li>the state of affairs of the municipality?</li> </ul>		
	<ul style="list-style-type: none"> <li>its performance against its budget?</li> </ul>		
	<ul style="list-style-type: none"> <li>its management of revenue and expenditure?</li> </ul>		
	<ul style="list-style-type: none"> <li>its business activities?</li> </ul>		
	<ul style="list-style-type: none"> <li>its financial results?</li> </ul>		
	<ul style="list-style-type: none"> <li>its financial position as at the end of the financial year?</li> </ul>		
122(3)	Are the annual financial statements prepared in accordance with generally recognised accounting practice prescribed in terms of section 91(1)(b) of the Public Finance Management Act?		
123(2)(a)	Do the annual financial statements of the municipal entity disclose information on any allocations received by the entity from any municipality or other organ of state?		
123(2)(b)	Do the annual financial statements of the municipal entity disclose information on any allocations made by the entity to a municipality or other organ of state?		
123(2)(c)	Do the annual financial statements of the municipal entity disclose information on any other information as may be prescribed?		
125(2)(a)	Do the notes to the annual financial statements of the municipal entity disclose in respect of each bank account held by the entity during the relevant financial year:		
	<ul style="list-style-type: none"> <li>the name of the bank where the account is or was held, and the type of account; and</li> </ul>		
	<ul style="list-style-type: none"> <li>year opening and year end balances in each of these bank accounts?</li> </ul>		

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Applicable section in the MFMA	Disclosure Requirement	Yes/No/N/A	Comment/Reference
125(2)(b)	Do the notes to the annual financial statements of the municipal entity disclose a summary of all investments of the entity as at the end of the financial year?		
125(2)(c)	Do the notes to the annual financial statements of the municipal entity disclose particulars of any contingent liabilities of the entity as at the end of the financial year?		
125(2)(d)(i)	Do the notes to the annual financial statements of the municipal entity disclose particulars of the following and whether these are recoverable?		
	<ul style="list-style-type: none"> <li>particulars of any material losses</li> </ul>		
	<ul style="list-style-type: none"> <li>any irregular expenditure</li> </ul>		
	<ul style="list-style-type: none"> <li>any fruitless and wasteful expenditures, and</li> </ul>		
	<ul style="list-style-type: none"> <li>unauthorised expenditure?</li> </ul>		
125(2)(d)(ii)	Do the notes to the annual financial statements of the municipal entity disclose particulars of any criminal or disciplinary steps taken of the following:		
	<ul style="list-style-type: none"> <li>material losses</li> </ul>		
	<ul style="list-style-type: none"> <li>irregular expenditure</li> </ul>		
	<ul style="list-style-type: none"> <li>fruitless and wasteful expenditures or</li> </ul>		
	<ul style="list-style-type: none"> <li>unauthorised expenditure?</li> </ul>		
125(2)(d)(iii)	Do the notes to the annual financial statements of the municipal entity disclose particulars of any material losses recovered or written off?		
125(2)(e)	Do the notes to the annual financial statements of the municipal entity disclose particulars of non-compliance with the MFMA?		

## Annexure

### Extracts of disclosure sections from the MFMA

Section	Description
122	<p>(1) Every municipality and every municipal entity must for each financial year prepare annual financial statements which –</p> <p>(a) fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year; and</p> <p>(b) disclose the information required in terms of sections 123, 124 and 125.</p> <p>(2) A municipality which has sole control of a municipal entity, or which has effective control within the meaning of the Municipal Systems Act of a municipal entity which is a private company, must in addition to complying with subsection (1), prepare consolidated annual financial statements incorporating the annual financial statements of the municipality and of such entity. Such consolidated annual financial statements must comply with any requirements as may be prescribed.</p> <p>(3) Both annual financial statements and consolidated annual financial statements must be prepared in accordance with generally recognised accounting practice prescribed in terms of section 91(1)(b) of the Public Finance Management Act.</p>
123	<p>(1) The annual financial statements of a municipality must disclose information on –</p> <p>(a) any allocations received by the municipality from –</p> <p style="padding-left: 40px;">(i) an organ of state in the national or provincial sphere of government; or</p> <p style="padding-left: 40px;">(ii) a municipal entity or another municipality;</p> <p>(b) any allocations made by the municipality to –</p> <p style="padding-left: 40px;">(i) a municipal entity or another municipality; or</p> <p style="padding-left: 40px;">(ii) any other organ of state;</p> <p>(c) how any allocations referred to in paragraph (a) were spent, per vote, excluding allocations received by the municipality as its portion of the equitable share or where prescribed otherwise because of the nature of the allocation;</p> <p>(d) whether the municipality has complied with the conditions of –</p>

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Section	Description
	<p>(i) any allocations made to the municipality in terms of section 214(1)(c) of the Constitution; and</p> <p>(ii) any allocations made to the municipality other than by national organs of state;</p> <p>(e) the reasons for any non-compliance with conditions referred to in paragraph (d); and</p> <p>(f) whether funds destined for the municipality in terms of the annual Division of Revenue Act were delayed or withheld, and the reasons advanced to the municipality for such delay or withholding.</p> <p>(2) The annual financial statements of a municipal entity must disclose information on –</p> <p>(a) any allocations received by the entity from any municipality or other organ of state;</p> <p>(b) any allocations made by the entity to a municipality or other organ of state; and</p> <p>(c) any other information as may be prescribed.</p>
124	<p><b>Disclosures concerning councillors, directors and officials</b></p> <p>(1) The notes to the annual financial statements of a municipality must include particulars of –</p> <p>(a) the salaries, allowances and benefits of political office-bearers and councillors of the municipality, whether financial or in kind, including a statement by the accounting officer whether or not those salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution;</p> <p>(b) any arrears owed by individual councillors to the municipality, or a municipal entity under its sole or shared control, for rates or services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councillors; and</p> <p>(c) the salaries, allowances and benefits of the municipal manager, the chief financial officer, every senior manager and such categories of other officials as may be prescribed.</p> <p>(2) The notes to the annual financial statements of a municipal entity must include particulars of the salaries, allowances and benefits of –</p> <p>(a) the members of the board of directors of the entity; and</p>

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Section	Description
	(b) the chief executive officer of the entity, every senior manager and such categories of other officials as may be prescribed.
125	<p><b>Other compulsory disclosures</b></p> <p>(1) The notes to the financial statements of a municipality must include –</p> <p>(a) a list of all municipal entities under the sole or shared control of the municipality during the financial year and as at the last day of the financial year;</p> <p>(b) the total amount of contributions to organised local government for the financial year, and the amount of any contributions outstanding as at the end of the financial year; and the total amounts paid in audit fees, taxes, levies, duties and pension and medical aid contributions, and whether any amounts were outstanding as at the end of the financial year.</p> <p>(2) The notes to the annual financial statements of a municipality or municipal entity must disclose the following information:</p> <p>(a) In respect of each bank account held by the municipality or entity during the relevant financial year –</p> <p>(i) the name of the bank where the account is or was held, and the type of account; and</p> <p>(ii) year opening and year end balances in each of these bank accounts;</p> <p>(b) a summary of all investments of the municipality or entity as at the end of the financial year;</p> <p>(c) particulars of any contingent liabilities of the municipality or entity as at the end of the financial year;</p> <p>(d) particulars of –</p> <p>(i) any material losses and any material irregular or fruitless and wasteful expenditures, including in the case of a municipality, any material unauthorised expenditure, that occurred during the financial year, and whether these are recoverable;</p> <p>(ii) any criminal or disciplinary steps taken as a result of such losses or such unauthorised, irregular or fruitless and wasteful expenditures; and</p> <p>(iii) any material losses recovered or written off;</p> <p>(e) particulars of non-compliance with this Act; and</p>



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Section	Description
	(f) any other matters that may be prescribed.