

Tuesday, 9 September 2025]

No 152—2025] SECOND SESSION, SEVENTH PARLIAMENT

PARLIAMENT
OF THE
REPUBLIC OF SOUTH AFRICA

**ANNOUNCEMENTS,
 TABLINGS AND
 COMMITTEE REPORTS**

TUESDAY, 9 SEPTEMBER 2025

TABLE OF CONTENTS

ANNOUNCEMENTS

National Assembly

- | | | |
|----|---|---|
| 1. | Membership of Committees | 2 |
| 2. | Referral to Committees of papers tabled | 2 |

TABLINGS

National Assembly and National Council of Provinces

- | | | |
|----|-------------------------------|---|
| 1. | Speaker and Chairperson | 2 |
|----|-------------------------------|---|

National Assembly

- | | | |
|----|---------------|---|
| 1. | Speaker | 3 |
|----|---------------|---|

COMMITTEE REPORTS

National Assembly

1. Cooperative Governance and Traditional Affairs4
-

ANNOUNCEMENTS

National Assembly

The Speaker

1. Membership of Committees

- (1) The following committee membership changes have been made by the Economic Freedom Fighters:

Portfolio Committee on Agriculture

Appointed: Arries, Ms LH

2. Referral to Committees of papers tabled

- (1) The following papers are referred to the **Portfolio Committee on Transport** for consideration and report. The report of the Auditor-General is referred to the **Standing Committee on Appropriations** for consideration:
 - (a) Integrated Report of Transnet SOC Limited for 2024-25.
 - (b) Annual Financial Statements of Transnet SOC Limited for 2024-25, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2024-25.
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TABLINGS

National Assembly and National Council of Provinces

1. The Speaker and the Chairperson

- (a) Strategic Plan End-term Report of the Municipal Demarcation Board (MDB) for 2020-2025.

National Assembly

1. The Speaker

- (a) Petition from a member of the public requesting the National Assembly to investigate the prolonged hospitalisation of patients with heart-related illnesses in the Dr George Mukhari Academic Hospital, resulting from a lack of critical medical supplies. (Mashudu Rathogwa)

Referred to the **Portfolio Committee on Health** for consideration and report.

COMMITTEE REPORTS

National Assembly

1. JOINT REPORT OF THE PORTFOLIO COMMITTEES ON COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS, STANDING COMMITTEE ON PUBLIC ACCOUNTS AND THE STANDING COMMITTEE ON THE AUDITOR GENERAL ON OVERSIGHT VISIT TO THE FREE STATE PROVINCE, 24-25 JULY 2025, DATED 09 SEPTEMBER 2025

Having undertaken a two-day joint oversight visit to the Free State province, from 24-25 July 2025, and having convened a virtual meeting on 12 August 2025 to conclude the proceedings, the Portfolio Committees on Cooperative Governance and Traditional Affairs (COGTA), Standing Committee on Public Accounts (SCOPA), and the Standing Committee on the Auditor-General (SCOAG) report as follows:

1. Background

- In May 2025 the Auditor-General of South Africa (AGSA), tabled in Parliament the *Consolidated General Report on Local Government Outcomes* in respect of the 2023-24 financial year. The key message emanating from the report was that the poor audit outcome trend has continued. There continued to be lack of consequences, which was most evident in the areas of poor and slow responses to investigating allegations of financial and supply chain management misconduct and fraud indicators; not investigating and/or not properly dealing with unauthorised, irregular, and fruitless and wasteful expenditure; and material non-compliance with legislation on consequence management.
- Poor political and administrative leadership was reported to have contributed to the poor performance at local government level. The AGSA noted that the desired impact of national and provincial interventions to help financially distressed municipalities to deal with their challenges has not yet been realised. The support needed to be intensified as there was a direct link between improved audit outcomes and the support provided.

- Pursuant to the tabling of the 2023-24 Municipal Finance Management Act (MFMA) audit outcomes, and the ensuing recommendations, it was resolved that Parliament's oversight strategy be modified to ensure more focused attention on consequence management and more emphasis on accountability by the provincial political leadership in respect of their legislated responsibilities, particularly the Premier and the Member of the Executive Council (MEC) responsible for Cooperative Governance and Traditional Affairs.
- Mindful of cooperative government and intergovernmental relations and the principle of legality, as underscored in Parliament's Oversight and Accountability Model, Parliament has opted to implement the modified oversight strategy through a joint approach led by the National Assembly Portfolio Committee on Cooperative Governance and Traditional Affairs, in partnership with the Standing Committee on Public Accounts, Standing Committee on the Auditor-General, the Speaker's Office in the Provincial Legislatures and the Provincial Legislatures' Portfolio Committees on Cooperative Governance and Traditional Affairs.
- In this vein, the Speaker of the National Assembly directed that the House Chairperson (Committees, Oversight & ICT) convenes the respective Committees and request their response to the Auditor-General's recommendation to the effect that ministers and members of the executive councils responsible for finance and local government, together with Parliament and provincial legislatures, should enhance their intervention and oversight to achieve tangible improvements.
- The Speaker further undertook to host a meeting with the Speaker of the Free State Provincial Legislature (at an appropriate time) to impress upon them on the necessity of a decisive intervention to change the audit outcomes by stronger measures to achieve accountability and consequence management.

2. Oversight delegation

2.1. Portfolio Committee on Cooperative Governance and Traditional Affairs

- Hon. Z.L. Mkhize (Chairperson and Delegation Leader: African National Congress)
- Hon. D. Direko (African National Congress)

- Hon. P. Ndamase (African National Congress)
- Hon. Z. Mthethwa (uMkhonto weSizwe)
- Hon. J. Mtolo (uMkhonto weSizwe)
- Hon. M. van Zyl (Democratic Alliance)
- Hon. H. Mkhali (Economic Freedom Fighters)
- Hon. S. van Wyk (Patriotic Alliance)
- Hon. Z. Buthelezi (Inkatha Freedom Party).

Support staff:

- Ms. S. Cassiem (Committee Secretary)
- Mr. A. Sokomani (Content Advisor)
- Mrs. N. Twala (Committee Assistant)
- Ms. N. Dinginto (Executive Secretary)
- Ms. Alicestine October (Communications Officer)

2.2. Standing Committee on Public Accounts

- Hon. P. Atkinson (Democratic Alliance)
- Hon. T. Kubheka (uMkhonto weSizwe)
- Hon. N. Maduna (African National Congress)
- Hon. C. Matiwane (Economic Freedom Fighters)

Support staff:

- Ms. R. Mokhatla (Researcher)

2.3. Standing Committee on the Auditor-General

- Hon. E. Spies (Democratic Alliance)
- Hon. S. Mwali (uMkhonto weSizwe)

Support staff:

- Ms. Z. Arnold (Committee Secretary)

2.4. Free State Provincial Legislature

Presiding officers:

- Hon. M. Dukwana (Speaker)
- Hon. N. Ndungane (Deputy Speaker)
- Hon. T. Meeko (Chairperson of Chairpersons)
- Hon. O. Khoabane (Chief Whip)

Members of the Provincial Legislature

- Hon. D. Leech
- Hon. D. van Vuuren
- Hon. N. Gaseka
- Hon. W. Pretorius
- Hon. M. Msimango
- Hon. D. McKay
- Hon. A. Cloete

2.5. Free State Provincial Executive

- Hon. M. Letsoha-Mathae (Premier)
- Hon. T. Mokoena (MEC: Cooperative Governance, Traditional Affairs and Human Settlements).
- Hon. K. Makume (MEC: Finance and Economic Development)
- Hon. E. Rockman (MEC: Agriculture and Rural Development)
- Mr. T. Ramakarane (Head of Department: Cooperative Governance, Human Settlements and Traditional Affairs)
- Mr. P. Lebone (Acting Head of Department: Provincial Treasury)

2.6. Municipal council delegations

- The list of municipal council delegations is annexed at the end of the report.

3. Legislatures' statement of objectives and anticipated oversight outcomes

3.1. Speaker of the Free State provincial legislature

- In welcoming the delegations to the Free State province and contextualising the oversight visit, Honourable Dukwana noted that the various oversight structures and executive leaders supporting and overseeing local government have not heeded the Auditor General's call to action to reverse the declining trend in local government

performance. These role-players have not been fully present and have not responded appropriately. The oversight visit marked the beginning of a process to respond seriously and intentionally as part of activating the accountability ecosystem as originally articulated in the Auditor-General's 2020-21 *Consolidated General Report on Local Government Audit Outcomes*.

- The Speaker welcomed the new collaborative and coordinated effort between the legislatures, noting that it will encourage a more stringent approach to oversight over the management of municipalities, while maintaining the mutual respect across the three spheres of government. He expressed eagerness to respond to the Auditor-General's call to action and committed to a serious local government turnaround, deeming it critical for the legislature to intensify support and oversight over municipalities as to realise the objects of local government as envisaged in section 152 of the Constitution. The intensified support and oversight is fundamental to the transformation of local government.
- The province had been convened to account and would be truthful in doing so. The new way of conducting oversight is the approach people have been yearning for, and the leadership has previously failed them in this regard. The Speaker concluded by applauding the wisdom of the minds that proposed the new oversight programme and hoped that this would go a long way towards activating the local government accountability ecosystem.

3.2. Standing Committee on Public Accounts

- The Committee felt privileged to be part of the new coordinated process to heed the Auditor-General's call to action. Accountability, ensuring that municipal resources are managed effectively and transparently, and service delivery to the people are of paramount importance to the Committee. In the Committee's view, there was a need to identify the systemic issues hampering the realisation of these aspirations, including infrastructure and asset management deficits as well as debt management inadequacies.
- The oversight visit presented an opportunity to isolate these systemic issues. Among the remedial measures proposed to address the identified weaknesses is the need for capacity building as to match job placement with the appropriate skills. This requires

meaningful training initiatives such as developing the capacity to produce reliable financial statements. The Committee further raised concern around the high unemployment rate, especially among the youth, and encouraged everyone to take responsibility for creating an enabling environment to facilitate job creation. Municipalities that are failing to pay salaries, pension funds and other third parties, the secondment of officials facing criminal charges, and the dearth of integrity and good governance, are also matters that are worrisome to the Committee.

3.3. Standing Committee on the Auditor-General

- The Committee pledged its commitment to the coordinated approach to municipal oversight. The approach aligns with the Committee's objectives, including fostering good governance. Provinces and municipalities were urged to assist the Auditor-General's Office to implement its mandate and execute its responsibility. Repeat disclaimers warranted dedicated focus. The Committee is interested in understanding the challenges and engaging constructively rather than criticising and attacking. It expressed a wish to return to the province and find a different picture where Unauthorised, Irregular, Fruitless and Wasteful expenditure is avoided and third parties, including the Auditor-General, are paid timeously.

4. Engagement with the Free State provincial executive

4.1. Premier

- In welcoming the delegations to the province, the Premier, Honourable M. Letsosa-Mathae, alluded to her Office's constitutional responsibility to support municipalities to have the capacity to fulfil their executive obligations. Ensuring good governance is part of realising the aspirations of those that had elected them. However, the present state of municipalities in the province is deeply concerning to the Premier. There is institutional instability and financial distress. Streets are littered with garbage and roads are in poor condition. Debt owed to Eskom and the Vaal Central Waterboard is increasing.
- The work to turn around municipalities and address these maladies has started. In this regard, there has been site visits to the municipalities of Mohokare, Matjhabeng and Mangaung. The key matters of emphasis included payment plans to Eskom and Vaal Central. Positive results are beginning to show in municipalities such as Kopanong,

which has concluded a payment plan with Eskom. Constitutional intervention in Matjhabeng has been instituted to address water and sanitation related challenges, amongst other things. In agreement with Mangaung's executive mayor, the province will use the metro to pilot the implementation of a qualification verification programme across all the municipalities in the province. CENTLEC, the metro's electricity entity, will also be part of this exercise.

- Intervention teams have been established to attend to the matters raised by the Auditor-General. The review of Annual Financial Statements and post-audit action plans are among the key intervention mechanisms implemented in collaboration with the Auditor General's Office. The province has an ongoing partnership programme with the Development Bank of Southern Africa. There remains continued focus on the implementation of the District Development Model. The Premier's coordinating forum is active. There is renewed focus on capacity building, consequence management to demonstrate seriousness, and monitoring and evaluation. In the Premier's view, the increasing involvement of the judiciary in the management of municipal affairs is not desirable. The Premier concluded by undertaking to embark on a programme to support municipalities.

4.2. Department of Cooperative Governance, Traditional Affairs and Human Settlements

- Honourable Mokoena delegated the Head of Department, Mr. T. Ramakarane, to apprise the legislatures on the state of municipalities in the province. Mr. Ramakarane started by acknowledging that municipalities have not performed as expected. Of the 23 municipalities, six are under intervention in terms of section 139 of the Constitution. There are delays in the filling of vacant senior management positions. Where vacancies have been filled there are instances of non-compliance with the legislated procedures.
- In December 2024, the provincial government convened a local government summit whose resolutions have served before the provincial executive council. The summit was meant to persuade delegates to commit to a different way of doing things. Regarding developments in specific municipalities, Mr. Ramakarane indicated that the Mangaung metro was still under intervention in terms of section 139(7) of the Constitution. Pursuant to the intervention, the metro has witnessed relative stability. There remained

challenges around the implementation of the Financial Recovery Plan and excessive overtime claims.

- The Nala local municipality had also seen relatively stability, but this began to wane in March 2025 when the municipality experienced dualisms in the positions of the Speaker, Municipal Manager and Chief Financial Officer. The Department is implementing the recommendations of an investigation undertaken in line with section 106 of the Municipal Systems Act. There has been court action in this regard. The instability persists. The Dihlabeng local municipality is relatively stable with functional oversight committees but is beset with financial management related challenges.
- The Mohokare local municipality has also experienced serious instability challenges for over a year. The Municipal Manager was suspended in 2023. Following the election of a mayor and speaker and the secondment of an Acting Municipal Manager from the Department, there has since been an element of stability. There remains acute challenges around electricity provision. In terms of general milestones, the Department has dealt with all outstanding audits relating to prior years. The focus is now on monitoring timely submission of Annual Financial Statements for auditing. The Department has created a provincial structure to attend to the non-submission or late submission of the reports stipulated in section 46 of the Municipal Systems Act.

4.3. Department of Finance and Economic Development

- Honourable K. Makume delegated the Acting Head of Department, Mr. P. Lebone, to present the Department's report. Mr. Lebone started by indicating that the municipalities in the province had previously struggled to meet the legislated deadline for the submission of Annual Financial Statements for auditing. For the financial year ended 30 June 2024, 19 of the 23 municipalities submitted their statements on time. The four municipalities that could not do so were Masilonyana, Kopanong, Mafube and Mokohare.
- The late submission in Masilonyana was attributed to institutional instability, challenges relating to the financial system, poor records management and the late appointment of consultants. Labour unrest and challenges with the financial system were the factors contributing to the late submission in Kopanong. The late receipt of the Auditor-

General's 2022-23 report in Mafube negatively affected the submission of the 2023-24 Annual Financial Statements. In Mohokare the late submission resulted from financial system related challenges.

- To ensure timely submission of Annual Financial Statements for the financial year ended on 30 June 2025, the Premier's Coordinating Forum has been activated. Starting from 31 July 2025, the Department will be hosting a municipal audit readiness forum that will involve assessing municipal readiness to submit the 2024-25 Annual Financial Statements for auditing by 31 August 2025. Municipalities have generally committed to submitting the statements on time and the Department is monitoring this.
- There has been focused engagements with the municipalities that have obtained repeat disclaimers. These have gone through an Annual Financial Statements consistency workshop. Other interventions include learning best practices from the Western Cape province, reviewing draft Annual Financial Statements before submission, and the appointment of Treasury accountants in the municipalities with disclaimed and qualified audits.
- Compliance with the some of the conditions of the Eskom Debt Relief Programme is a challenge for some of the participating municipalities, especially the maintenance of current account payments. The Department has registered some progress in correcting this. Setting cost-reflective tariffs is another area identified for intervention. The passing of unfunded budgets has reduced from 19 municipalities in 2023-24 to 14 in 2024-25. There has also been an observed general reduction in conditional grant under expenditure, with the Mangaung metro being the only exception. To address this, the Department convenes monthly grant performance forums.

4.4.Deliberations on the provincial executive's inputs

Having received the provincial government's inputs, the joint committees:

- Sought clarity from the Premier as to whether there were any interventions additional to what had been indicated in the initial presentation. In response the Premier largely reiterated the matters emphasized in the initial presentation. She later emphasized the need for the province to conduct investigation in connection with municipal yellow fleet

that is sitting idle in Kroonstad. Municipalities have not been utilising the RT57 contract to purchase their yellow fleet.

- Expressed concern on the general situation in the Free State province, including the poor state of some roads. Some municipalities neglected basic functions such as grass cutting. Members wished to establish whether there were any regular engagements between mayors and the provincial government and whether there were any examples of success stories from the Premier's Coordinating Forum. In response, MEC Mokoena clarified that the maintenance of the province's road network is not only an exclusive function of municipalities. There are also roads which are an exclusive function of provincial and national government respectively.
- Questioned the point of retaining a mayor and executive committee that have presided over a municipality that has obtained nine consecutive disclaimers. In response, the Premier confirmed knowledge of the municipality in question (Nketoane) and indicated that the matter has been raised with the Troika and management. While not pleased with this kind of performance, the Premier does not have the powers to remove councillors. This is the responsibility of the political parties that deployed them. However, the Premier is committed to bringing positive change, including on the matter of consecutive disclaimers.
- Requested to be given assurance that the presented turnaround plans will yield a different result from previous initiatives. Members were duly assured that there was movement in the right direction following the establishment of a new system of collaboration between the Premier's Office; the Department of Cooperative Governance, Human Settlements and Traditional Affairs; and Treasury. New innovations that did not exist previously include the establishment of a Chief Financial Officers' Forum, the seconding of financial experts to municipalities, and the establishment and capacitation of municipal financial disciplinary boards some of which are chaired by the Provincial Treasury and the Department of Cooperative Governance, Human Settlements and Traditional Affairs.

Members were encouraged to understand these initiatives against the backdrop of nearly a decade of municipal financial delinquency. MEC Mokoena emphasized that the accountability process should begin at the administrative level and not stop at elected

representatives. In this regard, several municipalities have been subject to court action in connection with unlawful senior management appointments. In Mokohare a process was underway to remove an acting municipal manager who does not possess the requisite qualifications.

- Expressed concern around the wisdom of seconding financial accounting experts while municipalities already have Chief Financial Officers. In response, the Finance Department clarified that the accounting specialists will not be residing in the municipality and consequently will not be performing the duties of municipal finance staff. The provincial treasury, not the municipalities, will be responsible for all the costs associated with the secondments.
- Sought to be furnished with examples of criminal cases opened pursuant to finding instances of serious wrongdoing. In response, MEC Mokoena cited criminal cases opened in Nala and Dihlabeng local municipalities following the conclusion of investigations instituted in terms of section 106 of the Municipal Systems Act. Law enforcement agencies were now seized with these matters, and the Department is actively following up on these.
- Queried the status of the zoo in the City of Mangaung including its whereabouts and the funds allocated to it and sought clarity around the city's debt collection agencies. In response, the Premier indicated that the metro leadership will respond on these matters as functions such as zoo-keeping were non-delegated.
- Noted the marginalisation of traditional leaders on municipal governance matters, outstanding matters relating to land restoration, and the enduring legacy of discriminatory spatial planning. In response, MEC Mokoena sympathized with the sentiment expressed and indicated that the *Local Government White Paper* review process will address some of these concerns. Some support has been provided to traditional leaders, but this is still work in progress and not yet adequate. Work to reverse discriminatory spatial planning has been undertaken in areas such as Sasolburg, Harrismith and Qwaqwa where mixed human settlements have been introduced.
- Questioned the Speaker of the Free State provincial legislature regarding a payment related legal dispute involving a member of the legislature. In response, the Speaker

indicated that the matter has been taken for mediation. Treasury had also recommended a judicial review.

- Observed that, previously, interventions in term of section 139(1)(c) of the Constitution have been invoked without availing the concomitant resources, resulting in failure to yield the anticipated outcomes as seen in municipalities such as Mafube. In response, MEC Mokoena indicated that there has been a change in approach since the beginning of the 7th administration. For example, the acting municipal managers being seconded to municipalities are now part of the province's payroll and pose no extra financial burden to the host municipalities. As part of easing the municipal financial burden, the province has disbursed R3m towards the procurement of *mSCOA* compliant financial systems.
- Noted the R3bn debt owed to municipalities by provincial government departments and sought to be apprised of the support measures being provided in line with section 154 of the Constitution. In response, MEC Mokoena alluded to systemic problems which the Department is addressing in collaboration with Treasury.
- Queried the functionality of Municipal Public Accounts Committees (MPACs) and the extent of their research capacity, as well as the functionality of internal audit units and audit committees. In response, MEC Mokoena noted the tendency for councils to undermine and pay no attention to MPAC reports and audit committee recommendations. The Auditor-General has also observed this. Part of the rationale behind the seconding of financial experts is to ensure adherence to the exemplary financial management practices encouraged by these oversight structures.
- Questioned the value for money in relation to R51m expenditure by both the provincial Treasury and the provincial Department of Cooperative Governance, which yielded no tangible improvement. In response, Mr. Lebone indicated that the compensation of employees was part of this budget and that the rest of the funds have been spent on municipalities and have been accounted for fully.
- Expressed concern around the recycling of municipal managers and chief financial officers who had been implicated in financial misconduct cases in previous municipalities but resigned before disciplinary processes could be concluded. These

officials are never held accountable. There were several examples of these including the case of the Mantsopa municipal manager who had been arrested while employed in Tswelopele. Mohokare presented a similar case. The use of independent and non-partisan panels to appoint senior managers was recommended as a corrective to this malpractice.

In response, MEC Mokoena assured the joint committee members that there was no recycling of municipal senior management and was prepared to stand firm on this submission. A critical element of the Department's court applications relate to challenging inappropriate senior management appointments. A case against Ngwathe was being pursued along this line. The example cited in connection with Mantsopa was true, but the MEC never provided concurrence as this matter preceded his tenure.

- Reiterated that some of the municipalities participating in National Treasury's municipal debt relief programme struggle to meet the conditions especially in connection with servicing the Eskom current account. In response, Acting HOD Lebone confirmed that compliance with Eskom current account payments was at 50 percent. However, municipalities were submitting all the required reports.
- Noted the notice from the finance minister relating to the withholding of the Local Government Equitable Share to some municipalities that have persistently failed to adopt funded budgets and to pay Water Boards and/or third parties such as pension funds, medical aids, the South African Revenue Service, and the Auditor-General of South Africa. Whether the municipal employees affected by the non-payment of pension funds were made aware of this was another key matter of interest. Joint committee members were assured that discussions have taken place with all the affected municipalities in the province. However, members recommended a separate focused presentation in this regard.
- Sought be assured that the interventions presented will enable all municipalities in the province to submit the Annual Financial Statements by the legislated date of 31 August 2025. This assurance was provided.

5. Engagement with municipal leadership

5.1. Mangaung metropolitan municipality

Overview by the municipal leadership:

- As a prelude to the municipality's technical report, the executive mayor Councillor G. Nthatsi, indicated that the metro was placed under section 139(5)(a)(c) and later section 139(7) of the Constitution by both Provincial and National Governments, respectively due to political and administrative instability, with overreach and abuse of administrative systems and processes; resulting in institutional paralysis. The metro leadership has seen the return of political stability ensuring a turnaround and is optimistic about return to proper governance, with financial recovery plan showing an increase in revenue collection from 45 percent in 2023-24 to 75 percent currently. Grant expenditure has improved but has not reached accepted levels; however, the metro is attending to provision of water, sewer spillages, and road maintenance.
- The city manager, Mr. S. More, emphasized that the metro had not investigated unauthorised, irregular, fruitless and wasteful expenditure since 2019 due to insufficient investigative capacity in the Municipal Public Accounts Committee. The Committee has since acquired the requisite investigative skill through the establishment of a Technical Committee to augment the Municipal Public Accounts Committee's capacity and expertise. The Technical Committee's Terms of Reference have been adopted.
- The target is to investigate all the accumulated fruitless and wasteful expenditure of R326m by 30 June 2026 as well as R1.4bn of the accumulated R3.1bn irregular expenditure. Unauthorised expenditure will also be investigated, and consequence management will emanate from reports as investigations unfold and will be applied in line with section 32 of the Municipal Finance Management Act, which deals with liability for Unauthorised, Irregular, Fruitless and Wasteful Expenditure.
- Consequence management relating to the abuse of overtime was also receiving attention. Manipulation of overtime pre-approval had been rife. There were people in jail and ghost workers receiving overtime payments. Of the R103m budgeted for overtime, R142m was spent - indicating an overtime overpayment of R39m. The introduction of a shift system (effective from 1st July 2025) in critical services such as solid waste, will ensure that overtime costs are minimised. A policy framework not allowing overtime beyond 40 hours is also in place and is a significant improvement compared to the 120 hours of

overtime previously logged. Due to a 62 percent vacancy rate at the organisation's operational level, the metro has been driven to use overtime as a mitigating measure.

Key issues raised by joint committee members:

- *Capacity constraints.* Members enquired about a plan to address the metro's capacity constraints, which were responsible for budget overspending, inadequate implementation of the Financial Recovery Plan, excessive overtime use where it appeared that the reported shift system was not being implemented, the achievement of 45 percent of targets while 100 percent of the budget was spent, and conditional grant under expenditure resulting in funds being returned to Treasury. Financial consultants were utilised, but this did not yield a good audit outcome. The over 60 percent vacancy rate at the operational level was tantamount to planning for failure. An apparent disjuncture between the 60 percent vacancy rate and R2bn expenditure on employee related costs was noted. Members also wished to establish whether the city manager had signed off on any excess overtime.

In response, the Chief Financial Officer, Ms. Z. Thekisho, noted improvements in addressing the capacity constraints as the city has now adopted funded budgets for both the 2023-24 and 2025-26 financial years. The city manager also indicated that the metro's audit qualification areas have reduced from five paragraphs to one. A R61m budget has been set aside for the filling of critical operational positions. The piloting of the shift system to curb excessive overtime use was reiterated. A new set of vehicles was also procured as part of addressing the tools of trade shortage.

The conditional grant under expenditure stemmed from lack of technical capacity to spend and this has been addressed through the establishment of a project management office. For the 2024-25 municipal financial year, the city's conditional grant expenditure is on track. The city manager could not recall signing off on any excess overtime. In his capacity as the former Head of Department responsible for solid waste management, the city manager did authorise overtime but within the legal parameters. This was during the financial year ended 30 June 2022 and there were no audit findings in this regard.

The city agreed that its current employee related costs were abnormal and should have been below 30 percent of total operating expenditure. The van der Merwe remuneration

system was responsible for the skewed remuneration ratio and is being considered for replacement. The 60 percent vacancy rate emanates from an old organogram, which provided for 7200 posts. The new organogram will address the vacancy rate matter, including the issue of ghost workers.

- *Functionality of financial oversight structures.* Members pointed to a need to address the non-functionality of municipal financial oversight structures such as the Audit Committee, the internal audit unit, and the Municipal Public Accounts Committee. In response the city manager insisted that the internal audit unit and audit committees were functional but need capacity building to continue tabling reports to council. Capacity building is an ongoing process, and it will take some time to reach the desired level. Previously, there was no general manager for the internal audit. Addressing this was among the noted improvements in how the administration was responding and supporting council. Support to the Municipal Public Accounts Committee was also affirmed.
- *Alleged improper employment practices.* Members sought to confirm the reported appointment of a former president of the South African Municipal Workers Union as general manager (stakeholder management) in the city manager's office. The appointment was allegedly based on the incumbent's close friendship and comradeship with the city manager. The incumbent also reportedly acted on the positions of General Manager: Human Resources Management, Head of Department: Corporate Services, and Manager: Labour Relations and reportedly received acting allowances. In response, the city manager indicated that the incumbent's employment had recently been terminated and that no acting allowance was paid.
- *Indigent verification process.* Members sought to be apprised in connection with criminal cases relating to a service provider that was paid R1 971 657.75, and R2 215 084.00 to conduct the municipality's indigent verification process. The tender was awarded in March 2022, but the work was tainted with irregularities, including payment requisitions that were not authorized by the relevant manager, issuing of invoices without submitting proof of work done, and the disappearance of the requisition book. The chief financial officer indicated that a municipal employee had reported the matter, and the implicated officials have been duly suspended. The Speaker, Councillor

B. Mathae, indicated that the official who signed payment requisitions without authorisation has since resumed her duties and it is yet to be proven whether she is guilty.

The city manager added that the municipality had set up of its own committee to investigate the matter. The National Prosecuting Authority obtained preservation orders in August and September 2023, resulting in the R1.9m and the R2.2m held in the service provider's bank account being frozen. The service provider appealed the preservation orders, but a court judgement of March 2024 dismissed the appeal. The administration has complied with all requests made by the Directorate for Priority Crimes and Investigations (Hawks) in connection with the cases. The metro's current indigent verification is manual and expensive to run as it involves 5500 indigent applicants. Consequently, a system driven verification process will be put in place to obviate the need for consultants.

- *Indigent budget allocation.* Members noted that, of the metro's R1bn equitable share allocation, only 40 percent seems to have been allocated to the benefit of indigents. It was unclear as to what happened to the outstanding 60 percent. The chief financial officer explained that there were two categories of indigents: income-based indigents and indigents that qualified automatically. Both benefitted from the municipality's social assistance package to the value of R890m. However, Ms. Thekisho acknowledged the need for the indigence policy to be clearer around this point for ease of reference to the readers.
- *Debt collection service providers.* Clarity was sought around the city's debt collection activities over the last two years, which involved questionable appointments of service providers. It was understood there were seven debt collection companies in total and there were allegations that the appointments did not follow proper supply chain management processes. In response, the chief financial officer indicated that the appointment of two debt collection service providers was investigated and found to be non-compliant. The city is in dispute with one of the service provides regarding the total amount collected and the related commission that is due. The report on this matter has not yet served in council. It was emphasized that the debt collection tender was awarded only in respect of household and business debt and excluded government debt.

The executive mayor indicated that, previously, all debt collection tenders were awarded to a single company. The municipality has since unbundled the process and has embarked on a competitive bidding process. The executive mayor was not aware of any irregularities in this regard and invites anyone with contrary information to correct him.

- *Consequence management.* Members wished to determine whether investigations had been conducted against those who had authorised 120hrs of overtime and whether any charges have served in this regard. The city manager indicated that he would need to investigate the matter since the event predated his tenure. The matter affects all departments, including political offices. The city manager hoped that the investigation would have commenced by end July 2025. The executive mayor clarified that the 120hrs overtime was a legacy inherited by the provincial executive intervention team. Due to the prevailing political instability at the time, no consequence management action could be taken in connection with the excess overtime. The executive mayor accepted the joint committees' corrective counsel in this regard.
- *Forensic investigations.* Members understood that there were six forensic investigative reports relating to the Integrated Public Transport Network Grant, but these were yet to serve in council. The council allegedly blocked one of the reports and the specific date on which this happened was furnished. In response, the city manager indicated that three of the six reports have been tabled in council. The matters relating to the other reports were still unfolding and were under investigation by law enforcement agencies. Regarding the investigations that have been finalised, the implicated officials have been charged.

The executive mayor added that the national Department of Transport is the custodian of the Integrated Public Transport Network matter. Council was expected to deliberate on three issues around the matter, namely, disciplinary processes, criminal cases and civil claims. All recommendations relating to these three items have been implemented. The executive mayor could not recall the alleged blocking of a report by council but remembers appearing before the Municipal Public Accounts Committee in connection with the report.

The Speaker emphasized that no council sitting ever attempted to obstruct the Municipal Public Accounts Committee from doing its work in this regard. The alleged date on

which the incident occurred was not factual. The Special Investigating Unit completed its investigative report on the Integrated Public Transport Network matter in 2023. Thereafter, the executive mayor was afforded 90 days to decide on the way forward. In 2024, five council sittings dealt with the report's implications. The Municipal Public Accounts Committee advised on the report's civil claims aspect.

- *Turnaround strategy.* The municipal leadership was requested to rate its ability to turn the state of the metro around. In response, the executive mayor cited turnaround milestones that have been achieved, including the metro's categorisation from high risk to low risk, transition to passing credible and funded budgets, restoration of political stability, and the resultant withdrawal of the national government intervention team. However, the municipality is still in need of national government support in line with section 154 of the Constitution.
- *Going concern uncertainty.* Members wished to establish the municipality's status in terms of going concern, including the debt collection rate and recoverability of the debt owed to it. In response, the city indicated that its Financial Recovery Plan is meant to address the going concern issue. The debt collection rate has improved from below 50 percent to 99 percent. The average collection rate has improved from approximately 70 percent in 2023-24 to 85 percent in 2024-25. There was R800m overspending on the approved budget. The metro's bank balance sat at R1.2bn and the cash coverage was equivalent to 1.6 months, which is within the Treasury norm of between 1 and 3 months. There were a series of interventions at the metro's financial space to address the going concern issue. These have seen improvements in some of the municipality's financial ratios such as net debtor days, creditors' payment period and maintenance budget.
- *Unauthorised, irregular, fruitless and wasteful expenditure.* Clarity was sought around the investigation or writing down of the metro's accumulated irregular expenditure to the value of R3.1bn. The municipality's accumulated unauthorised and irregular expenditure of R7bn exceeded its revenue. In response, the municipality indicated that the bulk of the irregular expenditure related to the irregular extension of contracts. Of the municipality's 16 material irregularity findings, four related to contracts management. The municipality has since developed a manual that addresses the matter. The steps that will be followed to address UIFWE were also outlined in detail. These,

however, will be contingent on the outcomes of the Municipal Public Accounts Committee's investigations, which cannot be pre-empted. No UIFWE had yet been written off.

- *Metro zoo status.* In response to the question of the zoo, as posed to the Premier, the city indicated that the facility was closed due to expiry of permit. The animals have been relocated to other facilities. The municipality intends resuscitating the zoo and will be obtaining the requisite licenses. The Municipal Public Accounts Committee has been directed to trace the animals' whereabouts. MEC Rockman explained that the animals were kept in various wildlife rehabilitation centres, and a detailed report can be furnished in this regard. Following the rescue, all the animals have ceased belonging to the metro.
- *Non-revenue water losses.* Members sought to be apprised of the city's interventions in connection with non-revenue water distribution losses and the extent of water leaks in this regard. The executive mayor indicated that the water distributions losses are mostly non-technical and related less to leaks and more to illegal connections by informal settlement households.

Summary:

- Consequence management in respect of Unauthorised, Irregular, Fruitless and Wasteful Expenditure was felt to be unsatisfactory. There needed to be clearer timelines on this as well as better and quicker management of the process. In this regard, the effectiveness of the Municipal Public Accounts Committee, the audit committee and the internal audit unit, was raised as a concern. Left unchecked, the lack of UIFW consequence management will encourage a culture of impunity. MEC Mokoena's intervention on this was deemed critical and the joint committees expect to be furnished with timelines and regular reports in this regard.
- The city needed to attend to the inadequate overtime controls flagged by the Auditor-General as well as strike a balance between the filling of vacancies and the utilisation of consultants. There appeared to be no strategy governing the appointment of consultants and this should be corrected. The persistence of poor audit outcomes despite the

appointment of consultants is a common problem across the municipal landscape and Mangaung is not exempt.

- On the financial management aspect, the metro needed to attend to the details raised by the Auditor-General in respect of grant funding that was not spent for the intended purpose, insufficient budgeting for the city's indigent population, and going concern uncertainty. Specific progress reports are also expected in connection with the audit findings on poor performance planning and information technology contracts. The city's responses to the matters raised during the previous oversight visit were not all satisfactory. The MEC is afforded three months to report on the matters referred to him.

5.2.Xhariep district municipality

Overview by the municipal leadership:

- In prefacing the municipality's input, the executive mayor, Councillor I. Mehlomakhulu, indicated that a clean audit for the district was achievable and that concerted efforts were underway to attain this outcome. The municipality is mainly grant-dependent and relies on the equitable share and provincial grants. It is the least funded compared to the other district municipalities in the province.
- The municipal manager, Ms. L. Moletsane, highlighted that the district received an unqualified audit opinion (with findings) but with poor quality financial statements, due to lack of capacity. The municipality used to compile annual financial statements internally, but resignation of key skilled officials led to resumption of consultant services. A chief financial officer has been appointed and a service level agreement with consultants on skills transfer has been concluded. It is anticipated that in three years' time the use of consultants will be phased out.
- The district acknowledged the four issues raised by the Auditor-General in respect of reliance on the audit process to achieve an unqualified audit outcome; non-alignment of budget spending to key performance areas; non-investigation of unauthorised, irregular, wasteful and fruitless expenditure and the spending of conditional grants for non-intended purposes. The non-alignment of budget spending to key performance areas was explained in terms of differences between the mandates of the district and those of local municipalities. This warranted a different auditing approach to that used for local

municipalities. Despite minor disagreements, the district enjoys a good working relationship with the Auditor-General's office. Unauthorised expenditure, irregular, fruitless and wasteful expenditure were attributed to insufficient budget and financial constraints.

Key issues raised by joint committee members:

- *Overpayment of senior managers.* There was an allegation that senior managers, including the chief financial officer and municipal manager who are now employed in Mohokare, were overpaid. For the recovery of the overpayment, the district was advised to consult section 32 of the Municipal Finance Management Act for guidance. The district confirmed that the overpayment allegation was true, and this occurred over a three-year period. However, the district's scope of action is limited as the officials were no longer in the municipality's employ.

A report on the matter was scheduled for tabling in council, and a waiver application has been submitted to both the MEC and the Minister of Cooperative Governance and Traditional Affairs. The waiver application is not meant to condone the overpayment and is also scheduled for discussion in council. The overpayment was also referred to the municipal financial disciplinary board, but no case of financial misconduct could be established. The district awaits a council resolution on this matter and will implement what council has resolved.

- *Grant misuse.* The Municipal Infrastructure Grant for the Kopanong local municipality was allegedly used to pay the salaries of Xhariep's employees. Inappropriate diversion of the Integrated National Electrification Programme grant from an electrification project was also alleged. The district also did not use or need the rural roads and asset management systems grant allocated to it. In response, the district acknowledged that the Municipal Infrastructure Grant misuse was an error.

The Department of Cooperative Governance and the Municipal Infrastructure Support Agent are responsible for providing the necessary checks and balances to ensure that the funds channelled to the local municipalities via the district are not used for the latter's operational requirements. Regarding the diversion of the electrification grant, the district explained that the Department of Minerals and Energy (as it was then called) had

instructed it to pay R8.5m of the R23.5m electrification budget to CENTLEC. The funds were therefore not used to pay for the electrification of 100 houses (against a target of 300) as alleged. The remaining R15m was insufficient to continue the electrification project as the lowest bid amounted to R20m. In this regard, the district expects receiving top up funding from the Department of Minerals and Petroleum Resources.

- *Debtors and creditors management.* Concerns were raised regarding payment of creditors that reportedly took up to 666 days. Members also wished to establish the number of days it took the district to collect debt owed to it and how much of the debt was irrecoverable. In response, the district attributed creditors' payment issue to the transition from an old to a new financial system. Data cleansing was also needed as some creditors are unknown and remained incorrectly reflected in the system. The district's main creditor is the owner of its rented office space.
- *Sanitation related inadequacies.* The use of the bucket system was still prevalent in the district and there seemed to be no plan to eradicate it. There was also an alleged release of untreated effluent into the Orange River system. In response, the district indicated that the sanitation function, including bucket system eradication, does not fall within its mandate.
- *Non-investigation of unauthorised, irregular, fruitless and wasteful expenditure.* The non-investigation of unauthorised, irregular, fruitless and wasteful was indicative of a non-functional Municipal Public Accounts Committee, as flagged by the Auditor-General. The district responded that it now has a functional Municipal Public Accounts Committee. The Committee was established in 2022 and has completed the UIFW register relating to the 2023-24 financial year and is now addressing historical issues.
- *Revenue generation.* Xhariep was noted for being a relatively small municipality, completely dependent on grants with low revenue generating capacity and no coherent plan towards sustainability. The district's employee related costs amounted to 81 percent of the operational budget, which exceeds the norm of between 25 percent and 40 percent. There seemed to be no concerted effort towards revenue generation. In response, the district indicated that it has sourced peace officers to attend to revenue collection. There are plans to reduce the employee related costs, which emanated from officials receiving

benefits to which they were not entitled, and the payment of the annual 5 percent wage increment as per the bargaining council agreement.

- *Disaster management capacity.* Members wished to understand the extent of the district's disaster response capacity and whether there was a functional disaster management centre in place. The district indicated that its disaster response capacity is mainly limited to fire-fighting and that it had no disaster management centre.
- *Consequence management.* A supply chain management manager suddenly resigned following investigation into irregular tender awards, and the district was requested to provide an update on this matter. The district confirmed that the manager in question indeed resigned but this did not affect the course of the investigation. The matter remains open.

Summary:

- The district should strive to obtain a clean audit with support from both the provincial government and the Minister of Cooperative Governance and Traditional Affairs. The lack of a substantive revenue base is unsustainable. Spending of 81 percent of the municipality's operational budget on employee-related costs is a cause for concern. The Municipal Public Accounts Committee should be fully functional and the MEC needs to set the timeliness for the investigation of all outstanding unauthorised, irregular, fruitless and wasteful expenditure. The consequence management emanating from these investigations should be recorded and a proper report provided. The district should avoid spending the Municipal Infrastructure Grant for unintended purposes and should balance the use of consultants with building internal capacity.

5.3.Letsemeng local municipality

Overview by the municipal leadership:

- In her recap, the mayor, Cllr. B. Mocwaledi, highlighted that the municipality was expected to respond on three matters, namely going concern uncertainty, late payments to Eskom, and councillors with arrear accounts outstanding for more than 90 days. Regarding the municipality's ability to continue as a going concern, the mayor indicated that a process was underway to ensure that the institution is a going concern. The

material irregularity arising from late payments to Eskom culminated in the suspension of the municipal manager. Eskom has not accepted the municipality's repayment plan as it could not grant the requested waiver on interest. The municipality's Eskom current account is up to date.

- Other third parties owed by the municipality include the Auditor-General and the South African Local Authorities Pension Fund. There is a payment arrangement with the South African Local Government Association in respect of membership fees. Auditing of meters to curb non-technical electricity losses was completed in the previous financial year. The electricity collection rate is now 100 percent. The overall debt collection rate has improved from 35 percent to 48 percent. Consultants have been hired to attend to the audit qualification areas relating to assets and investment property. The municipality's post audit action plan is not merely a box-ticking exercise but a genuine commitment to address the stagnation on qualified audit opinions over the last seven financial years.
- All conditional grants, including a R5.4m Water Services Infrastructure Grant, are ringfenced and cannot be used for operational expenditure. The Municipal Public Accounts Committee has been in existence since 2022, but is not yet up to speed on unauthorised, irregular, fruitless and wasteful expenditure investigations. There is a newly established Audit Committee and Financial Disciplinary Board.

Key issues raised by joint committee members:

- *Going concern uncertainty.* If it was a business, the municipality would not have continued operating as it suffers from several financial deficiencies such as the incorrect use of conditional grants for operational purposes, and the non-payment of third parties such as pensions funds and Eskom which resulted in the withholding of the equitable share by Treasury. Members also wished to establish whether employees were aware that their pension contributions were not paid over to the pension funds. The imperative to service outstanding Eskom debt meant that the Municipal Infrastructure Grant was diverted away from critical infrastructure projects. While debt collection improved from 35 percent to 48 percent this was still far below the 95 percent Treasury norm.

In response, the municipality traced its going concern difficulties back to 2014 when its financial ratios began to deteriorate. However, the municipality is on the right track to address the matter as it had secured payment arrangement plans with most of the creditors. Payment of creditors has now improved to less than 90 days. The municipality was also on course to improve revenue collection through the replacement of large power user meters and 800 by-passed meters. Also anticipated for collection is a debt of R10m owed by government departments.

Pension fund payment defaults started in 2022 when the Supreme Court of Appeal Judgement overturned an earlier Free State High Court ruling and compelled the municipality to pay all amounts in respect of the electricity received from Eskom. The Court also directed the municipality to pay to Eskom a portion of the equitable share that relates to electricity within 24 hours of receiving such funds. A Distribution Agency Agreement with Eskom has been prepared and is scheduled for discussion in council.

The municipality has also received an allocation of R1m to address non-technical electricity losses. The joint committee was informed that after receipt of the equitable share withholding letter, the municipality satisfied the stipulated conditions for the release of the equitable share tranche for July and consequently the funds were no longer withheld. A portion of the equitable is also re-directed to the South African Local Authorities Pension Fund. There has been no instances where employees could not retire due to non-payment of pension funds.

- *Councillors in arrears.* Members noted that it is incorrect for councillors to be in arrears for more than 90 days. The municipality indicated that the 12 councillors in question have come forward to make payment arrangements and these are being honoured.
- *Water and sanitation related challenges.* The municipality was requested to apprise the joint committees in connection with a contract for outsourced water provision services, measures to curb water shedding and the communication of this to the residents, and the eradication of the bucket toilet system. In response, the municipality indicated that water-shedding is well-communicated, and residents know in advance when water will not be available. Measures underway to correct the problem include correcting the water pressure, and dedicating R80m towards the infrastructure maintenance budget. As part of addressing the water and sanitation related issues raised by the South African Human

Rights Commission, the municipality is seized with the refurbishment of the affected Water and Waste Water Treatment Works.

- *Vacancies.* In response to the joint committees' questions around a plan to address the prolonged vacancies in management and measures to prevent political interference in the administration's work, the municipality indicated that the position of the municipal manager has been advertised. It envisaged that the successful candidate would be appointed by end of July 2025. The appointment of section 56 managers is anticipated to be finalised by end of October 2025. The municipality's organogram is outdated, and it was imperative for the organisation to conduct skills audits regularly.

Summary:

- The municipality faced serious financial constraints, and this is the basis for the going concern uncertainty raised by the Auditor-General. In this regard, the MEC's report to the joint committees should address the use of conditional grants for operational purposes, the non-investment of employee pension fund contributions, and the filling of senior management vacancies. The provincial government should also be involved in addressing water provision challenges in towns such Koffifontein to ensure that farmer water rights do not deprive the rest of the community access to water.
- The municipality also needed to resolve the material irregularity raised in respect of the interest incurred due to late Eskom payments. The Municipal Public Accounts Committee also needs to be up to speed regarding the investigation of unauthorised, irregular and wasteful expenditure. Of critical importance is the consequence management process that follows the investigations. The province will be expected to report on this in three months' time.

5.4.Kopanong local municipality

Overview by the municipal leadership:

- The Mayor, Councillor X. Tseletsele, emphasized that the municipality was still under discretionary intervention in terms of section 139 (1) of the Constitution and section 63(1) and 2(b) of the Water Services Act (1997). In the decade preceding the election of the present council, the municipality failed to fulfil its service delivery obligations to

residents. The organisation had collapsed entirely along with financial disciplines resulting in unchecked unauthorised, irregular, fruitless and wasteful expenditure. These were the triggers for the intervention.

- On assumption of office in 2020-21, the council prioritised moving the municipality out of disclaimed audits as well as reversing ill-advised promotions that increased the municipality's salary bill and created salary payment problems. The salary payment unpredictability has made it difficult for the municipality to attract candidates for the municipal manager position. Following the discretionary intervention, there has been some improvement and movement in the right direction, albeit slow.
- The provincial treasury has also supported the municipality in line with Chapter 5 of the Municipal Finance Management Act, which deals with cooperative government obligations, including those relating to building the capacity of municipalities for efficient, effective and transparent financial management. A material irregularity relating to the pollution of the Xhariep Dam has been issued and a project to address this is 95 percent complete. Other problematic Waste Water Treatment Works will be addressed through the intervention in terms of section 63 of the Water Services Act (1997).
- The municipality's most pressing challenge relates to litigation pressures from several creditors, including the Municipal Workers' Retirement Fund. These pressures have seen the municipality's bank account attached on several occasions for periods longer than three months. A payment agreement with the Vaal Central Water Board has yielded a R700m write-off of the municipality's R900m debt. The municipality is intent on sustaining the payment of current account. On the municipal leadership's behalf, the mayor expressed commitment to steer the organisation in the appropriate direction.

Key issues raised by joint committee members:

- *Consequence management.* Members wished to establish whether council had taken any specific actions regarding those responsible for collapsing the municipality. In response, the municipality indicated that council terminated the municipal manager's employment. The Hawks are pursuing a fraud and corruption investigation against a

chief financial officer who is alleged to have made fraudulent payments to ghost companies.

- *Payment of creditors.* Members asked whether municipal employees were made aware that their retirement contributions were not invested with pension funds, and whether any steps were being taken to ensure that this transgression does not recur. Clarity was also sought around the reasons for the municipality's failure to honour payment arrangements with creditors, which resulted in the withholding of the equitable share and the attachments of the municipality's bank accounts. The litigations costs around the bank account attachments were queried. The joint committees also wished to establish whether the municipality had any Financial Recovery Plan, as well as the number of employees on its salary payroll and how much of the total operating expenditure constituted employee related costs.

In response, the municipality indicated that municipal employees had been alerted to the fact that there would be a payment crisis if all those that qualified to retire did so simultaneously. This has compelled the municipality to negotiate with workers to delay retirement. The municipality had no Financial Recovery Plan and the headcount of 450 staff members on its salary payroll was admittedly excessive considering the municipality's small size.

- *Municipal re-demarcation.* The municipality was on the verge of being separated into two municipalities constituted of four and five of Kopanong's nine towns respectively. The purported rationale is to minimise distance as to facilitate better service delivery. Concerns were raised regarding the splitting of a municipality that is without a revenue base, a Financial Recovery Plan and uncontrollable debts.

Such separation would aggravate the current challenges, including unmet water needs and raw sewerage contamination. Clarity was sought around the fate of the municipality's R500m debt, namely whether it will be split between the two new entities. In response, the municipality indicated that the modalities for the distribution of assets and liabilities will be discussed with the Minister of Cooperative Governance and Traditional Affairs and the provincial executive.

- *Late submission of annual financial statements.* The Auditor-General had identified the municipality among those that had failed to submit their 2023-24 annual financial statements by the legislated date and members wished to establish the actions taken to correct this. In response, the municipality assured the joint committees that it was on course to submit its draft 2024-25 annual financial statements by 15 August 2025. The issues that had previously caused delays, have been resolved.
- *Non-compliance with drinking water standards.* In a written notice dated 12 May 2025 and addressed to the then acting municipal manager, Mr. C. Mekomela, the Xhariep district's Environmental Health Practitioner alerted the municipality to the presence of high levels of E.coli and total coliforms in drinking water samples collected at Edenburg. This was not only in breach of the South African National Standards for Drinking Water and the National Water Services Act but also posed serious health risks to the public especially the vulnerable members of the community.

The municipality was directed to address this non-compliance within 24 hours, which is in line with Chapter 7 of the National Environmental Management Act, No 107 of 1998 where it is stipulated that “every person who causes, has caused or may cause significant pollution or degradation of any environment must take reasonable measures to prevent such pollution or degradation from occurring, continuing, recurring so far as such harm the environment is authorised by law or cannot reasonably be avoided or stopped to minimise or rectify such pollution to the environment”.

- *Sewage spillages in Bethulie.* Members further understood that there was also a written Environmental Health Practitioner notice issued in respect of sewage spillages in Bethulie, which is 105km away from Edenburg. The documentary evidence at the joint committee's disposal in this regard is an unsigned internal memorandum dated June 2025, which was prepared for submission to the Xhariep district's management by the head of the district's planning and social development directorate.

The memorandum states that ‘on 06 June 2025, the Environmental Health office received a complaint with regards to the sewage spillages in Trompsburg. On the 11 June 2025, a similar complaint was also received from Bethulie. The Environmental Health Practitioners attended to the complaints and conducted investigations.’ In the

recommendations, the district's management is advised to note that compliance notices were issued to Kopanong Local Municipality.

However, the only compliance notice furnished to the joint committees relates to the Edenburg notice of 12 May 2025. Nonetheless members felt that Kopanong's acting municipal manager, Mr. M. Madolo, had misled Parliament when he reported no knowledge of a compliance notice issued in respect of Bethulie. Mr. Madolo acknowledged that there was a sewer spillage problem in Bethulie and that this was a human-made crisis as the construction of underground sewer infrastructure failed to adhere to the correct specifications. The municipality's project management unit is set to conduct a holistic investigation from which a comprehensive plan to address the infrastructure problem will be devised. The main impediment in this regard is lack of funding.

- *Revenue collection.* Noting that the municipality's overall revenue collection rate was at 20 percent, members concluded that the municipality's creditor payment problems were inevitable. Institutional weaknesses within the municipality's revenue department were noted. In response, the municipality indicated that its collection rate has increased from 9 percent to 36 percent following the appointment of a debt collection agency.

National and provincial government departments also owed the municipality approximately R50m, which, if paid, would cover several months of salary payments. Furthermore, there has been withholding of rates by ratepayers' associations such as Xhariep Ratepayers Association which has withheld over R3m in rates and taxes and placed the funds in a trust account. Such practice is illegal, but the municipality has not litigated but opted to engage the ratepayers. The outcome of these engagements has been positive.

- *Section 139 intervention.* Asked for its honest opinion on whether the current discretionary intervention in terms in of section 139(1) of the Constitution should not be escalated to a full dissolution, the municipal leadership indicated that, due to Kopanong's technical bankruptcy (with liabilities exceeding assets by 100 percent), it would have preferred intervention in terms of sections 64 and 66 of the Water Services Act (1997), which deal with financial assistance to water services institutions. In the leadership's view, the invocation of section 63 of the Act is not assisting as it is mute on

the question of financial assistance. A call was made for the reconsideration of the Division of Revenue Act allocations where bigger cities received more funding compared to small towns such as Kopanong.

Summary:

- The municipality is beset with several problems, including a poor rates base, non-payment of workers' retirement contributions to pension funds and the resultant withholding of its equitable share, and late submission of annual financial statements for auditing. The risk that the municipality could regress to disclaimed audits was very high. The joint committees do not support the municipality's proposed re-demarcation into two separate municipalities as this will aggravate the existing problems. The matter regarding the issuing of Environmental Health Practitioner notices to the municipality will be discussed at the appropriate platform.

5.5. Mohokare local municipality

Overview by the municipal leadership:

- Having appreciated the opportunity to appear before the joint committees, Cllr. T. Mochechepa, highlighted that both the mayor and the Speaker, Cllr. N. Mokati, were newly elected, having assumed office on 26 June 2025. The acting municipal manager, Mr. M. Mohale, and the chief financial officer, Mr. V. Litabe, have been seconded from the Department of Cooperative Governance and Traditional Affairs. The new leadership assumed its duties under difficult circumstances where the municipality was experiencing industrial action with workers not reporting for work. The leadership also arrived in the wake of a disclaimed audit opinion in respect of the 2023-24 financial year. A process to persuade employees to return to work has commenced.
- The acting municipal manager acknowledged and agreed with the Auditor-General regarding the non-submission of annual financial statements for auditing by the legislated date. He attributed this to administrative instability that followed the election of council in the wake of the 2021 local government elections. The council instituted lengthy suspensions against senior management, including the chief financial officer (whose contract eventually lapsed) and the municipal manager whose employment was

subsequently terminated. Consequently, there were no senior management officials available to deal with annual financial statements.

- Treasury intervened by seconding a chief financial officer over a three-month period, starting on 22 November 2023 and ending on 28 February 2024. Between 28 February 2024 and 15 July 2024, the municipality operated without a chief financial officer. Labour unrest also prompted the auditors to vacate the municipal premises. Auditing resumed in January 2025, and the audit report was finalised in March 2025. As a remedial measure, the municipality has advertised all vacant senior management positions and elected a new political leadership.
- The equitable share is being utilised to address legacy matters such as the crippling of service delivery due to the use of conditional grants for the payment of salaries. The municipality must also attend to unfinished projects that were started as far back as 2010. One of these projects has attracted a material irregularity in respect of payment for work not done. The service providers involved have committed to repaying the funds.

Key issues raised by joint committee members:

- *Equitable share withholding.* Members wished to find out whether the municipality had addressed the conditions (including owing R140m to pension funds) that led to Treasury's notice to withhold Mohokare's equitable share. In response, the municipality indicated that it had furnished the required response within the stipulated seven days and was therefore able to receive a portion of its equitable share for the payment of third parties. For May and June 2025, the municipality was able to pay salaries. There is a ring-fencing arrangement with the Office of the Auditor-General in respect of the R12m owed to it.
- *Conditional grant under expenditure and misuse.* The joint committees emphasized that it is illegal for the municipality to use conditional grants for operations such as payment of salaries and sought to establish the last time such practice occurred as well as the percentage of the total operating budget that is spent on employee-related costs. The municipality also seemed to have a disproportionate focus on the payment of salaries as if this was its sole mandate. Members further wished to establish value for money in respect of the R8m paid to CENTLEC for the construction of an electricity substation.

In response, the municipality explained that the use of conditional grants for operational purposes last occurred when the South African Local Authorities Pension Fund attached its bank account. A portion of the attached funds was conditional grant money. The municipal financial system is also not integrated with the bank, leading to a situation where employees are able to transact outside the system.

The municipal salary bill constituted 60 percent of the operational budget. On the substation construction matter, the municipality indicated that the funding was insufficient and has since received top-up funding to complete the substation. In this regard, a credible procurement process was anticipated to commence soon. Unspent Municipal Infrastructure Grant funding has not been returned to Treasury but re-gazetted to the Xhariep district with which Mohokare enjoys a good working relationship.

- *Revenue collection.* In response to a question posed regarding its overall revenue collection rate, the municipality indicated that the collection rate has been declining over the last five years and is now at 69 percent. While the municipality does not have a Financial Recovery Plan, there is a revenue collection strategy in place, including auditing of electricity meters that have been by-passed. Members also understood that there was a R3.8m tender award in connection with correction of the municipality's billing problems.

The municipality confirmed that the appointed service providers have since corrected the billing mistakes. As part of its revenue enhancement initiative, the municipality has issued public notices encouraging residents to pay for municipal services. Those unable to pay have been encouraged to register for the indigent subsidy. Incorrectly billed residents have been invited to come to the municipality for assistance.

- *Alleged irregularities in the process of electing the new leadership.* The municipality explained that the alleged irregularities, as raised by the joint committee members, stemmed from a misunderstanding of council procedures including the number of councillors needed for the council to quorate. Being constituted of 13 councillors, seven councillors was the number needed for the council to form a quorum.

- *Human resources.* The municipality had a bloated organogram and had long reached the maximum sustainable number of employees. Some employees allegedly did not have the requisite qualifications. The joint committees also wished to establish the circumstance surrounding the suspension and reinstatement of the project manager in the Project Management Unit. In response, the municipal leadership indicated that it has analysed and understood what its predecessors had done unlawfully. The municipality now had both the political and administrative will to address the unlawful acts. However, given the numerous resolutions taken by the previous council, the assistance of legal professionals will be required. The project manager in the Project Management Unit was suspended illegally and was a victim of vengeful action.
- *Material irregularities.* The municipality was requested to provide an update around a R47.7m project for the construction of a 27km bulk raw water pipeline from the Orange River to the Paisley Dam in Rouxville. The project attracted a material irregularity due to the processing of payments without certification that services were delivered. In response, the municipality indicated that the matter is under investigation by the Directorate for Priority Crime Investigations.
- *Functionality of Municipal Public Accounts Committee and Financial Disciplinary Board.* In response to the question members posed around the functionality of the Municipal Public Accounts Committee and the Municipal Financial Disciplinary Board, the municipality indicated that the former was resuscitated in 2021 and last sat on 15 July 2025.

Summary:

- The state of the municipality is of great concern. The organisation faces a sustainability challenge some of which is self-inflicted. There is a lack of a Financial Recovery Plan, poor revenue base, high level of grant dependence and poor management of these grants, community distress that encourages political and administrative instability, escalating Eskom debt and non-payment of third parties such as pension funds, a high wage bill, and general financial management problems.
- These are common problems across most municipalities in the Xhariep district. The provincial government should focus on these matters and report back to the joint

committees within three months. The municipality needs to relook its staffing arrangement and conduct a proper skills audit. No coherent explanation was provided as to why the Municipal Public Accounts Committee was not fully functional. It was not within the expected norm for the Risk Committee to meet only once a year. The high debt owed to the Auditor-General's Office is also highly concerning.

5.6. Lejweleputswa district municipality

Overview by the municipal leadership:

- The executive mayor, Cllr. V. Ntakumbana, indicated that the Auditor-General's Office has assisted the municipality to achieve unqualified audit opinions, albeit with matters of emphasis. The matters of emphasis arose from prior years. There is a functional municipal financial disciplinary board in place, and a new audit committee has been constituted.
- The municipal manager, Mr. M. Makhetha, was delegated to address the matters raised by the Auditor-General. On the finding relating to budget spending that was not aligned to key performance areas, the municipal manager explained that the transgression arose from the non-alignment of the quarterly performance reports with expenditure reports. This misalignment has since been corrected.
- On the non-investigation of irregular expenditure, the municipal manager indicated that the Municipal Public Accounts Committee has since concluded the investigation. Matters have been referred to the municipal Financial Disciplinary Board. Unauthorised, irregular, fruitless and wasteful expenditure is a standing council item. Regarding the non-implementation of a post-audit-action-plan, the municipality reported to be rectifying this through the development of a checklist and conducting of monthly progress reviews.

Key issues raised by joint committee members:

- *Revenue collection.* In response to the questions raised around the municipality's revenue streams and salaries as a percentage of total operating expenditure, the municipality explained that due to being neither a Water Services Authority nor a Water Services Provider it could not collect any revenue. The municipality was 98 percent

grant dependent. The remaining two percent was generated from interest on savings, a decline from R60m in 2023-24 and R90m in 2022-23. The invested amounts are not surplus funds, but monies redirected for the express purpose of generating income. The municipality's salary bill amounted to over 95 percent of the operational budget. The district had 127 employees on its payroll.

- *Support to local municipalities.* To demonstrate that it did not simply exist to pay salaries, the district was asked to describe its service delivery role and the support it provided to the local municipalities under its jurisdiction. The district was supposed to be a coordinating structure as per its legislated core functions. However, it did not seem to be effective at this as the five municipalities under its jurisdiction are distressed and not performing well. The municipal leadership seemed to have difficulties explaining the district's core functions, triggering the impression that the district mainly existed to pay salaries.

In response, the municipality indicated that under the Letsema campaign it had extended several service delivery benefits to the local municipalities, including provision of yellow fleet, seconding of personnel, implementation of cleaning programmes, food testing, water sampling, moral regeneration, and conducting of inspections at retailers. However, some key income generating functions have been devolved from the district, leaving it without an income base. The fresh produce market function, for example, has been devolved to the Matjhabeng local municipality. The district seeks to have the devolution of these functions reversed and is applying for the acquisition of the water services function, which other district municipalities in the province have.

- *Human resources.* On the question of whether it had a functional organogram, with names and job descriptions for each position, the district answered in the affirmative but indicated that personnel remained in the staff establishment despite the devolution of their roles and functions to the local municipalities.

Summary:

- The district did not seem to treat its staff establishment problem with the seriousness it deserved. Supernumerary personnel that is not clear about its roles and functions is the worst form of dereliction of duty. The Premier and the MECs should conduct a proper

audit in this regard as to establish the activities for which people are being remunerated and determine the legitimate number of employees that should be on the municipality's payroll. Following the devolution of functions to local municipalities, the district should have reduced its employee headcount. The real problem is that it is not known what the municipality's R156m equitable share pays salaries for. This matter is a lot more serious than the district treats it.

5.7.Nala local municipality

Overview by the municipal leadership:

- The mayor, Cllr. N. Mashiya-Ntema, having tendered an apology due to ill-health, the administrator, Mr. A. Goliath, led the summary of the municipality's report. The administrator emphasised that the matters raised by the Auditor-General resulted from an inability to submit audit documentation timely and complete the activities outlined in the post-audit-action plan. This was due to the instability experienced in the municipality since July 2024.
- The instability also affected the development of a staff establishment as the municipal manager and chief financial officer were suspended in connection with a fraudulent payment amounting to R2.4m. Owing to this instability, the provincial executive invoked section 139(1)(b) of the constitution, effective from April 2025. Among the issues prioritised by the intervention is the filling of critical vacancies, including the manager for the Project Management Unit and an internal audit unit manager.
- There is no record of disciplinary hearings for financial misconduct cases as the municipal Financial Disciplinary Board will only be established by 30 September 2025. The misalignment of budget spent, and targets achieved was attributed to inconsistencies in performance management reporting. Following the November 2024 resignation of its Chairperson, the Municipal Public Accounts Committee could not conduct investigations on unauthorised, irregular, fruitless and wasteful expenditure. The audit committee has been non-existent and there is a plan to establish it by 30 November 2025.
- Following unauthorised attempts to alter signatures, the municipality's bank account was frozen. Unfreezing the account took longer than anticipated, resulting in non-payment of salaries for the month of May 2025. The administrator's powers and the

legality of the constitutional intervention are under challenge. The municipality's budget is unfunded; however, Treasury has assisted with a funding plan.

- Treasury has also assigned a team to develop the municipality's revenue enhancement plan, which will assist with improving the collection rate from the current 45 percent. The collection norm for municipalities under Treasury's municipal debt relief programme is 85 percent. The municipality owes R56m to the Vaal Central Water Board and there is a three month payment arrangement in this regard, which the provincial Treasury has endorsed. At 37 percent of the total operating budget, salaries are the municipality's major cost driver.

Key issues raised by joint committee members:

- *Role of provincial leadership.* Members questioned the provincial executive's support to the municipality and expressed concern around the lack of the province's visible leadership. The administrator could not have all the answers and the MEC needed to respond. Recommendations emanating from investigations in terms of section 106 of the Municipal Systems Act were not being implemented since 2019.

In response, the provincial executive explained that the instability in Nala followed the tabling of a section 106 investigation report where councillors sought to play both referee and player. This - along with community protests, labour unrest, corruption allegations and the dualism phenomenon – triggered provincial intervention in terms of section 139(1)(b) of the Constitution. The province has attempted to approach the mayor, but she has been submitting a perpetual sicknote. There has been a political call for the mayor's removal. The dissolution of the municipality is a last resort. The province is impeded at the political level rather than at the level of the administration as the elected leadership is holding it to ransom. There was an undertaking to furnish the joint committees with a written report on this matter within a week.

- *Dualisms in council and administration.* In response to the question around the impasse arising from the election of parallel office bearers and appointment of parallel senior managers, the administrator indicated that the dualism phenomenon experienced in the municipality was resolved on 20 June 2025. The outstanding matter was the election of a new council speaker, which was scheduled to take place during the next council sitting.

Summary:

- The municipality is in a terrible state. There is a long list of issues that must be corrected with reference to specific target dates and timelines. These include the election of the council Speaker, the resuscitation of the Municipal Public Accounts Committee, and containment of the legal backlash arising from the suspension of the municipal manager and the chief financial officer. At the core, the issues are political. The Premier and the MEC should take the joint committees into confidence as to what their role has been vis-à-vis the impasse experienced in Nala. The dualism phenomenon should be closed and finalised and the provincial leadership should provide specifics in this regard, including a list of things to be done should the situation in the municipality fail to return to normality.

5.8. Masilonyana local municipalityOverview by the municipal leadership:

- The mayor, Cllr. D. Modise, delegated the municipal manager, Mr. M. Matlole, to summarise the municipality's submission to the joint committees. The municipal manager started by highlighting the municipality's history of disclaimed audit opinions, which was attributed to lack of senior management. Since the suspension of the previous municipal manager and the eventual expiry of his contract in November 2022, the municipality has been operating without substantive municipal managers. This has since been corrected and a senior management team was now in place. The municipality has also addressed the other matters contributing to the disclaimers and the situation has now improved.
- However, Masilonyana remained beset with challenges such as the high litigation register, non-submission of prior year annual financial statements for auditing, and high Eskom debt. The late submission of the 2023-24 annual financial statements was attributed to the need to attend to the backlogs emanating from prior years. There is concerted effort to rectify these matters. In this regard, the 2024-25 annual financial statements will be submitted before the legislated deadline.

- The municipality currently utilises the district's Financial Disciplinary Board but intends establishing its own. A post-audit-action plan to address the matters raised by the Auditor-General has been submitted to the audit steering committee. The Municipal Public Accounts Committee has undergone training and is consequently functional. A strategy to reduce unauthorised, irregular, fruitless and wasteful expenditure is in place. The municipality's budget is unfunded.
- Ward committees are fully functional. The municipality has attracted material irregularities in connection with records keeping. To correct this, a records manager has been appointed. The municipality has also attended to the court order granted by the Free State High Court compelling it to provide safe drinking water. This is after investigations by the South African Human Rights Commission revealed issues with the municipality's service delivery, particularly concerning water and sanitation.

Key issues raised by joint committee members:

- *Consecutive disclaimed audit opinions.* Members sought to establish how the municipal leadership handled the receipt of consecutive disclaimed audit opinions for so many years. In response, the mayor explained that a significant factor in this regard were transactions that occurred outside the municipality's financial system. Those responsible for this transgression have been suspended. For 2024-25, the municipality envisages obtaining a better audit outcome, or, at the very least, reduced audit finding paragraphs.
- *Consequence management.* The municipality said almost nothing about investigation and consequence management despite spending R2.7m on consultants but failing to produce timely and credible annual financial statements, obtaining consecutive disclaimers, frequent underspending on grants, and increase of fruitless and wasteful expenditure.

In response the municipality indicated that it has corrected these transgressions through the implementation of internal controls, ringfencing of grants, and compilation of unauthorised, irregular, fruitless and wasteful expenditure register. The training of Municipal Public Accounts Committee members was reiterated. The Committee had done its work, and its report was scheduled for tabling in the next council sitting. Consequence management will emanate from the council resolutions on the report.

- *Invalid and non-compliant appointment of chief financial officer.* The municipality's current chief financial officer, Mr. A. Makoae, was reportedly dismissed from previous employment in the Mafube local municipality on gross misconduct charges. In February 2024, the then Cooperative Governance and Traditional Affairs MEC, Hon. Makume, addressed correspondence to the municipality alerting it to the fact that Mr. Makoae was consequently not eligible for re-appointment until a ten-year cooling off period had elapsed, in line with Schedule 2 of the 2014 Local Government Regulations on Appointment and Conditions of Employment of Senior Managers. The joint committees sought to be furnished with the legal advice the municipality received in this regard, relevant council resolutions, and any other relevant information.

In response, the municipal manager advised that the chief financial officer had appealed the matter in the Labour Court. Detailed information in this regard had been furnished to the Department of Cooperative Governance and Traditional Affairs. The municipal manager had also provided all the relevant documentation when he was called to give evidence on Mr. Makoae's behalf during the latter's disciplinary hearing. The MEC's correspondence was tabled in council and the latter resolved to seek legal advice on the contents thereof. Two legal opinions were received.

The first legal opinion identified some inaccuracies in the MEC's correspondence. For example, Mr. Makoae was not charged for financial misconduct as implied in the MEC's letter. This meant that the ten-year year sanction cited by the MEC was not appropriate for the transgression committed. The second legal opinion recommended that council approaches the High Court for legality review of its decision to appoint Mr. Makoae should its engagement with the MEC persuade that the appointment was unlawful. Should council fail to execute the recommendations, it should anticipate what the MEC had intimated in his correspondence, namely that the High Court would be approached for a declaratory order reversing the appointment. Council did not revoke the MEC's letter. The matter remains a standing item pending the outcome of Mr. Makoae's Labour Court appeal.

The mayor submitted that the Makoae matter is among a series of issues that have caused tension between herself and the municipal manager. Other than verbal information, there was no documentary evidence to the effect that Mr. Makoae was appealing the matter at

the Labour Court. Contrary to the municipal manager's submission, Mr. Makoae did not disclose to the municipality that he had been dismissed from Mafube on misconduct charges. The municipal manager was habituated to making key decisions without consulting the mayor or council. Appointments were made and employees absorbed without the mayor's knowledge. (The municipal manager replied that this was an operational matter and that there was a council resolution in this regard). A chief financial officer charged for misconduct in the Ratlou local municipality was appointed as a consultant to prepare annual financial statements in Masilonyana without council knowledge. (The municipal manager indicated that the appointment was above board and had gone through the proper channels. The mayor also had her preferred candidate in this regard).

A consultant for the municipality's Service Delivery and Budget Implementation Plan was also appointed without consultation. (The municipal manager submitted that this was also an operational matter and that there was a council resolution in this regard). The procurement of five pick-up vehicles was never brought to council's attention. Deviation was used as an excuse.

The municipality's monthly salary bill amounts to R12m, but the collection rate is below R2m. The mayor wrote to the municipal manager to check whether there were any deceased or retrenched workers in the municipality's payroll. The correspondence was leaked to the South African Municipal Workers Union, and this caused the mayor to be seen as the problem. Union members mobilised against the mayor, barring her from entering municipal premises. Striking workers were paid, fed, and supplied with alcohol. The reports envisaged in section 71 of the Municipal Finance management Act have never been submitted to the mayor.

MEC Makume indicated that regarding Mr. Makoae's appointment process, there were seven outstanding documents, which the municipality had not yet furnished to the province as required in terms of the Local Government Regulations on the Appointment and Conditions of Employment of Senior Managers. Mr. Makoae's transgression in Mafube was among other additional material findings that invalidated his appointment in Masilonyana. (The joint committees are in receipt of a correspondence dated 06

March 2024 from the municipal manager, which responds to all the points raised in MEC Makume's correspondence of 16 February 2024)

MEC Mokoena noted that the critical question for the province is whether due process was followed in the appointment of Mr. Makoae. In this regard, the Department will be approaching the High Court for a declaratory order to reverse the appointment. Whether the relationship between Mr. Matlole and Mr. Makoae did not compromise the appointment process is an issue that also warrants consideration. There is still much work to be done to address the rift between the mayor and the municipal manager. The Premier undertook to report back to the joint committees within three months on how the provincial executive has intervened on this matter.

- *Misleading of Parliament.* The joint committees noted that Parliament had been misled as the municipal manager indicated that Mr. Makoae had disclosed his previous dismissal from Mafube prior to recommending his appointment in Masilonyana. However, the mayor indicated no knowledge of such disclosure. Members resolved to deliberate on the implications of this transgression.

Secondly, the chief financial officer initially submitted that his appointment in Mafube was effective from 01 March 2020 while the actual date is 27 February 2018. This gave the impression that his tenure at Mafube did not overlap with that of Mr. Matlole, possibly to pre-empt the conflict of interest question inherent in the fact the Mr. Matlole presided over the panel that recommended his appointment as the chief financial officer in Masilonyana. While further probing prompted Mr. Makoae to correct himself on the appointment date, members felt that his initial submission was deliberate and premeditated.

- *Use of official mayoral vehicle for private holiday trip.* Attention was brought to media reports alleging that the current mayor used a state vehicle to undertake a private holiday trip to KwaZulu-Natal. The vehicle involved was a silver grey double cab Toyota Fortuner. In response the mayor indicated that no municipal funds were used for the trip and that she never used the vehicle in question. The municipal manager submitted that according to the petrol card log, the Fortuner had been used for a trip to KwaZulu-Natal. The petrol card's use had negative financial implications for the municipality. There has been no disciplinary process instituted against the mayor in this regard. This is the

municipal council's prerogative. MEC Mokoena indicated that the province intends investigating the mayor's conduct and how council has dealt with it.

- *Revenue collection.* In response to a question posed around the municipality's revenue collection status, the municipality stated that its revenue collection efforts were hampered by disputes with mining houses.
- *Sewer contamination.* The municipality was subject to criminal action in terms of the National Environmental Management Act due to releasing untreated effluent into fresh water sources. In response, the municipality indicated that it has approached the Department of Water and Sanitation for assistance in resolving the matter. MEC Mokoena emphasized that the municipality faced serious water related challenges and its responsiveness in this regard fell short of expectations.
- *Senior management remuneration.* The municipality's 2023-24 annual financial statements did not include information on the remuneration of senior management. The chief financial officer was consequently directed to furnish the joint committee with annual financial statements reflecting the remuneration of senior management. The annual financial statements were furnished; however, only the remuneration of councillors was reflected.

Summary:

- Masilonyana is a poor municipality, and its sustainability is a major concern. The municipality cannot resolve this on its own. The second problem relates to financial mismanagement that has not always been investigated. The late submission of annual financial statements for auditing and the receipt of consecutive disclaimers are major issues. The material irregularities impose an additional unnecessary burden on a municipality that would have had problems anyway. The provincial executive should report on these matters, including the chief financial officer issue, within three months.

5.9. Tokologo local municipality

Overview by the municipal leadership:

- The mayor, Cllr. B. Seakge, noted that the municipality has been subject to invocation of section 139(5) (a) and (c) of the Constitution. It was also previously categorised as dysfunctional and has appeared before Parliament on several occasions. Although the leadership is not presiding over a perfect institution, much effort has been put on turning things around. Previously, the Auditor-General could not conduct its statutory audits in the municipality due to absence of records. The leadership has since managed to move the municipality out of disclaimer to qualified audit opinions.
- There is an ongoing dispute with Eskom regarding the debt owed. The municipality is willing to pay; however, Eskom is charging more than it can reasonably collect. A report on this matter is being awaited. The municipality intends concluding a Distribution Agency Agreement with the utility and there is a unanimous council agreement on this. However, Treasury has instructed municipalities to pause and await further communication in this regard. After Eskom, the Department of Water and Sanitation is the municipality's second largest creditor. The municipality is not utilising a Water Board's services. Some of the amounts owed to the Department are in dispute and the municipality will be seeking relief in this regard.
- The municipality's budget is unrealistic as its previous revenue sources cannot longer be harnessed. As a corrective measure, the municipality has sourced a pro-bono consultant from a public auditing institute to assist the municipality to budget accordingly. There is a plan to build in-house budgeting capacity. In terms of credit control and expenditure management, the municipality has installed prepaid meters to promote a culture of payment. A post-audit-action plan is in place and there are efforts to ensure that there is oversight.
- Where transgressions occur, the municipality strictly adheres to disciplinary measures. Council has supported and endorsed recommendations emanating from the Special Investigating Unit. This demonstrates the leadership's commitment to clean governance. The unspent Water Services Infrastructure Grant resulted from the contractor's liquidation. The matter is in court.

Key issues raised by joint committee members:

- *Unauthorised, irregular, fruitless and wasteful expenditure.* The municipality incurred almost R1bn in unauthorised, irregular, fruitless and wasteful expenditure. Non-compliance with supply chain management laws contributed to the situation. The Municipal Public Accounts Committee had been in existence since January 2022 but has never tabled a report in council. The joint committees also sought to understand the impact of the Municipal Public Accounts Committee's investigation backlog on consequence management. The Committee was unlikely to resolve the backlog before the next local government elections.

In response, the municipality attributed the accumulated unauthorised, irregular, fruitless and wasteful expenditure to the three-year period when the municipality could not be audited. Provincial treasury has since supported the municipality to implement proper record keeping. This has enabled the organisation to resolve the material irregularity relating to records. The non-tabling of reports to council was not an indication that the Municipal Public Accounts Committee had not done any work. The Committee has sat to consider the outstanding matters from the 2020-21, 2021-22 and 2022-23 financial years. Reports in this regard have been tabled and are awaiting council consideration. For this reason, consequence management has not yet been implemented.

There were officials implicated in the high mast lights investigation report by the Special Investigating Unit. Issues relating to records management and employee conduct are part of the report. However, these developments do not detract from the fact that the Municipal Public Accounts Committee is hampered by capacity deficiencies. The non-compliance with supply chain management laws emanated from the fact that it was impossible for the municipality to obtain three quotations for services such as petrol and diesel procurement as each of the municipal towns had a single petrol station. The costs of inviting quotations from outside the municipal area are prohibitive.

- *Financial health.* It was observed that the municipality had no revenue base. The number of days it took to pay creditors was extremely high. The municipal budget was unfunded for five consecutive years. There seemed to be no functional billing system and no indication that the indigent register had been verified. The municipality needed to demonstrate the actions it will take to improve revenue collection.

In response, the municipality indicated that it owed R300m in Eskom debt. To mitigate against Eskom dependence, the municipality has resolved to establish a solar farm. Provincial treasury has assisted the municipality with funding for the installation of pre-paid meters, and this will assist to improve revenue collection. Residents were reluctant to disclose their indigent status due to fear of stigmatisation. By-passed meters also hamstrung the municipality's revenue collection efforts and contributed to high non-technical water and electricity losses. A R15 000 penalty for meter by-passing has been imposed to serve as a deterrent.

The municipality has received capable support from the provincial executive committee in connection with the development of a Financial Recovery Plan as part of the intervention in terms of section 139(5)(a) and (c) of the Constitution. Monthly progress reports are provided in this regard. The number of days it took to pay creditors has reduced compared to previous years when the municipal fleet was auctioned off due to inability to pay creditors. The municipality is now also able to honour its pension fund contributions to retirement funds.

- *Water and sanitation crisis.* The joint committees sought to be apprised around the municipality's plan to address its water shortage crisis and the backlog in bucket toilet system eradication, including the South African Human Rights Commission's recommendations in this regard. Members also understood that the municipality received more than R30m for construction of a water treatment plant. There were informal settlements that did not have access to water and basic services.

Furthermore, there was an R800m water scheme that was not yet finalised due to legal disputes between the municipality and the contractor. There were waste water treatment works that were not connected to the main sewer network leading to discharge of untreated effluent into fresh water sources. Photographic evidence appearing to show sewerage contamination in Digalope, Dealesville was shared. The municipality also had no concept of the amounts of water used as no water meters had been installed despite a council resolution to this effect. Reference was further made to a water crisis in Hertzogville with footage of dead fish floating in the Reverton Dam, which members understood to be Hertzogville's water abstraction point.

In response, the municipality submitted that the R30m water treatment plant has been completed but is not yet operational. The theft of borehole infrastructure and general infrastructure vandalism contributed to the water shortage crisis. While the municipality is not directly responsible for human settlements, it does provide a basic level of services to informal settlements. The municipality originally used both prepaid and conventional water meters, but these proved unworkable. This compelled the municipality to charge a flat rate. However, this did not cause it to lose cognisance of the amounts of water used. The municipality further refuted the alleged instances of waste water treatments plants that were not connected to the main sewer network resulting in contamination. The alleged water crisis in Hertzogville was also disputed.

- *Human resources.* Clarity was sought around a vacancy in the position of the manager for Local Economic Development and the plan to address the proliferation of acting positions. The municipality responded by citing a vacancy guideline report where the Local Economic Development manager vacancy was not deemed to be a priority post. The municipality reported to also have reduced the number of acting positions.

Summary:

- The MECs should furnish regular reports on actions undertaken to address the municipality's sustainability; poor revenue collection; difficulties around spending the Water Services Infrastructure Grant; unfunded budgets; performance of the Municipal Public Accounts Committee, the audit committee and the internal audit unit; sewerage crisis including the eradication of bucket toilets on which complaints have been received from the public; Eskom debt; and infrastructure maintenance.

5.10. Tswelopele local municipality

Overview by the municipal leadership:

- Having indicated that he had joined the municipality in the aftermath of the 2021 local government electoral cycle, the mayor, Cllr. K. Phukuntsi emphasized three critical issues facing the municipality, namely Eskom debt, water debt, and unauthorised, irregular, fruitless and wasteful expenditure that had not been investigated over a three-year period. Compared to the prior years before 2021, the municipality was relatively stable. The Municipal Public Accounts Committee has been established. Following the

tabling of the Committee's report in council, the municipal manager was suspended on 25 June 2025. He has been charged with soliciting foreign funding for personal benefit. The matters relating to unauthorised, irregular, fruitless and wasteful expenditure arose from prior years.

- The municipality's grant expenditure performance has been commendable. Since April 2025, the municipality has been participating in National Treasury's municipal debt relief programme as to address its Eskom debt challenge. The debt has ballooned from R18m to R27m, and the municipality is struggling to keep up with Eskom's winter tariffs. The municipality is both a Water Services Provider and Water Services Authority.

Key issues raised by joint committee members:

- *Glimmer of hope.* Based on the information presented, it was concluded that there was hope in the municipality. However, there were still critical issues to be flagged, including non-achievement of a clean audit; a non-functional internal audit unit; misalignment between budget expenditure and targets achieved; increasing unauthorised, irregular, fruitless and wasteful expenditure; high non-revenue electricity losses; debt recoverability; and a failure to consult residents on development projects. Regarding the unauthorised, irregular, fruitless and wasteful expenditure, the municipality advised that the Municipal Public Accounts Committee had successfully investigated the registers. However, there remained room for improvement in the presentation of the UIFW registers to council.
- *Service delivery protests.* In response to question posed around service delivery protests, the municipal leadership indicated that since its assumption of office in 2021 there had been no service delivery protests.¹ No community unrest was currently experienced in the municipality. The main challenge remained around business forums (construction mafia) that demanded a percentage of the value of contracts awarded by the municipality.

¹ Some members felt that Parliament was being misled on this, citing a document prepared by Parliament's Research Unit, which indicated that the municipality experienced periodic service delivery protests. There remains uncertainty as to whether the cited document referred to the period before or after the current administration took office.

- *Suspicious recruitment processes.* Clarity was sought around alleged nepotism in the appointment of the municipality's security head, and around the appointment of an official that had committed a transgression at their previous employment with Auditor-General's Office. In response, the municipality submitted that the successful candidate for the security head position had the requisite experience and qualifications. The municipal recruitment policy was adhered to, and no individual was favoured. The issue of the transgression concerned a contractual relationship between the employee and their previous employer, and the municipality had no jurisdiction in this regard. To ensure that all employees are suitable for the positions they occupy, the municipality undertakes a bi-annual skills audit, using National Treasury's RT57 contract.
- *Wetland occupation.* Attention was drawn to an illegal and unsafe occupation of a wetland. In response, the municipality indicated that there was no sufficient alternative land available to relocate the wetland occupants. This was compounded by pervasive corruption in the allocation of erven.
- *Water and sanitation.* Questions were raised around an incomplete pump station project in Ward 05, and around a South African Human Rights Commission Report pertaining to sewer spillages in the municipal area. In response, the municipality indicated that there was a business plan to attend to the project's completion, and that the South African Human Rights Commission Report has served in council.

Summary:

- Further investigation should be conducted in connection with the alleged nepotism in the appointment of the municipality's security head. Any available evidence should be forwarded to the MECs.

5.11. Matjhabeng local municipality

Overview by the municipal leadership:

- The Executive Mayor, Cllr. T. Khalipa, began by indicating that the current administration inherited an organisation that was essentially a crime scene. Corruption was the order of the day. Service delivery functions were outsourced, and service providers (the majority of whom were from outside the Free State) had captured the

municipality. Overtime costs amounted to R12m a month. The municipal budget was dedicated to payment of service providers and compensation of employees.

- The current municipal leadership intervened by activating section 79 and section 80 Committees in line with the Municipal Structures Act's (1998) provisions. A political steering committee has been established and performance agreements with Members of the Mayoral Committee have been signed. The leadership has reduced the monthly overtime costs from R12m to R1.5m. Corruption allegations have been investigated in collaboration with Auditor-General's Office.
- The outsourcing of service providers has been reduced from 100 percent to 20 percent. The municipality has purchased its own fleet utilising National Treasury's RT57 contract. The municipality's annual financial statements are now prepared internally, yielding an annual saving of R12m. Of the municipality's fifty-seven pump stations only four are currently operational. Illegal miners (*zama zamas*) and business forums (construction mafia) have been responsible for the destruction of the municipality's water and sanitation infrastructure. The cost of restoring the operation of the municipality's pump stations and Waste Water Treatment Works is estimated at R3.4bn.
- On the technical front, the Acting Municipal Manager, Mr. T. Panyani, indicated that the municipality was seriously concerned about its stagnation on qualified audit outcomes. Key audit qualification areas include unrecouped service charges due to the municipality's old meters, which are easily by-passed. The municipality is on the verge of resolving this qualification area. One of the incentives for the municipality's participation in Treasury's municipal debt relief programme involves access to a smart prepaid meter grant. While Matjhabeng has been identified among those municipalities earmarked for assistance in this regard, only the Dihlabeng local municipality has been successful thus far.
- Of the six Material Irregularities issued by the Auditor-General, two have been resolved. Four arrests have been made in connection with the four outstanding Material Irregularities. The municipality has embarked on a credit control campaign (Operation Bhatala) to encourage residents to pay for municipal services.

Key issues raised by joint committee members:

- *Alleged abuse of the Expanded Public Works Programme.* The municipality was alerted to the allegation that councillors and ex-councillors were unlawfully drawing monthly stipends of as much as R65 000 from the Expanded Public Works Programme Integrated Grant. Subsequent to this engagement, the Minister of Public Works and Infrastructure, Honourable D. McPherson, released investigation findings confirming that that Expanded Public Works Programme grant funding in respect of the 2023-24 and 2024-25 financial years has been fully accounted for and used strictly for its intended purpose.
- *Human resources.* Members sought to establish whether the number of support staff employed in the municipal political offices was within the legal limit. It was also noted that only 45 percent of the municipal skills audit process was completed. In response to the latter, the municipality highlighted two issues that caused the process to slow down. Firstly, the number of employees was too many. Secondly, the labour union had initially misunderstood the process as it believed it was an ill-disguised effort to cull staff. This misunderstanding having been dispelled, the labour union is now onboard. The municipality will also be introducing the implementation of lifestyle audits.
- *Payment to BoTong Civils.* Clarity was sought around a R47m payment the municipality allegedly made to a construction/engineering company, BoTong Civils, despite the contract having terminated. In response, the municipality indicated that the company was a sub-contractor appointed by the Vaal Central Water Board. The municipality was a beneficiary in the process and never had a contractual relationship with the company.
- *Contestation of a court-ordered intervention.* Dismay was expressed in connection with the municipality's ill-advised response to the MEC's request for council to convene a special sitting for the province to communicate its decision in line with the court order to intervene in the municipality in terms of section 139(5)(a) of the Constitution. The municipality had appealed the court order unsuccessfully. The Speaker's response to the MEC's request for a special council sitting was not agreeable as it amounted to obstructing the MEC's office from exercising its rightful authority. This needs to be resolved with the MEC at the appropriated platform.
- *Chronic sewerage spillages.* The municipality experienced chronic sewerage spillages resulting in inaccessible roads that prevented learners from attending school. Clarity was

further sought around the legislation that enabled council to declare a state of disaster in this regard. In response, the municipality conceded that sewerage spillages were still pervasive. This was being addressed through the phased implementation of a R3bn project over a three-year period. Forty percent of the budget had been spent but the municipality could not confirm whether this was equivalent to 40 percent project progress. The declaration of a state of disaster was not premised on an enabling legislation but was based on a council resolution.

Summary:

- There should be emphasis on strengthening governance systems, especially those relating to financial management issues. The joint committees are interested in seeing Free State municipalities moving towards better audit outcomes. This is the key outcome envisaged from the oversight exercise. The relevant committees in the provincial legislature should follow up on matters directly with the municipalities.

5.12. Fezile Dabi district municipality

Overview by the municipal leadership:

- Having acknowledged that the district has stagnated on unqualified audit opinions over the last five years, the district executive mayor, Cllr. D. Khasudi, assured the joint committees an unqualified audit outcome will be achieved in 2024-25. This will be against the backdrop of filling all senior management vacancies. Regarding the specific matters raised by the Auditor-General, the municipal manager, Mr. S. Thomas, explained that the misalignment between budget spending and key performance areas resulted from its implementation of the Municipal Infrastructure Grant on behalf of the Mafube local municipality. Performance indicators were not reviewed to reflect this activity.
- To address the finding relating to staff performance management deficiencies, the municipality intends administering training on the implementation of its new performance management framework. Following the conducting a skills audit, the municipality is reviewing job descriptions. On the non-implementation of the post-audit-action plan, the municipality indicated that it has reduced audit qualification paragraphs by 50 percent.

Key issues raised by joint committee members:

- *Employee related costs.* The municipality achieved only 50 percent of performance targets and yet bonuses were awarded. Salary overpayments were also incurred. In response, the municipality emphasized that it did not only refrain from paying bonuses but also went further and deliberately provided no budget for bonuses. The salary overpayments emanated from an illegal council resolution. An application for a waiver was approved, and this will facilitate easier recovery of the overpaid moneys. The municipality further indicated that its employee related costs amounted to 70 percent of the operational budget. The district was also confronted with the deficiencies arising from the removal of its legislated powers and functions but is intent on reclaiming these.
- *Fraud.* The municipality was requested to elaborate on a reported forgery case against the municipal manager. In response, the municipality indicated cognisance of the case filed against the municipal manager. However, no communication from the South African Police Service had been received in this regard.
- *Unfair dismissal.* In response to a question raised around an unfair dismissal of an employee, the municipality indicated that the employee had absented himself from work for prolonged periods (totalling 392 days of his three-year service). The employee also failed to participate in an enquiry to establish his actual medical condition as to enable the employer to determine the most appropriate support that could be provided. This led to his dismissal. The joint committees have been furnished with an arbitration award, which concluded that the dismissal was procedurally and substantively unfair. However, given that the employee's conduct undermined the objectives of the Labour Relations Act, the amount of his compensation was limited to one month's remuneration as opposed to the usual 12 months.

Summary:

- The MEC should monitor the review of the municipality's Performance Management System Framework as to correct the staff performance management deficiencies identified by the Auditor-General. Investigation should also be conducted around the fraud allegations against the municipal manager.

5.13. *Moqhaka local municipality*

Overview by the municipal leadership:

- The mayor, Cllr. M. Mokatsane, focused on the corrective steps being taken to address the municipality's going concern uncertainty. These included the establishment of a budget steering committee that has been tasked with the development of a budget funding plan. The municipality has also embarked on cost-containment measures. Regarding consequence management, the municipality has suspended four officials. No information was provided as to the nature of the transgressions. To address the auditing finding relating to the misalignment between the expenditure and the targets achieved, the municipality will be using smart indicators aligned to the Integrated Development plan.
- Regarding unauthorised, irregular, and fruitless and wasteful expenditure, the Municipal Public Accounts Committee has submitted an investigative report, but there are still ongoing investigations relating to prior year matters. As most of the unauthorised, irregular, fruitless and wasteful expenditure tends to relate to supply chain management transgressions, the municipality has resolved to centralise the supply management function as to ensure proper control. The municipality has also taken corrective steps in relation to the audit findings around staff management deficiencies and instability in senior management positions.
- The municipal manager, Ms. P. Tshabalala, indicated that an audit committee was appointed in April 2025. The risk management committee was also in existence and functional. The municipality acknowledges the findings raised by the Auditor-General and takes these seriously. Accounting for a significant aspect of the municipality's going concern uncertainty were contracted service providers that grossly overcharged the institution. Following investigation by the Municipal Public Accounts Committee, 80 percent of the municipality's unauthorised, irregular, fruitless and wasteful expenditure has been written off as irrecoverable.

Key issues raised by joint committee members:

- *Unauthorised, irregular, fruitless and wasteful expenditure.* Some of the issues that contributed to the municipality's unauthorised, irregular, fruitless and wasteful

expenditure were around the fixed asset register and late payments to creditors, which attracted interest. The municipality has an obligation to prevent this. In response, the municipality indicated that its fixed asset register was now up to date. Due to its weak financial position, the municipality was unable to pay creditors within the stipulated 30 days.

- *Grant under expenditure.* Members understood that the underspending on grants resulted from council's four-month delay in the appointment of the relevant directors, leading to the late awarding of tenders. The municipality clarified that its total grant expenditure for the financial year ended June 2024 amounted to 97 percent. There was indeed underspending in respect of the Water Services Infrastructure Grant for the reason already stated.
- *Credit control.* On the question asked around its debt, the municipality indicated that, at R1.8bn, Eskom was its largest creditor. The municipality has been unable to honour its monthly repayments. The number of prepaid customers in the municipality's electricity reticulation network was not readily available.
- *Mayoral vehicle.* Members wished to establish the costs incurred by the municipality in connection with salvaging a mayoral vehicle that was involved in an accident. In response, the Speaker, Cllr. S. Khiba, indicated that a report has not yet been received in this regard.
- *Sanitation project delay.* A contractor was left in limbo after the municipality inexplicably suspended a Waste Water Treatment Works project. The municipality explained that the late receipt of screw pump delayed project progress. The pump was eventually received on 16 July 2025, and the project has consequently resumed.

Summary:

- The MEC should follow up on the mayoral car accident matter and include it the list of issues to be reported back on.

5.14. Ngwathe local municipality

Overview by the municipal leadership:

- The executive mayor, Cllr. V. De Beer-Mthombeni, responded directly to the matters raised by the Audit-General. The latter has been approached to assist with identifying which councillors participated in procurement committees. Regarding the material irregularity relating to interest on late payment of its R2.5bn Eskom debt, the executive mayor indicated that the municipality is part of National Treasury's municipal debt relief programme. There has been a meeting with Eskom to discuss a Distribution Agency Agreement. However, the municipality seeks to ensure that there is a clear Memorandum of Understanding in place before the Distribution Agency Agreement is concluded.
- The municipality has resolved to convene monthly meetings to address the audit finding relating to staff performance management deficiencies. The instability in senior management positions was attributed to the municipality's previous state of unrest where no senior management could be appointed. The municipality now had a fully-fledged senior management contingent. The restoration of stability has seen significant improvements compared to the 2023-24 financial year, including 100 percent expenditure on all conditional grants.
- There is a fully functional Municipal Public Accounts Committee, which has started investigations into unauthorised, irregular, fruitless and wasteful expenditure. The municipality is intent on recouping monies from the companies that have contributed to its audit problems.

Key issues raised by joint committee members:

- *Legal costs.* Members sought to determine the municipality's legal costs over the last five years. In response, the municipality indicated that it had incurred R40m in legal fees over the past financial year. The amounts relating to the other years would be provided in writing.
- *Court order for a section 139(5) intervention.* The municipality was requested to provide an update in connection with the Bloemfontein High Court Judgement ordering its dissolution in terms of section 139(5)(b) of the Constitution. In response, the municipality indicated that it decided to appeal the judgment, and the matter was scheduled for hearing in August 2025. The matter therefore remained *sub-judicare*.²

² The matter has since been heard and the municipality has lost the appeal.

- *Financial management.* It was observed that the municipality presented a bleak and disappointing outlook, and that the R2.5bn owed to Eskom was a shock. The municipality was exceeding its Eskom's Notified Minimum Demand. The municipality was also understood to be spending R7.5m a month in municipal fleet rental. It had also passed an unfunded budget. In response, the municipality indicated that its fleet rental statistics would be provided in writing. Discussions regarding the Notified Minimum Demand have taken place. Eskom has requested a payment of R200m, which the municipality cannot afford. The unfunded budget resulted from crediting a portion of the Eskom debt that was anticipated for write-off by virtue of the municipality's participation in the municipal debt relief programme.
- *Appointment of senior managers.* MEC Mokoena noted instances where senior management appointments did not obtain concurrence as stipulated in law. Court proceedings against the municipality are being instituted in this regard.
- *Non-functional water works.* For years, there have been issues around the functionality of the municipality's water works. None of the municipality's administrations has been able to improve the situation. In response, the MEC Mokoena indicated that his department is working with the municipality around this matter.

Summary:

- Chapter 3 of the Constitution is specifically meant to prevent the three spheres of government from instituting court proceedings against one another. The reliance on the courts to resolve intergovernmental disputes is not the best approach. The MEC and the municipality need to find an alternative way to address the concurrence issue. The Premier's Coordinating Forum should not simply exist as a formality but should serve to foster cooperation on these matters. The current intergovernmental court actions are excessive.

5.15. Metsimaholo local municipality

Overview by the municipal leadership:

- The executive mayor, Cllr. J. Malindi, submitted that the municipality had stagnated on four consecutive qualified audit opinions. Significant strides has since been made in addressing the matters raised by the Auditor-General. The municipality had no debt owed to Eskom and Water Boards. It has also received cash injection in the amount of R1bn from Infrastructure South Africa. The municipal manager, Mr. F. Motloun, registered acknowledgement of the Auditor-General's findings in relation to the prohibited awards to suppliers owned or managed by other state officials.
- In terms of addressing the identified staff performance management deficiencies, the administration has tabled a report in council whose approval would facilitate the cascading of the performance management system to staff at the lower levels of the municipal organogram. The municipal manager also conceded that the Auditor-General was correct in relation to the non-investigation of unauthorised, irregular, fruitless and wasteful expenditure. Following support from the South African Local Government Association and the Auditor-General's office, the Municipal Public Accounts Committee is now fully capacitated to conduct the investigation.

Key issues raised by joint committee members:

- *Financial management.* The municipality's Social Development Department allegedly exhausted its budget within three months into the financial year. There was also an alleged deviation from a council resolution to insource security personnel. In response, the municipality submitted that the alleged depletion of social development budget within three months was incorrect. There was also no 'firm' council resolution on the insourcing of security personnel.
- *Consecutive qualified audit opinions.* In response to a question regarding its plan to address the consecutive qualified audit opinions, the municipality indicated that it has appointed a service provider to address the qualification areas.
- *Miscellaneous matters.* Several other matters were raised to which the municipality provided no distinct responses, including the discharge of untreated effluent into the Vaal River; indigent register status; abandoned reservoir construction project; sudden increase in unauthorised, irregular, fruitless and wasteful expenditure; movement on the municipality's 43 percent vacancy rate; outcome of a case in favour of a dismissed

former chief financial officer; and prohibited awards to suppliers owned or managed by other state officials.

Summary:

- The municipal should ensure that all appropriate investigations are undertaken to correct previous transgressions and prevent the same issues from recurring.

5.16. Mafube local municipality

Overview by the municipal leadership:

- The acting chief financial officer, Ms. N. Gqoli, reported directly on the four matters raised by the Auditor-General. The late submission of annual financial statements for auditing related to historical matters, which have since been corrected. The Auditor-General was now auditing the municipality's 2023-24 annual financial statements. The 2024-25 annual financial statements will be submitted on time. There are regular steering committee meetings on annual financial statements. The municipality has been paying pension fund contributions but remains confronted with arrears dating back to 2012.
- At 28 percent, the municipality's revenue collection was well below the recommended norm. Contributing challenges in this regard include incorrect billing, non-mSCoA compliant financial system, and outsourcing of the municipality's electricity function. As a remedy, the municipality has embarked on an indigence awareness campaign. By June 2025, the collection rate had increased to 50 percent. A high number of historical creditors has contributed to the municipality's unfunded budget. There is a proposal to ringfence unspent conditional grants and re-gazette these to the Fezile Dabi district. The mayor, Cllr. T. Motsoeneng, concluded the overview by highlighting consequence management implementation examples, including the suspension of a supply chain manager, the manager responsible for revenue and a human resources officer.

Key issues raised by joint committee members:

- *Unfunded budget.* The municipality agreed with the joint committees that its budget was unfunded. However, a budget funding plan has been approved.

- *Unauthorised, irregular, fruitless and wasteful expenditure.* In response to a question around the municipality's R2.1bn UIFW balance, the municipality indicated that the Municipal Public Accounts Committee convenes regular sittings to address the matter.
- *Grant expenditure.* The municipality's failure to spend the Integrated National Electrification Programme grant negatively affected the progress of an electrification project in Frankfort's Wards 02 and 07. In response, the municipality indicated that the grant will be re-gazetted to the district, which will ensure the project's resumption.
- *Outsourcing of electricity function.* The municipality locked itself into a 25-year agreement to outsource its electricity function to a private entity called Rural Maintenance. Consequently, the municipality is not receiving any electricity service charges. The municipal leadership indicated that the matter is in court.
- *Non-payment of salaries.* The municipality indicated that the non-payment of employee salaries for over two months negatively affected the delivery of services, resulting in the Cornelia water supply challenge as raised by joint committee members. The shortage of water treatment chemicals also compounded the matter as the municipality is enjoined to provide clean drinkable water. The non-payment of salaries also delayed the verification of the municipality's indigent register.

Summary:

- The provincial government affirmed its support for the municipality on the Rural Maintenance matter. There were several issues around the matter, but the essence is that the municipality's financial viability had been effectively undermined. The province is of the firm view that the contract should be nullified. National Treasury has also intervened by approaching the court, but the outcome did not work in the department's favour. In its report back to the joint committees, the province will include the Rural Maintenance matter.
- There is a move to ring-fence the municipality's equitable share to address the non-payment of salaries and third parties. The municipality has triggered the debate around revisiting the local government funding model. The province welcomes the initiative led by the Cooperative Governance and Traditional Affairs Minister in this regard.

5.17. Thabo Mofutsanyane district municipality

Overview by the municipal leadership:

- The executive mayor, Cllr. C. Msibi, highlighted that the district was mainly grant-dependent. There was effort put on addressing the matters of emphasis in the district's unqualified audit report. A slight decrease on compliance related audit findings was noted. However, the municipality cannot afford hiring a consultant to resolve the audit matters of emphasis. The district's budget has always been funded; however, the 58.3 percent salary bill vis-à-vis total operating budget is above the acceptable norm.
- Regarding the matters raised by the Auditor-General, the municipal manager, Ms. T. Lebenya, indicated that there were no councillors participating in procurement committees, and the Auditor-General's management letter had confirmed this. An action plan to address the matters raised by the Auditor-General has been developed. The non-alignment between the budget spent and the targets achieved was attributed to challenges in the implementation of a project on behalf of the Maluti-a-Phofung local municipality.
- To address the finding around staff performance management deficiencies, the district intends cascading the performance management system down to the lower levels of the municipality's organogram. The Municipal Public Accounts Committee is seized with the investigation of unauthorised, irregular, fruitless and wasteful expenditure, which has yielded a R11m write-off.

Key issues raised by joint committee members:

- *District's primary mandate and functions.* Asked to clarify its primary mandate and functions, the district enumerated several responsibilities, including the allocation of Environmental Health Practitioners to all the local municipalities within its jurisdiction, tourism promotion, capacity building, implementing a shared services model to assist local municipalities that do not have capacity to establish their own internal structures, and facilitating Local Economic Development with emphasis on marginalised areas such as farming communities.

The district further conducts Integrated Development Plan roadshows, supports local municipalities in terms of their communication strategies, and is responsible for emergency services and disaster management. Recent examples of the latter include assisting with firefighting in Maluti-a-Phofung and providing fire engines to the Dihlabeng local municipality. In essence, the district plays a coordinating role. Like the other districts in the province, Thabo Mofutsanyane is also grappling with the problem of district functions that had been taken away while the personnel remain.

The devolution of the health services function to the district was not concomitant with the requisite resources. On whether the water testing laboratory was a district function, the municipality clarified that the laboratory had been donated to the district by the Department of Cooperative Governance and Traditional Affairs. The district is in the process of obtaining accreditation to operate the laboratory. As this was the first time for the district to deal with a project of this nature, it has sought guidance from the Xhariep District. The delay in this regard has been one of the major issues that have prevented the district from obtaining a clean audit.

- *Stalled culvert bridge project.* The district indicated that the project was hamstrung by irregularities at the bid adjudication stage and the incurring of irregular expenditure. A new bids invitation has since been advertised.

Summary:

- It was advisable for the joint committees not to spend too much time on less problematic municipalities.

5.18. Mantsopa local municipality

Overview by the municipal leadership:

- The mayor, Cllr. M. Tsoene, apprised the joint committees on the social media news around the arrest of the municipal manager, Ms. M. Mogopodi, on fraud charges relating to an illegal appointment of a service provider. The municipality could not take any action against her as the transgression related to her tenure at the Tswelopele local municipality. Before her employment in Mantsopa in March 2023 there were no charges

levelled against her or any arrests made until 25 May 2025. The municipal manager and the co-accused were released on bail.

- Ms. Mogopodi addressed the joint committees on the three matters raised with the municipality, noting that unauthorised, irregular, fruitless and wasteful expenditure has been declining steadily over the past financial years. The previously non-functional Municipal Public Accounts Committee has been replaced by a newly appointed Committee. On the R8.1m Integrated National Electrification Programme grant that was classified as an unauthorised expenditure as it appeared not to have been spent for the intended purpose, the municipality explained that this resulted from an error in data string reporting. A new organisational structure has been presented to the Local Labour Forum and is scheduled for tabling and adoption by council. This will go a long way in addressing the staff performance management deficiencies identified by the Auditor-General.

Key issues raised by joint committee members:

- *Staff establishment.* On whether a skills audit had been conducted and staff qualifications verified, the municipality responded in the affirmative, stating that the positions occupied and the qualifications possessed are known. The budget for employee related costs amounted to 23.5 percent of the total operating budget, which is within the Treasury norm of 25 – 40 percent. The municipality has been unsuccessful in filling the Legal Manager and Human Resources Manager positions, which have been vacant for more than two years. The positions have been advertised more than once but the applicants have not met the stipulated requirements.
- *Revenue collection and payment of creditors.* The municipality submitted that its collection rate is not optimal. Prepaid meters have been installed to assist improve the collection rate. The municipality's budget was currently unfunded.
- *Municipal infrastructure sabotage.* The municipality could not attest to the existence of a syndicate targeting the vandalization of municipal infrastructure but confirmed the insertion of foreign material into the sewerage pipes. Electrical infrastructure was the category most vulnerable to theft due to the municipality's border with the Kingdom of

Lesotho. Spending on infrastructure maintenance has increased from three percent to six percent of the total capital budget.

- *Illegal land occupation.* In response to a question raised around the illegal land occupation in Ladybrand, the municipality indicated that it had lodged a case with the Bloemfontein High Court. The case was won but the matter has been appealed. The case demonstrated that the municipality was not hesitant to act against land invasion.
- *Sewerage contamination.* The municipality confirmed receipt of a correspondence from the Department of Water and Sanitation alerting to it to the discharge of untreated effluent from the Hophouse Waste Water Treatment Plant. The matter has since been addressed and the facility is no longer polluting the river concerned.

Summary:

- Consequence management and accountability are the key themes underpinning the joint committee's oversight visit to the province. This is to ensure that the next audit results are not a repeat of the same issues. The municipality should furnish regular reports to the MEC in this regard.

5.19. Maluti-a-Phofung local municipality

Overview by the municipal leadership:

- The municipal manager, Adv. M. Mofokeng, indicated that the state of municipality was akin to emerging from an Intensive Care Unit to high care. The supportive evidence in this regard included a 100 percent expenditure on the Municipal Infrastructure Grant, not owing any monies to third parties including the Auditor-General, and instituting consequence management against 13 officials since January 2025. Five of the latter cases have been finalised, including that of the person responsible for the municipality's consecutive disclaimed annual financial statements. An asset manager has been appointed and internal controls improved.
- The water supply challenges in Kestell have been resolved and there has been a general improvement in terms access to water. However, serious challenges remain as all seven of the municipality's Waste Water Treatment Works are non-functional. The Vaal

Central Water Board has been approached for assistance. The municipality has also applied for the installation of smart water metres, which will cost R85m to implement. The Local Labour Forum, which has not been sitting, has been revived. Of the municipality's six material irregularities, three have been resolved. Significant improvement in terms of access to electricity has been registered. The Distribution Agency Agreement with Eskom has been deemed unrealistic as the utility has been slow to implement the smart prepaid and conventional meters necessary for the Agreement to work.

Key issues raised by joint committee members:

- *Governance.* On the questions around governance matters, the executive mayor, Cllr. M. Melato, indicated that the municipality was led by a progressive coalition, which was the outcome of the electorate's will. The municipality deliberately pursues the inclusion of traditional leaders in its affairs as they play a pivotal role in terms of providing a moral compass in relation to a wide range of issues, including the scourge of Gender Based Violence. The tension between the executive mayor and the Speaker, Cllr. M. Dlamini, has abated since the last oversight visit to the municipality earlier in the year. The troika members are now able to work together albeit the matter is still work in progress.
- *Pollution of fresh water sources.* The municipality acknowledged that the pollution of fresh water sources was a serious problem as all seven of the municipality's Waste Water Treatment Works have collapsed. The appeal to the Vaal Central Water Board for intervention was reiterated. To address the crisis, the municipality has even diverted R70m earmarked for the rehabilitation of a taxi rank.
- *Electricity outages and Eskom debt.* On the question relating to electricity outages, the municipality reiterated that electricity outages have reduced significantly especially in the wake of a R49m project to address the matter. Debt owed to Eskom amounted to R9bn and the Distribution Agency Agreement with the utility is meant to address this.
- *Submission of credible annual financial statements.* Members noted that it was not clear what the municipality had done differently to submit credible annual financial statements following the years of consecutive disclaimers. In response, the municipality

indicated that it is the only one on record for proactively convening monthly meetings with the Auditor-General to work through the post-audit action plan as to address the 319 findings emanating from 2023-24 audit report.

- *Bonus payments.* On the question of bonus payments, the municipality was emphatic that no bonuses were paid as no work was done. What is reflected in the annual financial statements are 13th Cheque payments, not the payment of performance bonuses.

Summary:

- The feedback on the matter between the executive mayor and the speaker was welcome. It was important to know whether the troika was finding one another. It was not acceptable for the municipal manager to turn around and recommend the same chief financial officer he had undertaken to let go following years of consecutive disclaimers under her watch. The municipal manager's responses to some of the issues raised during the previous oversight visit are not indicative of investigations that had been conducted. They are simply responses to the best of his knowledge. This needs to be corrected. The MEC should provide a proper report to both the provincial and national legislatures on the bonus payment matter.

5.20. Setsoto local municipality

Overview by the municipal leadership:

- The municipality highlighted that key financial oversight structures have been established and are fully functional. These include the municipal Financial Disciplinary Board and the Municipal Public Accounts Committee. The municipality has responded to the issues raised in the South African Human Rights Commission's report. Other enumerated achievements included the procurement of the municipality's fleet, 100 percent expenditure on conditional grants, and the filling of the municipal manager position. Key challenges relate to illegal land invasion and a high local unemployment rate. The chief financial officer's contract is due to expire, while the contract for the director: technical services was terminated.
- The misalignment between the budget spent and the targets achieved resulted from the use of incorrect and outdated data. Going forward, up to date data will be used.

Investigation into unauthorised, irregular, fruitless and wasteful expenditure has yielded write-off to the value of R664m. Thirteen consequence management cases have been referred to the Directorate for Priority Crimes Investigations.

Key issues raised by joint committee members:

- *Accident involving the Speaker's official vehicle.* Members wished to establish the circumstances surrounding the accident including whether the trip was authorised. In response, the executive mayor, Cllr. S. Mbiwe, indicated that the accident appeared to have been caused by a suspected heart attack, but a police investigation had not yet been concluded. The only item that has served in council in this regard is the report of the car insurer, where the vehicle's replacement value was tabled.

Council resolved that the car should be replaced pending receipt of the police report. The accident occurred early in the morning before the Speaker, Cllr. P. Mavaleliso, could be collected. The driver passed away and no proof of negligence has been established. The trip was not authorised as the vehicle was not kept at the municipality's premises. The question of whether the vehicle was kept at the Speaker's or the driver's residence was best left to the Speaker to answer.

The municipal manager, Ms. N. Malatjie, indicated that policy dictated that the mayoral and the speaker's official vehicles are kept at the mayor or speaker's residence, not the driver's. Before deciding on replacing the vehicle, council weighed between the R600 000 vehicle repair costs and R300 000 vehicle replacement value. The Speaker indicated that he will reserve his response and await the detailed report from the municipal manager.

- *Graveyard tariffs.* On the question of the 25 percent hike in graveyard tariffs, the municipal manager stated that the increases were in line with the Consumer Price Index and amounted to 5.2 percent. The tariff increase excludes indigents. On further probing by the joint committees, the municipal manager conceded that the tariff increase amounted to 25 percent.
- *Consequence management.* The joint committees requested to be furnished with the thirteen consequence management cases reportedly opened with the Directorate for

Priority Crimes Investigations. The municipality's Director for Community was also understood to have been involved in a R40m fraud case while in the employ of the Dihlabeng local municipality. The Dihlabeng councillors who had furnished this information also needed to elaborate on the matter. In response, the municipal manager indicated that the Director's vetting report did not display any act of criminality. The alleged R40m fraud case was never reported to the municipality. The catalogue of the thirteen cases referred to the Directorate for Priority Crimes Investigations will be furnished to the joint committees.

- *Water and sanitation.* Members understood that there were staff shortages in the municipality's water and sanitation department resulting in cases of drinking water contamination and high E.coli levels. It has also been reported that the Department of Water and Sanitation failed to pay the service provider implementing the bucket toilet eradication project. In response, the executive mayor explained that the project started in 2007 but was still at 80 percent completion. Following a December 2023 and January 2024 oversight visit by the Portfolio Committee on Water and Sanitation there was an undertaking to follow up on the matter. However, the problem persists. The contractor is no longer on site due payment disputes with the Water and Sanitation Department. The municipality relies on the Department to bring the contractor back on site. In the meantime, the municipality has approved a water loss reduction strategy.
- *Officials selling municipal stands and jobs.* The municipal manager confirmed that the allegation around the selling of municipal stands and jobs by municipal officials was true. Following investigation, one official's employment was terminated. The other official has been suspended, and a disciplinary process is underway.
- *Vacancies.* In response to the question of vacancies, the executive mayor indicated that the municipality has endeavoured to move with speed to address the issue. As she had previously indicated, the contract for the chief financial officer position was due to expire and the municipality immediately filled the position with the same incumbent. The MEC's concurrence in this regard is being awaited. The municipality was also moving to fill the corporate services position and was awaiting vetting reports for the recommended candidates. The suspended technical services director has since been

expelled and is appealing the matter with the Commission for Conciliation, Mediation and Arbitration. However, the municipality continues with the recruitment process.

- *Revenue collection.* In response to the question of revenue collection, the municipality was aware that some of its debt is irrecoverable. It has endeavoured to curb the non-payment culture by means of conducting payment campaigns (operation Batala) and implementing a revenue enhancement strategy. The municipality is not intent on writing off the irrecoverable debt. It will instead offer a 50 percent concession. The installation of smart prepaid water meters was another measure to improve revenue collection.
- *Unauthorised, irregular, fruitless and wasteful expenditure.* In response to this issue, the municipality submitted that it had done reasonably well in reducing unauthorised, irregular, fruitless and wasteful expenditure. A table portraying the downward trend since the inauguration of the new council has been included in the municipality's report to the joint committees. For the next audit cycle, the municipality plans to phase out the use of consultants and compile the annual financial statements in-house.

Summary:

- The joint committees expect a report on the matter relating to the accident involving the Speaker's official vehicle especially as it pertains to compliance with municipal policy. The list of matters handed over to the criminal justice system, as well as well as full catalogue of consequence management cases in connection with the 2023-24 audit report, should also be furnished. The responses to the matters raised by the Auditor-General, particularly the misalignment between the budget spent and targets achieved, were not entirely satisfactory.
- The question around consequence management in connection with unauthorised, irregular, fruitless and wasteful expenditure was also not dealt with properly. An update should be provided on this following the conclusion of investigations by the Municipal Public Accounts Committee. The municipality further needed to correct the audit finding relating to an inadequate performance management system. Other reporting matters relate to: a proper plan on the eradication of the bucket toilet system, a report on the issue of E.coli contamination, and a plan on skills transfer and the phasing out of consultants.

5.21. Dihlabeng local municipality

Overview by the municipal leadership:

- In summarising its response to the matters raised by the Auditor-General, the municipality highlighted that the non-investigation of unauthorised, fruitless and wasteful expenditure resulted from incapacity in the Municipal Public Accounts Committee. The Committee does convene but does not produce the requisite reports. Both Treasury and the Department of Cooperative Governance have administered training, but the capacity problem remains unresolved.
- The audit finding paragraphs have been reduced from 11 to four and the post-audit-action-plan is monitored monthly. All senior managers have been appointed. The Local Labour Forum, and the municipal financial disciplinary board are functional. Debt owed to Eskom is being serviced, and the municipality is having a debt review with the Department of Water and Sanitation. The municipality's budget is unfunded and a Financial Recovery Plan to address this is being finalised. Ageing infrastructure, particularly asbestos pipes, has seen significant non-revenue water losses. A 'war on leaks' campaign has been launched to address the matter.

Key issues raised by joint committee members:

- *Fraud cases.* In response to the matter of the Setsoto local municipality's Community Services Director who was implicated in a R40m fraud case while employed at the Dihlabeng local municipality in 2014, the mayor, Cllr. T. Tseki, recalled that the case had been withdrawn from the court. On the R3.5m allocated for the Fouriesburg Water Treatment Plant Fraud Treatment Plant project that allegedly vanished without the work being done, the mayor indicated that the project was currently underway and had been delayed by rains and a rock obstruction in the river. The municipal manager, Mr. M. Ntheli, also confirmed that the project is ongoing and that the funds did not vanish.
- *Alleged Clarens boreholes corruption and water shortages.* Members understood that R9.8m was allocated for the drilling of boreholes and installation of borehole infrastructure in Clarens. However, allegedly no boreholes were drilled nor

infrastructure completed, and the matter was consequently in court. There were also regular water outages in the municipality's key towns and adjacent rural communities.

In response, the mayor indicated that the borehole project sought to assist the community to avoid day zero. This objective was achieved, and the boreholes continue to function. The municipality is also implementing several projects to augment its water retention capacity. The municipal manager explained that the R9.8m was paid upfront against a bank guaranteed cheque to the service provider responsible for supply of the project material. The funds were not paid to the contractor.

- *Alleged security tender corruption.* Attention was brought to an allegation that a security company called Rhino Security fraudulently secured a tender with the municipality as it did not comply with the relevant regulations. The company continued to receive a monthly R5m payment despite expiry of contract. In his response, the mayor indicated that the municipality's contract with the company expires next year. All due diligence had been done during the tender process. The company meets all requirements in terms of the relevant regulations.
- *Allegedly stalled housing site projects.* Over 3000 housing sites remained incomplete or not issued. In response, the mayor indicated that the housing site projects were led by the Department of Human Settlements. The projects were proceeding well.
- *Frequent electricity outages.* The municipal area was reportedly prone to frequent electricity outages. Some streetlights were not maintained, compromising residents' safety. In response, the mayor maintained that streetlights were functional and that there were no blackouts. However, electricity supply interruptions did occur, but Dihlabeng also had Eskom supply areas. The municipal manager also indicated no knowledge of blackouts.
- *Ghost workers.* The municipality confirmed awareness of municipal employees that had been arrested in connection with payment of ghost workers. The arrests proceeded from an investigation instituted three years ago in terms of section 106 of the Municipal Systems Act.

- *Financial health.* Members observed that it would take at least five years for the municipality's financial health ratios to improve. The chief financial officer, Mr. R. Provis, estimated that it would take at least ten years. The joint committees further understood that the municipality's Finance Portfolio Committee neglected its oversight work. Failure to appoint a permanent Mayoral Member responsible for the Committee also created instability, contributing to poor accountability.

Regarding the plan to address its revenue generation constraints, including the approval of an unfunded budget, the mayor indicated that the municipality had a budget funding plan and a revenue enhancement strategy. The municipality is finalising a long-term financial recovery plan to address its Eskom debt problem. Dihlabeng is part of Treasury's municipal debt relief programme and is complying with the programme's conditions, including servicing its current account. On the question around its legal costs, the municipal manager undertook to provide a considered report in writing.

The challenge around the Finance Portfolio Committee resulted from quorum challenges arising from non-attendance by councillors who were expected to also serve in other Committees. An assessment by the municipality's Mayoral Committee also revealed that there were councillors serving in the Committee who did not have basic financial literacy. Consequently, there was no deliberate intention by the Committee to shirk its oversight responsibility. The speaker indicated that the Code of Conduct for Councillors had been invoked where necessary. The non-appointment of a permanent Mayoral Member of the Committee for Finance was also not a deliberate act. The mayor was pleased with the current acting incumbent's work and is considering the person's permanent appointment within two weeks.

- *Non-functional ward committees.* On addressing the issue of non-functional ward committees, the municipality indicated that it has hosted the Department of Cooperative Governance, which conducted ward committee capacity building workshops. A major problem has been ward- committee chairpersons who are not fulfilling their responsibilities. The Speaker's office has embarked on an initiative to address this. Declaration of vacancies is among the measures to be used to institute consequence management. The Speaker, Cllr. N. Mofokeng, undertook to furnish a detailed report on

the dysfunctional ward committees. Some members felt that the municipality's interventions on this matter omitted the critical role of traditional leaders.

- *Consequence management on unauthorised, irregular, fruitless and wasteful expenditure.* The municipality advised that consequence management on unauthorised, irregular, fruitless and wasteful expenditure will follow the tabling of investigation reports by the Municipal Public Accounts Committee. The leadership reiterated that the Committee lacked the capacity to do its work but insisted that it will table an investigation report in two weeks, which will be shared with the joint committees. Members were sceptical of this undertaking.
- *Non-submission of statutory reports.* The municipality was understood to be non-compliant in terms of submitting the reports envisaged in sections 52 and 71 of the Municipal Finance Management Act. The mayor disagreed, stating that section 71 reports were received from the chief financial officer on the 10th of each month and these were scrutinised. The mayor also fulfilled his responsibilities in terms of section 52 of the Municipal Finance Management Act. The 2024 cyber-attack on the municipality's Information Technology system was the only time the municipality was unable to report to Treasury. However, the Treasury MEC was apprised of the event and its reporting impact. The municipality has since recovered all the data that had been lost. Its bank account had not been compromised and all deviations made were lawful.
- *Public protector report.* The recommendations of the Public Protector's Investigation Report into irregular appointments in the municipality had reportedly not been implemented. The mayor indicated that the report had served in council and the recommendation relating to subjecting the responsible Human Resources practitioner to training has been implemented.
- *Stagnation on qualified audit opinions.* Members observed that over the past five years the municipality had stagnated on qualified audit opinions. The same findings have kept arising and the quality of financial statement has not improved despite the employment of financial consultants. In response, the mayor indicated that the municipality was certain to achieve an unqualified audit opinion in 2024-25, with the chief financial officer adding that the annual financial statements are now subject to three layers of review. The question of value for money in the appointment of financial consultants has

been raised with the administration. The chief financial officer indicated that in three years' time, the municipality will be compiling its own annual financial statements and will not be using consultants.

- *Infrastructure maintenance.* The municipality's underspending on infrastructure maintenance has resulted in infrastructure dilapidation, which has seen extremely high water and electricity distribution losses. The municipal manager agreed with this assessment, attributing the problem to asbestos pipes that had exceeded their lifespan. There is a plan to implement a water conservation management strategy in partnership with the Development Bank of South Africa. A R50m grant received from National Treasury will assist to reduce electricity losses. In the absence of senior management over the last two financial years, the municipality could not constitute a supply chain management committee, thus negatively affecting capital expenditure. Following the filling of all vacant senior management positions in 2023-24, underspending on infrastructure projects has reduced significantly.

Summary:

- The Municipal Public Accounts Committee's performance is not satisfactory. The undertaking to resolve the matter in two weeks' time is noted. There remains lingering questions around the Rhino Force security company tender and the municipality's financial health, including the approval of an unfunded budget. The provincial and national government should look into these matters. The Speaker's undertakings in connection with ward committee functionality are noted.

5.22. Nketoana local municipality

Overview by the municipal leadership:

- The municipal leadership found it painful to report on the state of Nketoana as it was once among the best performing municipalities. Over the last seven years, the state of the municipality has gone from bad to worse. The Premier's Office and MEC Mokoena are endeavouring to restore stability. From 2016 to 2021, the municipality has had no functional Municipal Public Accounts Committee. The Committee has since been established and is dealing with a backlog of cases dating back to 2016. Owing to administrative instability, the municipality has obtained six consecutive disclaimers. An

annual financial statements preparation plan has been devised, and the municipality has dedicated the next two years to eliminating the disclaimers. The audit findings relating to inadequate contractor monitoring and staff performance management deficiencies have been addressed. Both the mayor, Cllr. M. Mokoena, and the Speaker, Cllr. B. Makoba, registered their commitment to improve the municipality and get it on the right track.

Key issues raised by joint committee members:

- *Material irregularities.* On the question around its three material irregularities, the municipality indicated that it had addressed the records issue. Following operating without a records manager, the municipality has filled the position and also appointed a filing clerk. This was communicated to the Auditor-General's Office in April 2025. The vacancy rate in the finance unit has also been reduced to 34 percent.
- *Unauthorised, irregular, fruitless and wasteful expenditure.* In response to the observation that its unauthorised, irregular, fruitless and wasteful expenditure balance was extremely high, the municipality explained that this resulted from the non-functionality of the Municipal Public Accounts Committee. The Committee's case backlog goes back as far as 2016. Following unsuccessful attempts to use the district's shared services model, the municipality eventually received assistance from the provincial Treasury and the South African Local Government Association, which administered training. Council is currently not satisfied with the Municipal Public Accounts Committee's performance as there were still notable gaps despite the training. Further work was still needed in this regard.
- *Financial health.* The municipality acknowledged that it was operating on an unfunded budget, however there was a budget funding plan in place, which the provincial Treasury was monitoring. A R2m grant from Treasury has assisted with the installation of smart meters, which will improve the collection rate. An incentive scheme offering a 50 percent debt write-off has been introduced to encourage customers to pay.
- *Consecutive disclaimers.* The joint committees were apprised to the effect that the municipality's consecutive disclaimers occurred despite the employment of financial consultants to the value of R4.3m. The municipality reported to have reduced this

amount to R3m in 2024-25 but admitted that this was still a considerable sum. A comprehensive post-audit action plan has been devised.

- *Fraud and maladministration.* In response to a question regarding a case opened against the mayor, Cllr. M. Mokoena, the municipality confirmed that there was indeed true and related to the use of a petrol card for vehicle hire. The municipality is cooperating with an investigation by law enforcement in this regard. A disciplinary process on the matter was also underway. The municipality further confirmed that council is investigating the municipal manager who signed on the appointment of 71 General Workers while the number of advertised positions was 43.

The Directorate for Priority Crime Investigations also attended to a case of a company contracted to supply the municipality's Personnel Protective Equipment. The company had a special relationship with the mayor. A report on the matter indicated that the transaction occurred before the mayor's tenure at the municipality. On the question of consequence management around the theft of R500 000, the municipality explained that matter pertained to an official in the finance department who has since been dismissed and reported to law enforcement for further action. The municipality is intent on recovering the stolen funds and is considering recouping them from the employee's payout.

Summary:

- The municipality should provide specific undertakings, with timelines, in connection with the matters raised by the Auditor-General around inadequate contractor monitoring, staff performance management deficiencies, non-implementation of municipal support and intervention plan, and vacancies in the finance unit. There should also be an upfront commitment from the municipal manager to the effect that the audit outcome will improve from consecutive disclaimers. That the municipality has submitted its annual financial statements on time for the first time after many years is noted and welcome. The next step is to ensure that the submitted statements are of good quality. Regarding consequence management, the municipality should furnish a list of investigations undertaken and indicate the fate of the perpetrators.

5.23. Phumelela local municipality

Overview by the municipal leadership:

- The municipality has been receiving unqualified audit opinions over the last three financial years (with matters of emphasis) but has been relying on the audit process to achieve this outcome. There is a post-audit action plan in place, which is monitored monthly through the municipality's executive committee. The non-investigation of unauthorised, irregular, fruitless and wasteful expenditure emanated from capacity challenges within the Municipal Public Accounts Committee. Weak internal controls contributed to the unauthorised, irregular, fruitless and wasteful expenditure. There was now only one vacancy in senior management, indicating that the audit finding relating to ineffective human resources management has largely been addressed.

Key issues raised by joint committee members:

- *Human settlements.* In response to a question around unfinished houses in extension 4, the municipality advised that there has been an undertaking by the Department of Human Settlements to complete the houses. Thus far, the Department has dispatched a team of service providers to conduct the necessary preliminary investigations.
- *Financial health.* The municipality confirmed that, due to cashflow challenges it has been unable pay the overtime and stand-by allowance portions of workers' salaries. The municipality is mainly grant-dependent, with a small revenue base. Revenue collection initiatives, including a debt incentive scheme for large debtors, are underway to address the cashflow problem. The municipality's overall collection rate currently amounts to 24 percent, and the leadership is not pleased with this performance. It was confirmed that there were staff members and political office bearers who were not paying for municipal services. The municipality undertook to engage the councillors and officials concerned.

A process is underway to fast-track indigent registration, which is also currently too low. The municipality has not yet received feedback on its application for funding for the installation of smart meters to replace its old meters. It currently takes the municipality an average of 108 days to pay its creditors, and this was acknowledged to be far from ideal. Phumelela was among those municipalities whose equitable share was withheld

due to failure to pay third parties. Following the municipality's compliance with the stipulated conditions, the equitable share has since been released.

- *Electricity provision.* The Distribution Agency Agreement with Eskom has seen the municipality handing over its electricity provisions functions to the utility. This arrangement is expected to yield a R16m Eskom debt write-off. The municipality has received a R4m grant to retrofit streetlighting in three towns. Not all the streetlights had yet been retrofitted.
- *Land audit.* Having been asked to provide an update around its land audit plan, the municipality advised that the audit had not yet commenced. There was a commitment to source a service provider to conduct the audit by the end of the end of September 2025.
- *Late and incorrect billing.* The municipality confirmed instances of late and incorrect billing, and that sometimes statements do not reach account holders. This has been remedied through the development of an application that allows users access to their billing status. A data cleansing exercise will also contribute to correcting the problem.
- *Functionality of the Municipal Public Accounts Committee.* Having been requested to provide an update on matters referred to the Municipal Public Accounts Committee, the municipality reiterated that the Committee has always been in existence but has not conducted the expected investigations due to incapacity. This was mitigated through the involvement of the audit committee, the provincial Treasury, the South African Local Government Association, and the Department of Cooperative Governance. The Committee has since tabled a report on 30 June 2025, and this will be shared with the joint committees. Training on Generally Recognised Accounting Practice has been administered to staff to prevent recurrence of same audit findings.
- *Water and sanitation deficiencies.* The municipality agreed with the joint committees that there were water outages, but these only happened at night, and residents were informed in advance. The municipality's recorded water distribution losses of 81 percent included water delivered to unmetered communal taps. The Department of Water and Sanitation has also alerted the municipality to sewerage spillages. In this

regard, the municipalities reported challenges around its old honey sucker fleet that cannot be overhauled immediately due to financial constraints.

Summary:

- The municipality should attend to the matters raised by the Auditor-General, including its reliance on the audit process to achieve unqualified audit outcomes. The commitment to address the non-investigation of unauthorised, irregular, fruitless and wasteful expenditure is noted. The list of cases lodged with the criminal justice system should be furnished.

5.24. Overall observations by the Auditor-General's office

- Mr. O. Duda from the Free State Office of the Auditor-General expressed concern around municipalities' slow response to material irregularities raised, calling on the national and provincial legislatures to follow up on this matter. Council approval of unfunded budgets is another concerning trend, which needs more focused attention from the Treasuries. Even those that have passed funded budgets still incur unauthorised expenditure. Municipalities rarely adopted voluntary financial recovery plans and tended to rely heavily on Treasury's mandatory financial recovery plans.
- The interrogation of the reports contemplated in sections 71 and 72 of the Municipal Finance Management Act has been inadequate, resulting in the overlooking of municipal financial health indicators. The provincial executive needed to attend to this matter, with particular emphasis on the role of mayors. Municipal Public Accounts Committees continued to be dysfunctional despite the training administered by Treasury and the South African Local Government Association. A completely different approach to capacitating Municipal Public Committees needs to be considered. The problems around the submission of quality of financial statements and consequence management, which are the root cause behind the poor audit outcomes, should be handled at the level of the province. The Internal Audit Units and the Audit Committees should provide assurance on the reports to the submitted to the joint committees.

5.25. Conclusion

- Addressing concerns raised by the AGSA needs to be understood as a responsibility of all public representatives in the legislative and executive arms of government across the three spheres of government. Elected public representatives must take collective responsibility and ensure accountability by all. Parliament must undertake to ensure that all spheres collectively and individually are held accountable.
- The joint committees welcome all the commitments and undertakings that have been made. Some of the matters arising, such as the advent of grant dependent municipalities, need to be escalated to the level of the Minister for Cooperative Governance and Traditional Affairs. Consequence management should be instituted both internally and externally. Councillors should take responsibility for their capacitation and acquisition of the relevant skills set. Instances amounting to the misleading of Parliament have been noted and the joint committees will deliberate on the way forward on these.

6. Joint committee recommendations

- Having deliberated on the inputs by the Free State Premier, the MECs for Cooperative Governance, Human Settlements, and Traditional Affairs and Finance and Economic Development, and the submissions by the leadership from the province's 23 local authorities, the Joint Committees recommend and direct that, within three months of the date of this report, the following must be effected:

6.1. Minister of Cooperative Governance and Traditional Affairs

- a) Undertake to end all disclaimers, unfunded budgets and late or non-submission of statutory documents to the Auditor-General of South Africa.
- b) Intervene immediately and decisively to stop political interference, associated causes of political and administrative instability, to enforce discipline and professionalism in management of municipalities.
- c) Introduce a decisive intervention to assist poor municipalities with no revenue base, financial systems, shortage of critical skills, poor service delivery capacity and demonstrable public discontent.

- d) Launch immediate investigations into cases of corruption and maladministration to be followed by internal disciplinary processes and referral to criminal justice authorities. Regular reports must be provided.
- e) Ensure audit readiness by providing national departmental support to municipalities long ahead of the arrival of the Auditor-General's team. This approach must focus on improving administrative capacity and systems so that audit readiness be done as a normal way of municipal administration and service delivery systems.
- f) Reconsider the current process by the Municipal Demarcation Board to separate the Kopanong local municipality into two entities, as this may, in all likelihood, exacerbate unsustainability and dysfunctionality.

6.2. Provincial executive

- a) Undertake to end all disclaimers, unfunded budgets and late or non-submission of statutory documents to the Auditor-General of South Africa.
- b) Intervene immediately and decisively to stop political interference, associated causes of political and administrative instability, to enforce discipline and professionalism in management of municipalities.
- c) Introduce a decisive intervention to assist poor municipalities with no revenue base, financial systems, shortage of critical skills, poor service delivery capacity and demonstrable public discontent.
- d) Launch immediate investigations into cases of corruption and maladministration to be followed by internal disciplinary processes and referral to criminal justice authorities. Regular reports must be provided.
- e) Ensure audit readiness by providing departmental support to municipalities long ahead of the arrival of the Auditor-General's team. This approach must focus on improving administrative capacity and systems so that audit readiness be done as a normal way of municipal administration and service delivery systems.

- f) Set targets and timelines for each municipality to establish functioning audit-related performance structures such as the Municipal Public Accounts Committees, Disciplinary Boards, Audit Committees, and related structures to ensure progress towards achieving improved audit outcomes. These are critical in ensuring that accurate annual financial statements and performance reports are provided.
- g) Monitor and ensure investigations of all unauthorised, irregular, fruitless and wasteful expenditure by Municipal Public Account Committees in each municipality — inspect relevant council resolutions to consider the outcome of investigations and the remedial steps and prevention of similar transgressions in future. For all transgressions reported by the Auditor-General there must be report of consequences that will act as deterrent against future transgressions. In the absence of these, the higher authorities need to intervene decisively and report to provincial legislatures or national parliament.
- h) Set timelines and targets for filling of all vacancies in management including the filling of critical posts in the staff establishment such as financial management and auditing to ensure that municipalities identify these posts and set timelines and targets for support, monitoring and reporting by provincial and national authorities, as well as terminate the proliferation of acting senior management appointments.
- i) Find alternative ways of addressing the problem of appointments without the MEC's concurrence as the current intergovernmental court actions are excessive. The reliance on the courts to resolve intergovernmental disputes is not the best approach. Chapter 3 of the Constitution is specifically meant to prevent the three spheres of government from instituting court proceedings against one another. The Premier's Coordinating Forum should not simply exist as a formality but should serve to foster cooperation on these matters.
- j) Reconsider the current process by the Municipal Demarcation Board to separate the Kopanong local municipality into two entities, as this may, in all likelihood, exacerbate unsustainability and dysfunctionality.
- k) Conduct a proper audit of the supernumerary personnel in the Lejweleputswa district that is not clear about its roles and functions as to establish the activities for which

people are being remunerated and determine the legitimate number of employees that should be on the municipality's payroll.

- l) Take the joint committees into confidence as to what their role has been vis-à-vis the impasse experienced in Nala. The dualism phenomenon should be closed and finalised and the provincial leadership should provide specifics in this regard, including a list of things to be done should the situation in the municipality fail to return to normality.
- m) Furnish the promised report in connection with the processes of appointing Masilonyana's chief financial officer, Mr. Makoe, including the outcome of application for a declaratory order to reverse the appointment, whether the relationship between the municipal manager, Mr. Matlole, and Mr. Makoe did not compromise the appointment process, as well progress in addressing the rift between Masilonyana mayor, Cllr. D. Modise, and the municipal manager. A list of actions that will be instituted should the situation in the municipality fail to normalise should also be furnished. The provincial executive to further determine whether any of these officials deliberately misled the joint committees in their responses.
- n) Report back on the Masilonyana mayor's conduct, and how council has dealt with it, in connection with the allegation that the current mayor used a state vehicle to undertake a private holiday trip to KwaZulu-Natal. The mayor had indicated that no municipal funds were used for the trip and that she never used the vehicle in question. However, the municipal manager submitted that according to the petrol card log, the Fortuner had been used for a trip to KwaZulu-Natal. The petrol card's use had negative financial implications for the municipality. There has been no disciplinary process instituted against the mayor in this regard.
- o) Furnish regular reports on actions undertaken to address Tokologo's sustainability; poor revenue collection; difficulties around spending the Water Services Infrastructure Grant; unfunded budgets; performance of the Municipal Public Accounts Committee, the audit committee and the internal audit unit; sewerage crisis including the eradication of bucket toilets on which complaints have been received from the public; Eskom debt; and infrastructure maintenance.

- p) Conduct further investigation in connection with the alleged nepotism in the appointment of Tswelopele's security head.
- q) Monitor the review of Fezile Dabi District's Performance Management System Framework as to correct the staff performance management deficiencies identified by the Auditor-General. Conduct investigation around the fraud allegations against the municipal manager, Mr. S. Thomas.
- r) Follow up on the Moqhaka mayoral car accident matter and include it the list of issues to be reported back on.
- s) The provincial government affirmed its support for the Mafube local municipality on the Rural Maintenance matter. There were several issues around the matter, but the essence is that the municipality's financial viability had been effectively undermined. In its report back to the joint committees, the province should include the Rural Maintenance matter.
- t) Provide a proper report to both the provincial and national legislatures on the bonus payment matter in Maluti-a-Phofung local municipality with respect to the 2023-24 financial year.
- u) Provide update on action taken to assist the Dihlabeng local municipality to recover the R140m owed to it by government departments. The municipality has indicated that if these funds could be paid, it will result in catching up with the Eskom payment that would result in R 300m being written off as per the Eskom Debt Relief Programme. Further monitor the following:
- The filling of senior management posts based on the history of instability in senior administrative management.
 - Prevention of passing unfunded budgets, including the development, adoption of a credible financial recovery plan, and improvement of financial ratios. The period for resolving this should be less than five years.
 - Infrastructure spending and resolving the pattern of mismatch between spending and implementation of projects.

- v) Follow up on the non-implementation of the Municipal Support and Intervention Plan in the Nketoane local municipality as highlighted in the Auditor-General's 2023-24 report.
- w) Determine targets, timelines and monitor and report every three months on the fulfilment of the actions in relation to the matters outlined below.

6.3.Mangaung metropolitan municipality

Must focus on corrective measures, accountability and consequence management to address the following issues emanating from the Auditor-General's report:

- a) Effectiveness of Municipal Public Accounts Committee, Audit Committee, internal audit unit and establishment of a municipal disciplinary boards.
- b) Achieving a credible and funded budget.
- c) Investigation of unauthorised, irregular, fruitless and wasteful expenditure and implement internal disciplinary actions and refer other issues for forensics and to the criminal justice system, supplying details of individuals acted upon.
- d) Provide details of the management plan for controlling overtime and clear guidelines for shift system.
- e) Addressing service delivery issues, including interventions to stop water losses, sanitation, refuse disposal, fixing potholes.
- f) Provide detailed strategy (with terms of reference) for replacing consultants, conduct skills audit and review organogram to determine staff establishment, fill the vacancies, and build internal capacity for financial management and controls to correct the following: Grant funding not spent timeously or for intended purpose; inadequate budget for the indigent; going concern uncertainty-- metro to provide specifics on progress in addressing this concern; poor financial and performance planning reporting; challenges with Information Technology system and contracts.

6.4.Xhariep district municipality

Must move towards obtaining a clean audit by means of:

- a) Managing the expenditure of 81 percent of revenue on salaries which is a huge challenge and major cause for concern.

- b) Building the capacity of the Municipal Public Accounts Committee and related structures.
- c) Urgently investigating unauthorised, irregular, fruitless and wasteful expenditure based on the timelines as guided by the MECs for Cooperative Governance and Finance.
- d) Implementing a consequence management process and submitting the details to the MECs for Cooperative Governance and Finance.
- e) Curbing the improper spending of conditional grants for unintended purposes.
- f) Building internal capacity for financial management and control systems and terminating the utilisation of consultants. A detailed strategy and plans to achieve this (with time frames) to be provided

6.5.Letsemeng local municipality

- a) Act decisively on and report all cases of political interference and refer uncooperative elements to the provincial government for necessary consequence management;
- b) Develop a Financial Recovery Plan to improve revenue generation and ensure that a credible funded budget is adopted;
- c) Address management of debtors and creditors (including water utilities), to guide the municipality to prevent the diversion of third party payments which prejudices the employees and opens municipality to unmanageable lawsuits.
- d) Address the filling of critical vacancies, especially in the finance section to strengthen internal financial management systems and processes.
- e) Build internal technical capacity to ensure that conditional grants are spent timeously and for intended purposes.
- f) Address concerns raised by Eskom to ensure that debt relief and payment arrangements are concluded.
- g) Ensure investigation of unauthorised, irregular, fruitless and wasteful expenditure by the Municipal Public Accounts Committee and address the concerns raised by the Auditor-General.
- h) Implement consequence management, including internal disciplinary actions and refer matters to the criminal justice system and report to the MECs.
- i) Address service delivery issues, such provision of water for the deserving communities, address water leaks due to decaying infrastructure, resolve water challenges in

Koffiefontein and water rights for farmers to ensure that such issues are not used as an excuse for withholding water from communities suffering water shortages.

6.6. Kopanong local municipality

- a) Utilise the support provided by the national and provincial intervention to restore the municipality's functionality.
- b) Strengthening the Financial recovery Plan to maximise on revenue possibilities;
- c) Strengthen internal financial controls to improve financial management and achieve a credible and funded budget.
- d) Strengthen the Municipal Public Accounts Committee, Audit Committee and internal audit unit to investigate unauthorised, irregular, fruitless and wasteful expenditure and ensure accountability.
- e) Implement consequent management to eradicate a culture of impunity and prevent relapse to a disclaimer which remains a constant risk and provide detailed report.
- f) Address Eskom issues, seek debt relief and a Distribution Agency Agreement to improve payment of debts whilst managing creditors and debtors to prevent the withholding of equitable share.

6.7. Mohokare local municipality

- a) Identify the cause of and address political and administrative instability in the municipality and seek support from provincial government to institute the necessary sanctions to decisively end political-administrative interference.
- b) Address all concerns raised by the Auditor-General, by implementing the Post Audit Action Plan, including Financial Recovery Plan and rebuilding systems for stronger financial control and accountability.
- c) Strengthen capacity for stakeholder management in order to improve relationship and communication with community to address frequent community protests.
- d) Engage Department of Labour to get assistance in managing intermittent industrial actions whilst addressing underlying causes.
- e) Cooperate with COGTA and Finance Departments to gain support in building capacity for financial management, technical support for managing infrastructure and Human Resource Management.

- f) Seek support from Provincial Government to improve service delivery especially water, electricity and other services.
- g) Strengthen the Municipal Public Account Committee and ensure functionality of all related committees to enable investigations into unauthorised, irregular, fruitless and wasteful expenditure.
- h) Refer cases for forensic and criminal investigations.
- i) Implement consequence management and provide reports on the details of actions taken.

6.8. Lejweleputswa district municipality

The district to provide the relevant details to enable the joint committees to engage the Minister of Cooperative Governance and Traditional Affairs in relation to the matters it has raised around:

- a) Reinstatement of the Powers and Functions of the District Municipality that were devolved through the 2005 and 2008 Provincial Government Gazettes in line with Section 84 of the Municipal Structures Act 117 of 1998.
- b) On and or about 2007 the Councillors were erroneously overpaid on Grade 5 instead of Grade 4. The municipality requests the Parliamentary Committees to engage National Treasury for the debt of Councillors [overpayment of Councillors] that is now standing at R31 million as the legal advice that was sought from a reputable Law Firm supported by an Independent Advocate advised that the money be written off by the Minister of Finance. The advice stems from the fact that this money has prescribed and any efforts of collecting this money can lead to unnecessary legal costs incurred by the municipality.

6.9. Nala local municipality

The municipality to provide a progress report on resolving the following matters;

- a) There is no record of disciplinary hearings for financial misconduct cases as the municipal Financial Disciplinary Board will only be established by 30 September 2025.
- b) Following the November 2024 resignation of its Chairperson, the Municipal Public Accounts Committee could not conduct investigations on unauthorised, irregular,

fruitless and wasteful expenditure. The council will be filling the vacancy of the MPAC chairperson before 31 July 2025, after the fully composed MPAC committee. The effectiveness of MPAC will be strengthened through targeted capacity-building initiatives facilitated by the Free State Provincial Treasury, the Department of Cooperative Governance and Traditional Affairs, and the South African Local Government Association in September 2025.

- c) The audit committee has been non-existent and there is a plan to establish it by 30 November 2025.
- d) The administrator's powers and the legality of the constitutional intervention are under challenge.
- e) Containment of the legal backlash arising from the suspension of the municipal manager and the chief financial officer.
- f) A formal request for assistance from COGTA and SALGA has been sent to assist with the review of the organisational structure in line with the Municipal Staff Regulation before the end of October 2025.

6.10. Masilonyana local municipality

The joint committees to deliberate on the following:

- a) The joint committees noted that Parliament had been misled as the municipal manager indicated that Mr. Makoae had disclosed his previous dismissal from Mafube prior to recommending his appointment in Masilonyana. However, the mayor indicated no knowledge of such disclosure. Members resolved to deliberate on the implications of this transgression.

The municipality to provide a progress report on the following:

- b) There had been no disciplinary process instituted against the mayor, Cllr. D. Modise, in connection with the allegation that she used a state vehicle to undertake a private holiday trip to KwaZulu-Natal. The mayor had indicated that no municipal funds were used for the trip and that she never used the vehicle in question. However, the municipal manager submitted that according to the petrol card log, the Fortuner had been used for a trip to KwaZulu-Natal. The petrol card's use had negative financial implications for the municipality.

- c) The municipality was subject to criminal action in terms of the National Environmental Management Act due to releasing untreated effluent into fresh water sources. The municipality had indicated that it has approached the Department of Water and Sanitation for assistance in resolving the matter.

6.11. Tokologo local municipality

Municipality to provide progress report on addressing the following matters:

- a) Non-compliance with supply chain management laws - failure to follow proper procurement procedures, often due to non-adherence to the Municipal Finance Management Act and related Treasury regulations. The rural nature of the Municipality is unable to attract sufficient service providers to respond to the call for bids.
- b) As reported to the joint committees, the municipality does not have enough skilled personnel to manage finances and has been relying on junior personnel to act on management positions but has embarked on a recruitment process in line with the approved financial recovery plan.
- c) Unrealistic revenue targets and persistent unfunded budgets lead to overspending and unauthorized expenditures, which often become irregular when not aligned with approved allocation.
- d) The municipality had not exercised any consequence management because the Municipal Public Accounts Committee has not yet finalized unauthorized, irregular, fruitless and wasteful investigations.
- e) The municipal disciplinary board needed to be resuscitated, and the process is envisaged to be concluded by end of September 2025.
- f) The municipality was awaiting a dispute resolution report between itself and Eskom regarding compliance with utility's debt relief plan.

6.12. Tswelopele local municipality

The municipality to provide an update on the following matter:

- a) Occupational Health and Safety Officer – Corporate Services; alleged act of misconduct: fraud/extortion. The matter was still under investigation and was to be heard on 28 July 2025.

6.13. Matjhabeng local municipality

The municipality to provide an update on the following matter:

- a) The relationship between the municipality and organized labour has deteriorated due to the following factors:
- Breakdown in communication: A lack of regular, transparent, and inclusive engagement through formal platforms such as the Local Labour Forum.
 - Delayed grievance handling: Failure to timeously resolve disputes has led to frustration.
 - Policy and procedural disputes: Disagreements over appointment processes, acting positions, and interpretation of wage agreements have deepened mistrust. The Municipality is in the process of implementing measures to improve its relationship with organised labour.
- b) The municipality is actively cascading performance agreements throughout all levels of the institution, with a target to finalise this process by the end of October 2025. This initiative aims to institutionalise a performance-driven culture by enabling structured performance management, monitoring, and enhanced service delivery.

6.14. Fezile Dabi District municipality

The municipality to provide timelines in respect of the following:

- a) The Special Investigating Unit completed its investigation on the 26 March 2025, which contained the following recommendations:
- Disciplinary action against members of the Bid Specification Committee, Bid Evaluation Committee for failure to comply with section 217 of the Constitution and the district's Supply Chain Management policy as well as the Project Coordinator for gross misconduct;

- Criminal referral against the former Municipal Manager and Chief Financial Officer for financial misconduct;
- Criminal referral against the director and project manager of Voluscore (Pty) Ltd for fraud;
- Civil recovery actions to recover losses suffered by the Municipality to the total of R 1 273 850 from the former Municipal Manager and R 2 357 000 from Voluscore (Pty) Ltd.

6.15. Mqhaka local municipality

The municipality to provide an update on the following:

- a) Joint committee members sought to establish the costs incurred by the municipality in connection with salvaging a mayoral vehicle that was involved in an accident. In response, the Speaker, Cllr. S. Khiba, indicated that a report has not yet been received in this regard.

6.16. Ngwathe local municipality

The municipality to update the joint committees on the following:

- a) Members sought to determine the municipality's legal costs over the last five years. In response, the municipality indicated that it had incurred R40m in legal fees over the past financial year. The amounts relating to the other years would be provided in writing.
- b) The municipality was also understood to be spending R7.5m a month in municipal fleet rental. It was undertaken that indicated that the municipality's fleet rental statistics would be provided in writing.

6.17. Metsimaholo local municipality

The municipality to provide more distinct responses regarding:

- a) The discharge of untreated effluent into the Vaal River;
- b) Indigent register status;
- c) Abandoned reservoir construction project;
- d) Sudden increase in unauthorised, irregular, fruitless and wasteful expenditure;
- e) Movement on the municipality's 43 percent vacancy rate;

- f) Outcome of a case in favour of a dismissed former chief financial officer; and
- g) Prohibited awards to suppliers owned or managed by other state officials.

6.18. Mafube local municipality

The municipality to provide an update in respect of the following:

- a) A High Court judgment of January 2025, which found the mayor, exco representative, the municipal manager and the chief financial officer liable for R14.7 million for historical debt owed to the Municipal Workers' Retirement Fund. The municipality's last report indicated that it was in an ongoing court case with the Fund.
- b) Consequence management progress in relation to the following:
 - Manager Revenue: Misconduct, dereliction of duty, poor performance. The matter was scheduled for 10 July 2025, and the matter was postponed following the request from the employee representative to be furnished with further documentation. Matter has been postponed with no appointed date for resumption.
 - Manager Supply Chain Management: Misconduct, readvertisement of the tender without the approval of the Municipal Manager. The matter was scheduled for 10 July 2025, and the matter was postponed following the request from the employee representative to be furnished with further documentation. Matter has been postponed with no appointed date for resumption.
 - Human Resources Officer: Misconduct, Fraud of R189 000 from pension claim. The matter was scheduled for 09 July 2025, and the matter was postponed following the request from the employee representative to be furnished with further documentation. Matter has been postponed in "sine die".

6.19. Thabo Mofutsanyana district municipality

A progress report to be provided on the following:

- a) The municipality undertook that by 31 July 2025, the Municipal Public Accounts Committee would have concluded unauthorized, irregular, fruitless and wasteful expenditure investigations and that a special council sitting would deal with the recommendations.

6.20. Mantsopa local municipality
<p>a) The municipality should furnish regular reports to the MEC on consequence management and accountability in connection with unauthorised, irregular, fruitless and wasteful expenditure. This is to ensure that the next audit results are not a repeat of the same issues</p> <p>b) An update on the following should be provided:</p> <ul style="list-style-type: none"> - The performance evaluation of staff members was not performed in that the process of concluding job descriptions aligned to the requirements of the Municipal Staff Regulations were not concluded. In preventing recurrence, Municipal Staff Regulations compliant job descriptions for all staff members will be concluded in September 2025 and will be subjected to a job evaluation process by the South African Local Government Association, which will pave the way for cascading performance evaluation to all staff members as prescribed. - All nine wards within the municipality have established Ward Committees, however not all Ward Committees meet as per the schedule, the Speaker is dealing with this challenge to ensure that all ward committees discharge their legislative obligations and revive the social contract with the masses.
6.21. Maluti-a-Phofung local municipality
<p>a) During its last visit to the municipality, the Portfolio Committee on Cooperative Governance and Traditional Affairs drew to the municipal leadership's attention to specific matters that should be subject to forensic investigation. The feedback received in this regard has not been indicative of forensic investigations that had been conducted. The accounting officer appears to have relied on his best knowledge. The municipality should address this.</p> <p>b) The municipality had targeted September 2025 to complete the review of its organogram structure to address irregularities in Human Resources including misplacement, salary disparities, ghost employees, time and attendance.</p>
6.22. Setsoto local municipality

The joint committees expect reports and update in connection with the following:

- a) The matter relating to the accident involving the Speaker's official vehicle especially as it pertains to compliance with municipal policy.
- b) The thirteen consequence management cases reportedly opened with the Directorate for Priority Crimes Investigations as well as a full catalogue of consequence management cases in connection with the 2023-24 audit report.
- c) The sixty-eight positions for service delivery related functions that have been advertised and were to be filled by the end of July 2025.
- d) A report on the issue of E.coli contamination.
- e) A plan on skills transfer and the phasing out of consultants.

6.23. Dihlabeng local municipality

- a) Furnish the actual copies of the reports in connection with the following:
 - There are two projects investigated by SIU based on the proclamation, one matter with Public Protector South Africa and aware of ten cases investigated by the Hawks where the municipality received Request for Information .
- b) Provide a plan, with timelines and targets, to correct the dysfunctionality of the nine ward committees.
- c) Share report on performance of the Municipal Public Accounts Committee.

6.24. Nketoana local municipality

A progress report to be furnished in relation to the following undertakings:

- a) The Municipal Public Accounts Committee has committed to finalizing investigation into unauthorized, irregular, fruitless and wasteful expenditure by 30 November 2025.
- b) Development and Implementation of Audit Action Plan by 31 August 2025.
- c) Municipality to request National Treasury by 31 August 2025 to assist with a Financial Recovery Plan for implementation as recommended by the Auditor-General of South Africa.
- d) Regarding consequence management, the municipality should furnish a list of investigations undertaken and indicate the fate of the perpetrators.

6.25. *Phumelela local municipality*

The following matters were reported to be in progress, and the joint committees should be furnished with updates:

- a) It was confirmed that there were staff members and political office bearers who were not paying for municipal services. The municipality undertook to engage the councillors and officials concerned.
- b) Having been asked to provide an update around its land audit plan, the municipality advised that the audit had not yet commenced. There was a commitment to source a service provider to conduct the audit by the end of the end of September 2025.
- c) The Municipal Public Accounts Committee was scheduled to meet on 17 July 2025 to deal with unauthorised, irregular, fruitless and wasteful expenditure for 2023-2024, 2022-2023 and 2021-2022. The Committee tabled a report on 30 June 2025, and this was to be shared with the joint committees.
- d) Municipality was considering the appointment of a debt collection service provider through transversal contract from National Treasury.
- e) Updating of Indigent Register per ward using ward committees and Community Development Workers was not yet complete.
- f) Implementation of Operation *Khokha Mhlali* (Offers Discounts) was reportedly in progress.
- g) Establishment of a revenue enhancement committee led by the Mayor, Municipal Manager, Chief Financial Officer and other Senior Managers, was reportedly in progress.
- h) The list of cases lodged with the criminal justice system should be furnished.

Report to be considered

Report annexure: Municipal leadership delegation list
1. Mangaung metropolitan municipality

- Cllr. G. Nthatisi (Executive Mayor)
- Cllr. L. Titi-Odili (Deputy Executive Mayor)
- Cllr. Mr. V. Nikelo (Chief Whip)
- Cllr. B. Mathae (Speaker)
- Mr. S. More (City Manager)
- Ms. Z. Thekisho (Chief Financial Officer)

2. Xhariep district municipality

- Cllr. I. Mehlomakulu (Executive Mayor)
- Cllr. A. Mokgoro-Shasha (Speaker)
- Ms. L. Moletsane (Municipal Manager)
- Mr. M. Tamasane (Chief Financial Officer)

3. <i>Letsemeng local municipality</i>
<ul style="list-style-type: none"> - Cllr. B. Mocwaledi (Mayor) - Cllr. X. Mthukwane (Speaker) - Ms. S Maneli (Acting Municipal Manager) - Mr. S. Tooi (Acting Chief Financial Officer)
4. <i>Kopanong local municipality</i>
<ul style="list-style-type: none"> - Cllr. X. Tseletsele (Mayor) - Cllr. J. Moitse (Speaker) - Mr. M. Madolo (Acting Municipal Manager) - Ms. P. Sonyano (Chief Financial Officer)
5. <i>Mohokare local municipality</i>
<ul style="list-style-type: none"> - Cllr. T. Mochechepa (Mayor) - Cllr. N. Mokati (Speaker) - Mr. M. Mohale (Acting Municipal Manager) - Mr. V. Litabe (Chief Financial Officer)
6. <i>Lejweleputswa district municipality</i>
<ul style="list-style-type: none"> - Cllr V. Ntakumbana (Executive Mayor) - Cllr D. Dinake (Speaker) - Mr. M. Makhetha (Municipal Manager) - Mr. K. Khoabane (Chief Financial Officer)
7. <i>Nala local municipality</i>
<ul style="list-style-type: none"> - Cllr. N. Ntlebi (Speaker) - Mr. S. Lehloenya (Municipal Manager) - Mr. A. Goliath (Administrator)
8. <i>Masilonyana local municipality</i>
<ul style="list-style-type: none"> - Cllr. D. Modise (Mayor) - Cllr. S. Makata (Speaker) - Cllr. P. Tlahadi (Chief Whip) - Mr. M. Matlole (Municipal Manager) - Mr. A. Makoe (Chief Financial Officer)
9. <i>Tokologo local municipality</i>

<ul style="list-style-type: none"> - Cllr. B. Seakge (Mayor) - Cllr. M. Gaebee (Speaker) - Mr. M. Sehloho (Municipal Manager) - Mr. T. Matile (Chief Financial Officer)
<i>10. Tswelopele local municipality</i>
<ul style="list-style-type: none"> - Cllr. K. Phukuntsi (Mayor) - Cllr. M. Raseu (Speaker) - Mr. S. Rabane (Acting Municipal Manager) - Mr. S. Tsoleli (Chief Financial Officer)
<i>11. Matjhabeng local municipality</i>
<ul style="list-style-type: none"> - Cllr. T. Khalipa (Executive Mayor) - Cllr. B. Stofile (Speaker) - Cllr. M. Lesenyelo (Chief Whip) - Mr. T. Panyani (Acting Municipal Manager) - Mrs. L. Williams (Acting Chief Financial Officer)
<i>12. Fezile Dabi district municipality</i>
<ul style="list-style-type: none"> - Cllr. D. Khasudi (Executive Mayor) - Cllr. M. Mnaba (Acting Speaker) - Mr. S. Thomas (Municipal Manager) - Mr. A. Mgcina (Chief Financial Officer)
<i>13. Moqhaka local municipality</i>
<ul style="list-style-type: none"> - Cllr. M. Mokatsane (Mayor) - Cllr. S. Khiba (Speaker) - Cllr. M. Thebe (Chief Whip) - Ms. P. Tshabalala (Municipal Manager) - Mr. R. Visagie (Acting Chief Financial Officer)
<i>14. Metsimaholo local municipality</i>
<ul style="list-style-type: none"> - Cllr. J. Malindi (Executive Mayor) - Cllr. L. Fisher (Speaker) - Cllr. F. Mosokweni (Chief Whip). - Mr. F. Motlounge (Municipal Manager)

15. Thabo Mofutsanyana district
<ul style="list-style-type: none"> - Cllr. C. Msibi (Executive Mayor) - Cllr. T. Mokoena (Speaker) - Ms. T. Lebenya (Municipal Manager) - Mr. D. Mhlahla (Chief Financial Officer)
16. Maluti-a-Phofung local municipality
<ul style="list-style-type: none"> - Cllr. M. Melato (Executive Mayor) - Cllr. M. Lebesa (Chief Whip) - Cllr. M. Dlamini (Speaker) - Adv. M. Mofokeng (Municipal Manager)
17. Mafube local municipality
<ul style="list-style-type: none"> - Cllr. T. Motsoeneng (Mayor) - Cllr. M. Mofokeng (Speaker) - Adv. M. Lepheana (Municipal Manager) - Ms. N. Gqoli (Acting Chief Financial Officer)
18. Ngwathe local municipality
<ul style="list-style-type: none"> - Cllr. V. De Beer-Mthombeni (Executive Mayor) - Cllr. N. Mopedi (Speaker) - Dr. P. Mothamaha (Municipal Manager) - Mr. S. Phetoane (Chief Financial Officer)
19. Mantsopa local municipality
<ul style="list-style-type: none"> - Cllr. M. Tsoene (Mayor) - Cllr. M. Ncwada (Speaker) - Ms. M. Mogopodi (Municipal Manager) - Ms. T. Tshikundu (Chief Financial Officer)
20. Dihlabeng local municipality
<ul style="list-style-type: none"> - Cllr. T. Tseki (Mayor) - Cllr. N. Mofokeng (Speaker) - Mr. M. Ntheli (Municipal Manager)

- Mr. R. Provis (Chief Financial Officer)
21. Nketoana local municipality
- Cllr. M. Mokoena (Executive Mayor) - Cllr. B. Makoba (Speaker) - Mr. J. Mahamotsa (Acting Municipal Manager) - Mr. J. Makubu (Chief Financial Officer)
22. Setsoto local municipality
- Cllr. S. Mbiwe (Executive Mayor) - Cllr. P. Mavaleliso (Speaker) - Ms. N. Malatjie (Municipal Manager) - Mr. L. Moletsane (Chief Financial Officer)
23. Phumelela local municipality
- Cllr. D. Kobeni (Mayor) - Cllr. T. Zwane (Speaker) - Ms. G. Mhlongo-Ntshangase (Municipal Manager) - Mr. F. Ralebenya (Chief Financial Officer)