**Annexure “A”**

**SUMMARY OF INTERVENTIONS UNDERTAKEN IN TERMS OF SECTION 139 OF THE CONSTITUTION AS AT JULY 2019**

| **Name of Municipality** | **Year of Intervention** | **Nature of Problem**  | **Progress report summary**  |
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| **North West** |  | **TOTAL: 13** |
| 1. Mafikeng Local Municipality (Ngaka Modiri Molema District) | 1 September 2018Previous * Sep 2003 - Mar 2004
* July 2010 – May 2011
* Jan 2016 – Jun 2017 (property rates/ valuation roll
 | **Service delivery, Administration, Financial and HR management and political Financial*** Failure to spend R6 million of MIG in 2016/17 and roll over application not approved due to the municipality’s negative bank balance.
* Illegal investment of R85 million at VBS Bank, inclusive of R60.1 million that was erroneously paid by the Department of Cooperative Governance which it has since refused to pay back.
* Recurrent audit findings pertaining to irregular and unauthorized expenditure which the municipality has failed to address.
* Failure to implement credit control measures to recover outstanding debts from customers.
* Total outstanding creditors are R290 million, of which R254 million is outstanding for more than 90 days.
 | * Municipal Manager was found guilty, investing municipal funds at VBS. He was subsequently relief from his duties and ongoing investigations against the MM are being conducted by the Hawks.
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| 2. Lekwa Teemane Local Municipality (Dr Ruth Segomotsi Mompati District) | 2 May 2019Previous* Jan 2004 dissolution, intervention ended after by elections (90 days after dissolution)
* Jun 2016 – June 2017 (valuation roll/property rates
 | **Governance, Administration and Financial Management*** Poor decision making by council.
* Liabilities exceed revenue.
* Failure to pay creditors and third parties.
* Political instability or infighting.
* Labour unrest.
 | * Political infighting in council as result certain councilors are objecting to the invocation of the intervention.
 |
| 3. JS Marks (Dr. Kenneth Kaunda District) | 2 May 2019 | **Governance, Administration and Financial Management.*** Political instability or infighting.
* Community unrest resulting in closure of N14.
* Poor financial controls and low cash flow.
* Failure to spend MIG and other grants allocation.
* Failure to pay creditors.
 | * Municipal Council resisted the intervention and mandated the Executive Mayor to engage the Premier to ascertain the reasons for the invocation of intervention. It was at this engagement with the Premier that the Executive Mayor agreed to the intervention. However, the Administrator has not been appointed as yet.
 |
| 4. Mamusa Local Municipality (Dr Ruth Segomotsi Mompati District) | 2 May 2019 Previous* Jun 2004 – Feb 2005
* Jun 2016 – June 2017 (valuation roll/property rates.
* July 2019 – disapproved by Minister.
 | **Governance, Administration and Financial Management*** Political instability or infighting.
* Poor service delivery
* Failure to pay creditors and third parties
 | * The Mayor was not satisfied with the manner which Administrator and experts were introduced, but generally there is no resistance from the administration.
 |
| 5. Ditsobotla Local Municipality (Ngaka Modiri Molema District) | 1 September 2018Previous* May 2008 – April 2009
* April 2013 – November 2014
* Jan 2016 to dissolution set aside by the Minister.
 | **Governance, Administration, Service Delivery and Financial Management** * Instability of Municipal Council characterized by weak oversight and decision-making without following procedures, and failure to appoint senior management.
* Receipt of disclaimer audit opinions for three consecutive years (2012/13, 2013/14 and 2014/15), a qualified opinion for 2015/16, and another disclaimer for 2016/17.
* Collapse in service delivery due to lack of maintenance, especially the water and sanitation infrastructure, resulting in sewer spillages and water supply interruptions.
* Poor expenditure of MIG and other conditional grants.
* Fraudulent activities within the revenue management unit based on the appointment of consultants to perform revenue management functions.
* Decline in collection rate over the past five years, while cash available is not sufficient to cover the total outstanding creditors of R350 million.
 | * There was resistance but after the intervention of the Premier and MEC LG with the TROIKA the matter was resolved.
* There are recently signs of resistance to an extend where Council resolved to request the MEC to change the Administrator.
* National Treasury has withhold Equitable Share due to non-compliance with budget processes as at the beginning of the financial year 01 July 2019.
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| 6. Ngaka Modiri Molema District Municipality (Section139(1) read with section137 of the MFMA. | Sep 2018Previous* July 2009 – August 2010
* July 2014 – July 2014 –Withdrawn after an interdict by the municipality.
* Sep 2014- Nov 2014 ( dissolution)
* March 2015 (water provision)
* May 2015( converted into full intervention.
 | **Governance, Administration and Financial Management*** Receipt of disclaimer audit opinions consecutively for the past five years (2012/13 to 2016/17).
* Collapse of intergovernmental relations in the district.
* Failure to provide sustainable water and sanitation services to its constituencies, and there is no integrated infrastructure plan to address this problem.
* Lack of formal institutional arrangements for the provision of water and sanitation between the municipality and its local municipalities, which continues to compromise service delivery.
* Serious cash flow problems and lack of sound financial management.
* Failure to pay creditors within 30 days, resulting in the municipality currently owing R62 million to its trade creditors and persistently defaulting in the payment of its bulk supply creditors, especially Sedibeng Water Board which it owes R365 million.
* Implementation of unfunded budgets for the past three years, due to over-commitments (projected expenditure exceeds anticipated revenue) and unrealistic revenue projections; and
* Increasing irregular expenditure over the past three years, from R401 million in 2014/15 to R1.4 billion in 2016/17, with the total unauthorized, irregular, fruitless and wasteful expenditure now exceeding R3.2 billion
 | * Municipal Council accepted the intervention. Since then the municipality has stabilised administratively than the chaotic situation it experienced for many years, the challenge that remains is the capacity to deliver on the mandate of Water Services Authority.
 |
| 7. Tswaing Local Municipality (Ngaka Modiri Molema District) | 2 May 2019Previous* July 2010 – May 2011
* May 2016 – August 2016
* Jan 2016 (dissolution set aside by Minister
 | **Governance, Administration and Financial Management Dysfunctionality.*** Liabilities exceeds revenue.
* Bloated structure.
* Poor revenue collection.
* Poor service delivery in particular provision of water.
* Failure to pay creditors and third parties.
 | * Municipal Council accepted the intervention. Recently the Municipality failed to pay salaries and third party payment for employees. An Administrator has assumed responsibilities as from 01 July 2019.
* National Treasury has withhold Equitable Share due to non-compliance with budget processes as at the beginning of the financial year 01 July 2019.
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| 8. Madibeng Local Municipality (Bojanala Platinum District) | 2 May 2019Previous* July 2010 – May 2011
* Feb 2014 - March 2014, withdrawn after disapproval by Minister
* May 2015 – Aug 2016
* January 2016 – dissolution set aside by the Minister
 | **Governance, Administration and Financial Management*** Political instability or infighting.
* Poor decision making taken by council.
* High vacancy rate.
* Poor financial controls.
 | * Municipal Council accepted the Intervention and the Administrator has been appointed as at 01 July 2019.
* National Treasury has withhold Equitable Share due to non-compliance with budget processes as at the beginning of the financial year 01 July 2019.
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| 9. Maquassi Hills Local Municipality (Kenneth Kaunda District) | 1 September 2018Previous* April 2013 – June 2014
 | **Governance, Administration, Service Delivery and Financial Management** * Instability of Municipal Council characterized by infighting that led to the failure to appoint senior management, and there is generally weak oversight by the Municipal Council.
* Backlog of oversight reports from 2008/09 to date.
* There is no administrative capacity due to 100% vacancy at senior management positions.
* The poor or lack of maintenance of the waste water treatment plant is characterized by sewer spillages in the townships.
* Irregularities within the Supply Chain Management unit.
* Lack of consequence management which has led to an annual increase of irregular, fruitless and wasteful expenditure.
 | * Municipal Council resisted the intervention at the beginning of the intervention to an extend that the Administrator had to be replaced.
* The Municipality is stabilized, the only concern raised by Municipal Council are the powers of the conferred to the Administrator in the terms of reference against those of the Municipal Manager in terms of Municipal Systems Act.
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| 10. Kgetleng-River Local Municipality. | 01 September 2018 | **Governance, Administration and Financial Management*** Weak Oversight by council that led to backlog of oversight reports.
* Violent Service Delivery Protest Mayors house touched.
* Rate Payers association granted interim order (Case 73/2018) to take control of water supply to Koster.
* Municipality forfeited 4 years rates revenue in case no. M 152/14.
 | * Initially indications were there to resist the intervention, but later the intervention was accepted through the intervention of the MEC LG and TROIKA.
* To date, the intervention is in operation without resistance.
 |
| 11. Kagisano Molopo Local Municipality | 01 September 2018 | **Governance, Administration and Financial Management** * Instability of Council characterized by political infights in council that compromises oversight.
* SCM processes hijacked by councilors aligned to the business forum.
* Municipality unable to spend its MIG allocations.
 | * A hot-spot municipality, even to date the provincial CoGTA and national through the appointed Administrator, are still denied access to the municipality by business forum. It is alleged that the business forum is supported by of some councilors and Municipal Manager.
* Subsequently, the municipality took the Provincial Government to Court challenging the intervention and the court has ruled in favour of the municipality, setting aside the decision of the provincial government to invoke section 139. The court did not deliberate on the substantive matters that led to the intervention, but instead relied on the fact that provincial government does not have powers to intervene whilst itself is under intervention in terms section 100 of the Constitution by national government.
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| 12. Naledi Local Municipality (Dr Ruth Segomotsi Mompati District) - S139(1) read with S137 of the MFMA converted into S139(1)(b) | 01 September 2018 | **Governance, Administration and Financial Management** * Financially Distress.
* Failure to pay creditors and third parties and total outstanding creditors as at Jan 2019 standing over R387m.
* Gross - Non Compliance to SCM processes especially within the Bid Committees.
* Poor financial controls and low cash flow
* Poor revenue collection.
 | * Municipal Council accepted the interventions. The Municipality is faced with is serious labour dispute which creates administrative instability. At some point the municipal offices were shut down by employees of the municipality due to the dispute.
* The Intervention Team is currently engaging trade unions to find amicable solution. The situation created a serious security threat.
 |
| 13. Ratlou Local Municipality  | 2 May 2019 | **Governance, Administration and Financial Management.*** Political instability or infighting.
* Poor service delivery.
* Suspension of the current Municipal Manager by council, and appointed and extended the period of acting of a manager that does not qualify to Act as a Municipal Manager which the extension has now being declared unlawful and invalid by a court of law. Any decisions taken by the acting Municipal Manager are declared invalid and of no force and effect by the court.
* Municipality owes Pension funds, Medical Aids and Funeral Policies of members due to cash flow challenges.
* Interrupted supply of water due to lack of maintenance and none-payment water services.
* The municipality is currently implementing a budget which is not funded, cash flow projections have been overstated.
 | Municipal Council accepted the intervention. The municipality has been in court battles regarding the municipal manager’s suspension which the municipal manager won the case. |
| 14. Ramotshere Local Municipality  | 01 September 2018 | **Governance, Administration, Service Delivery and Financial Management.*** Political instability, Municipal Council having appointed two speakers at the same time.
* Failure to adopt the budget within the prescribed period.
* Sewer spillages and refuse removal.
 | The Municipal Council accepted the intervention from the beginning to date he municipality has stabilized, political instability has been resolved and the Administrator have been re-deployed to assist in Naledi municipality. |
| **Free State** |  | **TOTAL: 3** |
| 1. Mafube Local Municipality (Fezile Dabi District) | December 2017 | **Critical Business Issues facing Mafube:*** Inability to provide basic services.
* Lack of financial management and credit control.
* Declining Auditor-General outcomes.
* Poor governance and political oversight
* Ineffective communication with communities and key stakeholders.
* Inability to strengthen and improve the functioning of the administration and governance due to lack of skills and resources

**Governance*** Working relationship between the Administrator and the Municipal Manager.
* Municipal Workers has been on a slow go since November 2018 due to the lack of third party payments by the municipality. This situation has significantly affected revenue collection communities has noticed the lack of service delivery by the municipality.
* The Sheriff of the Court is in the process of liquidating the municipality and unconfirmed reports indicates that SAMWU and the Sheriff are working together.
* Ward councillors are not convening meetings with communities whilst they receive a stipend.

**Challenges with regard to service delivery*** Absence of infrastructure and operations and maintenance planning.
* Lack of resources and operating funding, to adequately operate and maintain existing infrastructure and replace aged infrastructure.
* Capacity and skills shortages.
* Legality and financial problems with the electricity supply concession agreement with Rural Maintenance.
* Dispute on raw water abstraction charges as this is not metered.
* Non-functional or faulty water consumption meters preventing correct billing and revenue receipts.
* Sewer treatment works have capacity constraints and need upgrading.
* Aged and unreliable pumps, tractors and trailers.
* Department of Energy (DoE) grant funding for electrification projects is withheld for various reasons.
* In land-use management the full implementation of SPLUMA is outstanding

Financial and Credit Control Management Challenges:* Cashflow deficits of approximately R400m.
* Bank account attached for R16m on 2 July 2019 due to outstanding payments to the Provident Fund amounting to R70m.
* All section 56 positions are filled but placing a huge burden on the municipality to the extent that almost the entire Equitable Share is utilised to paying salaries of employees.
* Provincial CoGTA had to support the municipality financially as it was not able to pay salaries for May and June 2019.
* AFS for 2017/18 to be finalised by the end of July 2019. Mafube will receive a disclaimer audit opinion – Auditor-General could not express an opinion due to lack of records management.
* Lack of Inadequate financial management, operations and administrative inefficiencies.
* Poor internal controls and financial processes.
* Inadequate performance management and lack of accountability also leading to delays due to labour unrest.
* Non-compliance with the relevant legislative framework.
* Under spending on conditional grants due to cash flow shortages and the spending of conditional grants on normal operating expenditure.
* Incorrect billing and irrecoverable debtors

**Economic Challenges*** The sustainability of the municipality is also threatened by other socio-economic challenges, i.e.
* The declining economy and high rate of poverty and unemployment carries the inherent risk of inability by communities to pay for services.
* High poverty rate and indigents represents approximately 70% of the population.
 | * Since the invocation of the intervention 2 years ago, the municipality only managed to appoint Municipal Manager and managers reporting to the MM.
* The municipality is under dire financial crisis to an extent that the municipality’s bank account has been attached by the Sherriff of the Court.
 |
| 2. Masilonyana Local Municipality (Lejweleputswa District)  | March 2017Previous* Dec 2010- May 2011
 | **Governance, Administration and Financial Management** * Lack human resource capacity at financial and technical unit.
* Utilization of MIG funds for operations resulting in lack of service delivery.
* Institute corrective measures to ensure that meters functions correctly.
* Installation of bulk and zonal meters.
* Installation of streets lights meters and bulk electricity meters (including conventional/ prepaid).
* Source funding for the smart meter reading systems.
* Address customer queries (accounts and billing queries).
* Reconcile the Valuation roll to the billing system (the VAB has been established and appointed).
* Tariff setting
* Delay in ensuring that Council resolutions are adequately formulated, timely distributed, tracked and implementation monitored.
 | * Service delivery remains a challenge in the municipality. Provincial CoGTA failed to replace the Administrator since departure of the previous Administrator.
 |
| 3. Maluti-a-Phofung Local Municipality (Lejweleputswa District) | March 2017 | **Governance, Administration and Financial Management** * Municipal Council failure to have council meeting
* Expulsion of councilors in December 2018 brought instability in both council and administration.
* No Mayor, Speaker and Chip Whip
* Municipal Council failure to pass mandatory/ statutory obligations such as budget and IDP.
* Highest Eskom debt in the country with 1.9 billion owed to Eskom.
* Lawlessness in the municipality (Company collecting cash received for electricity staged robbery when collecting cash).
* Failure of the PEC to implement Executive Directive and Decisions of the previous Minister to intervene in the municipality.
* Lack of cooperation by the provincial CoGTA warrants invocation of Section 100.
 | * This is the most challenged municipality with high political infighting causing administrative deficiency. Most of the priority issues raised in the Minister concurrence letter, such as the filling of vacant section 56 and 57 positions could not be implemented mainly due to the dysfunctional Council since October 2018 until June 2019.
* Progress made thus far is that Financial Recover Action Plan was developed by National Treasury and approved by Council during October 2018, however the FRP is not implemented due to lack of Senior Managers.
* An acting MM and Human Resource expert were deployed by the FS CoGTA department to support the Administrator.
* The organogram of the municipality has been reviewed and is 95% complete. Illegal workers which was appointed during December 2015 has been dismissed.
* The governance challenges experienced by the Maluti a Phofung local municipality have rendered the municipality dysfunctional in all areas relating to institutional capability, service delivery and financial management.
* Maluti-a-Phofung Local Municipality is still without an Executive Mayor, Speaker and the Chief Whip, however the PR Councillor was replaced in May 2019.
 |
| **Gauteng** |  | **TOTAL: 2** |
| 1. Emfuleni Local Municipality (Sedibeng District) – Ss 139(1)(b) and 139(5) | June 2018 | **Financial Administration and Service Delivery*** Challenges to municipality’s cash-flow status largely due to poor revenue collections attributable to high unemployment and poverty levels.
* The municipality has to date struggled to pay its bulk supply creditors on time giving rise to current levels of outstanding bulk accounts reaching R932 million as at 31 March 2018;
* In addition to the above, the various other creditors outstanding have reached an amount of R180 million, with monthly salaries and benefits of employees amounting on average to R90 million; and
* The financial situation of the municipality has negatively impacted service delivery and has created backlogs on services, such as waste management, and exacerbated the extent of water and electricity supply interruptions to a number of communities.

**IMMEDIATE AREAS OF FOCUS*** Resolution of the Intervention compliance and duration (consider dissolution of Council or extension of the intervention on new terms, with national playing a direct role)
* Filling of senior manager posts (political intervention)
* Strengthen governance and institutional intervention (properly resource these interventions)
* Develop an intervention funding model which is not dependent on municipal SCM systems that still carry a risk of misuse of financial resources
* Establish a steering committee to monitor progress and reporting to Minister
* Strengthen provincial CoGTA’s role in the intervention and its own capacity
* Fill all critical vacant technical posts (for the take-over of the sanitation infrastructure once SANDF pulls out)
* Institute consequence management (all forensic reports implemented, investigations concluded and implemented)
 | * The province did not agree to the recommendation that an Administrator be appointed to intervene.
* Council continued to function as normal and taking decisions. Provincial CoGTA failed to progress report although required to do so by the Minister.
* The water and sanitation challenges remains unresolved. SANDF assisted with spillages, however the capacity of the municipality to deal with water and sanitation remains a challenge.
* Municipality failed to appoint Senior Managers, for almost over two years, in contravention of the legislation governing the appointment of senior managers.
* The allegations are that with all the attempts made to appoint, Council had on many occasions not agreed to some candidates, for political reasons. This has left a municipality without substantive senior managers in the middle of the intervention for too long, deepening the crisis. It must be stated that even the intervention was at some point opposed to, even the approval of the financial recovery plan.
* The fact that two interventions were invoked at once, that is Sections 139(1)(b) and (5) of the Constitution, the was confusion in terms of processes, with salient battles for turf between the provincial CoGTA and Treasury departments, and thus non-compliance to some areas of the law.
 |
| 2. Westrand District Municipality (Sec 139(5)). | February 2019 | **Governance, Administration and Financial Management** * Serious financial challenges diagnosed through section 140 of the MFMA, amongst others:
* Failure to pay salaries and related third parties
* Failure to pay creditors.
 | Municipality still faces serious financial challenges. |
| **Northern Cape** |  | **TOTAL: 01** |
| 1. Phokwane Local Municipality  | 27 March 2019 | **Governance and Administration*** Lack of cohesion within the caucus of the majority party due to factional tendencies (perceived and real)
* Municipal Council objection to the intervention that resultant expulsion of the former Speaker and Mayor has aggravated the divisions which have spilled into the communities. This has placed a strain on the service delivery capability of the municipality.
* Only the Director Corporate Services position is filled. The CFO position was vacant since 21 May 2018. The former municipal manager was dismissed in April 2019 and is challenging the dismissal through the CCMA
* The organisational structure appears to be bloated and unsustainable

**Financial Management*** For three (3) successive years (2015/16 to 2017/18) Phokwane LM’s audit was not finalised as a result of failure to submit the Annual Financial Statements by the legislated date. For seven (7) years before then the audit outcome had been a disclaimer.
* Municipality highly indebted to ESKOM and Vaalharts and Sedibeng Water Boards. Their collection rate stands at 49% and water losses is at 70%. Debt owed stands at R60 million to ESKOM, R50 million for Sedibeng Water Board and R35 million for Vaalharts Water.
* The municipality is 72% dependent on grants and did not have a cash backed budget in the last five (5) financial years.
* The municipality is not sustainable due to poor collection rate and poor cash flow management.
* For the past three financial years Phokwane’s budget was unfunded and unsustainable.
* The following key observations were made during a mid-year assessment conducted by the Provincial Treasury in March 2019:
* Annual Financial Statements for 2016/17 & 2017/18 are still outstanding
* Section 71 reports is always outstanding and not credible when submitted including the section 72 report.
* No progress was reported on the Budget Plan 2018/19 for municipality to table and adopt a funded draft and annual budget for 2019/20
* Phokwane lost R14 million of grant funding (MIG) during the 2017/18 due to a failed rollover application and non-compliance with the DORA requirements.
* In the last financial year 2017/18 the municipality struggled to pay salaries due to cash flow challenges. Currently, the municipality is operating without an approved budget due to the failure of council to adopt a budget for the new budget year 2019/20

**Service Delivery and Infrastructure Development*** 16% of the population in formal households do not have adequate sanitation services. Septic tanks are still prevalent in Pampierstad and are not regularly serviced by the municipality. This often leads to spillages.
* DWS indicates that numerous pollution and spillage incidents have been reported in the Phokwane LM. Non-compliance notices have been issued to the municipality regarding all three waste water treatment works in the area.
* In terms of the technical capacity of the municipality, the Department of Water, Human Settlments and Sanitation found that Phokwane’s areas of vulnerability include:
	+ Low staff skill levels and technical staff capacity
	+ Low level of operation and maintenance of assets
	+ Financial management, which is crucial for service delivery
* Although the municipality has done with water services infrastructure, service delivery has been compromised by poor management of MIG funding.
 | * An Administration Team comprising the Administrator and a financial expert were appointed by the MEC on 05 April 2019.
* A technical specialist has since been appointed to strengthen the service delivery capacity of Phokwane LM.
* The administrative efforts of the Administration Team to exercise their powers and execute their delegated functions were marred by continuous disruptions and culminated into an untenable security situation, leading to a wasted three months (April to June 2019) of the intervention.
* A Task Team comprising DCoG, CoGHSTA, MISA, Provincial Treasury, Frances Baard District Municipality and SALGA, has been set up to support the Administrative Team deployed in the municipality. The Task Team will undertake a full diagnostic assessment of the challenges; develop a turn-around plan; and monitor the implementation thereof. The Task Team will provide regular progress reports to the Minister and the Executive Council of the Northern Cape Provincial Government;
* The Executive Council has been appraised of the unfolding situation at the municipality and will be taking action during the month of July 2019, including intervening through the invocation of section 139(4) to ensure that the municipality complies with provisions of the MFMA and all other legislation governing local government;
* In support of the intervention regarding the interruption of water services, MISA has provided a Technical Expert (an Engineer) to focus on the technical services issues, initially only water related, but in terms of the Ministers conditions (all aspects of Back to Basics) will cover the whole spectrum of the technical services (Water, Sanitation, Sewer, Electricity, Roads and any other infrastructure).
* An urgent application for an interdict against intimidating and disruptive conduct of the former Speaker and former Mayor was made in the High Court on Friday, 5 July 2019. The court granted an interim interdict and the final order will be delivered on 26 July 2019.
* To address the threats to the personal safety and intimidation of the administrative team, SAPS and intelligence services have been engaged. On their recommendation the team has now changed their accommodation and are assigned close contact protection by bodyguards.
* Political intervention is required to address the expulsion of the two councillors from the party and their replacement on the party list.
 |
| **Eastern Cape** |  | **TOTAL: 2** |
| 1. Enoch Mgijima Local Municipality (Chris Hani District) – Ss 139(1)(b) and 139(5) | August 2018 | Governance, Financial Administration and Service Delivery * Problem with revenue collection as the municipality’s collection levels are between 64 and 70%.
* Credit management policy not fully implemented as rates are not paid in other areas of the municipality.
* An accumulated Eskom debt of R85 097 145.76, with R44 404 619.47 of this amount being a payment arrangement debt, R16 151 982.41 is an arrear debt and R24 540 545.13 is the current account.
* The municipality was at a risk of being unable to effectively provide services, such as refuse collection, due to the sale in execution of its assets; and
* Inability to meet financial commitments to other creditors, besides Eskom.
 | * Municipal Financial Recovery Plan was developed.
* Municipality remains on dire financial crisis failing to pay salaries and providing services.
 |
| 2. Amahlathi LM S 139(1)(b) and (5) | 11 March 2019 | * Political instability and political infighting
* Lack or poor revenue collections
* Utilization of MIG funds for operations resulting in lack and poor service delivery.
* Failure to pay salaries and third parties.
 | Political instability and infighting remains challenge. Provincial Government made submission to Municipal Council with intention to dissolve the council and they must give reasons why they should not be dissolved.  |
| **Mpumalanga** |  | **TOTAL: 5** |
| 1. Emalahleni Local Municipality (Nkangala District) - S139 MFMA | 11 October 2018Previous* May 1999 – after LG election of 2000
* April 2013 – Dec 2015
 | - Meet intervention criteria in terms of sections 138 and 140 of the MFMA. | * National and Provincial Treasury facilitated the development of the Financial Recovery Plan (FRP)
* FRP approved and presented by the MEC Finance to Council on 28 February 2019
* FRP currently implemented
 |
| 2. Lekwa Local Municipality (Gert Sibande District) - S139 MFMA | 11 October 2018PreviousOct 2009 – June 2011 | * Meet intervention criteria in terms of sections 138 and 140 of the MFMA.
* Dispute between the municipality and Astral on the provision of water in a sustainable manner impacting on the business of Astral.
 | * FRP development facilitated by the Provincial Treasury
* Draft FRP published on municipal website and local newspaper issued on 14 May 2019
* FRP submitted to National Treasury Financial Recovery Service Unit for consideration before submission to MEC by end of July 2019
 |
| 3. Govan Mbeki Local Municipality (Gert Sibande District) - S139 MFMA | 11 October 2018 | * Meet intervention criteria in terms of sections 138 and 140 of the MFMA.
 | * FRP development facilitated by the Provincial Treasury
* Draft FRP published on municipal website and local newspaper issued on 22 March 2019
* FRP submitted to National Treasury Financial Recovery Service Unit for consideration before submission to MEC by end of July 2019
 |
| 4. Msukaligwa Local Municipality (Gert Sibande District) - S139 MFMA | 11 October 2018 | * Meet intervention criteria in terms of sections 138 and 140 of the MFMA.
 | * FRP development facilitated by the Provincial Treasury
* Draft FRP published on municipal website and local newspaper issued on 02 April 2019
* FRP submitted to National Treasury Financial Recovery Service Unit for consideration before submission to MEC by end of July 2019
 |
| 5. Thaba Chewu Local Municipality (Gert Sibande District) - S139 MFMA | 11 October 2018PreviousOct 2009 – Dec 2010 | * Meet intervention criteria in terms of sections 138 and 140 of the MFMA.
 | * FRP development facilitated by the Provincial Treasury
* Draft FRP published on municipal website and local newspaper issued on 05 April 2019
* FRP submitted to National Treasury Financial Recovery Service Unit for consideration before submission to MEC by end of July 2019
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| **KwaZulu-Natal** |  | **TOTAL: 09** |
| 1. Umzinyathi District Municipality | October 2016Previous* Dec 2007 – June 2009
* April 2013- Dec 2013
 | **Governance*** Failure to comply with the requirements of section 29(2) of the Municipal Structures Act, which (among others) provide for the calling of the first meeting of the council within 14 days after all the members to be appointed by local councils have been appointed. It could not comply with these requirements because the Nquthu Local Municipality, due to disagreements in its then hung Municipal Council following the 2016 local government elections, failed to appoint five councillors who were supposed to represent it in the District Council.
* Intervention reviewed between June and July 2017 to include appointments of Municipal Manager and Senior Managers and financial management.
 | Municipality improved on financial management and MM and managers reporting to the MM were appointed.Governance at the Municipality has improved although the municipality is still faced with service delivery challenges with the provision of water. |
| 2. Endumeni Local Municipality (Umzinyathi District) | 05 December 2018 | **Governance and Financial Administration*** Governance stabilized since intervention.
* Lack of Senior Managers and Municipal Manager.
* SIU and Hawks investigations on financial misconduct of Senior Managers
 | * Governance stabilized since the intervention and appointment of the Municipal Manager and Senior Manager: Technical Services and Senior Manager: Corporate Services is expected to be finalized by September 2019.
* Executive Committee elected on the 12th of June 2019 and committees are now sitting as per schedule
* The findings of fruitless, irregular and wasteful expenditure were referred to MPAC and subsequently to Council. Council directed that disciplinary proceedings be instituted against all officials implicated in the report.
* All staff involved with Bid Evaluation and Adjudication Committee in irregularities are being disciplined through a series of hearings
 |
| 3. Edumbe Local Municipality (Zululand District) - S139 read with S136(2) of the MFMA, and S139(1)(a) | July 2017 | **Financial Administration*** The municipality’s cash flow situation had seriously deteriorated to the extent that there were insufficient funds to pay critical operational expenditure.
* Serious lack of capacity in the Budget and Treasury Office (BTO), due to several vacancies in that office, and the CFO is only able to deal with day to day matters, and cannot address serious deficiencies relating to revenue collection, debt management or procurement planning, and effective budgeting.
* The risk of creditors instituting legal action against the municipality was not being managed effectively, and the municipality was unable to meet its financial commitments due to its Council’s lack of urgency to appoint a Municipal Manager to exercise oversight over financial and risk management.
* Credit control and debt management were extremely weak and require a specific strategy to address deficiencies within the municipality which contribute to its cash flow crisis; and
* The inability of the Council to play an effective oversight role and take necessary decisions around matters of financial management, risk management and internal controls further exacerbated the situation.
 | * The Intervention has been revoked and the formal close out report is still awaited. The following achievement/progress has been noted:
* There is now stability in municipal council.
* Municipal Manager & Chief Financial Officer have been appointed.
* The Budget & Treasury Office performance has improved credit control implemented.
* Outstanding Eskom debt has been settled.
 |
| 4. Inkosi Langalibalele Local Municipality (Uthukela District) | December 2017 | **Governance and Financial Administration*** Irregular increase of salary scales above the scale approved by the Local Government Bargaining Council.
* Failure to adopt an organogram aligned to the municipality’s powers and functions.
* Failure to comply with the requirements to submit 2016/17 Annual Financial Statements.
* Unspent conditional grants to the amount of R12.5 m which were not cash backed; and
* Failure to pay creditors within 30 days as required by the MFMA.
 | * The matter of overpayment of Security Service Providers was referred to mediation. A letter of demand issued. The Municipality has instructed attorneys for the recovery.
* All unspent grants are now cash backed, however National Treasury has requested the municipality to pay back an amount of R13.2m which was unspent as at end of June 2018. First payment deducted from Equitable Share in December 2018, another one in March 2019 and the last one due in July 2019.
* The trimming of the organogram has been finalized in order to address the cost factor of employee costs. A further trimming of the organogram took place on 2nd and the 12th of April 2019 respectively. The final draft has been presented to Labour Union and is going through the LLF. It will be served at Council. Organogram adopted by Council.
* The challenge of non- compliant and absorption of employees additional to staff establishment is currently undergoing section 189 CCMA.
* There has been delays in grant spending amounting R 14 million during 2017/18 due to delay in Bid Committees sittings and the Municipal Manager has since reviewed the committees and turn around expected to improve for the future
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| 5. Mpofana Local Municipality(Umgungundlovu District) | December 2017Previous* Sep 2014 – Nov 2014 (dissolution ended after by elections.
* Nov 2014 –Mar 2015
 | **Governance and Financial Administration*** The Municipal Council did not respect its own Rules and Orders and the Speaker was reluctant to implement the Code of Conduct for councillors;
* The municipality failed to apply consequence management to members of the management who had absented themselves without authority or failed to submit reports to committees or failed to implement the recommendation of the Auditor General;
* The Municipal Council had failed to conduct performance management for senior management;
* The municipality was failing to pay creditors within 30 days as required by the MFMA; and
* The Municipal Council had failed to fill some vacancies in the senior management, including the position of the CFO.
 | **Appointment of Senior Managers****Municipal Manager. -** After all processes finalized candidate declined the offer. Council resolved to re-advertise in July 2019. **Chief Financial Officer -**The municipality also followed the prescribed processes for the recruitment of the Chief Financial Officer, and it has since emerged that the recommended candidates have been offered a similar position in the municipality where he is currently. Council resolved that this be re-advertised as well and will also appear in the national newspapers in July 2019. **Director- Economic &Social Services** - An offer has been made to the successful candidates and appointment letter issued soon and await whether accepts or reject the position.**Director – Corporate Services** - the position has been frozen due to financial challenges facing the municipality.**Director –Technical Services** -Interviews have been conducted and currently the municipality is finalising including obtaining concurrence approval on the recommended candidate from the MEC for COGTA. This process in envisaged to be completed by the end of July 2019**Eskom Debt**:The Municipality owes Eskom an amount of R130 million to date On the 02 July 2019 Eskom threatened to disconnect unless the full outstanding amount is settled. The municipality left with no opted but to approach the High Court to interdict and prevent Eskom from disconnecting electricity supply. On the 06 July 2019 the High Court, KZN Division, Pietermaritzburg ordered Eskom not to disconnect electricity supply to the municipality with immediate effect pending finalisation of the application on the 15 August 2019**Audit Action Plan** – The plan is in place and the municipality recently appointed a person to act as the Chief Financial Officer. A year-end process plan including timetable for preparation of Annual Financial Statement. Financial Statements developed. AFS to be compiled in-house, and an improved outcome is envisaged |
| 6. Abaqulusi LM  | February 2019Previous* May 2005- Mar 2006
* Mar 2013 – Mar 2015
 | **Governance and Service Delivery*** Poor governance and lack of service delivery.
* Poor spending of MIG grants.
* Appointment of unqualified managers
* Failure to pay creditors.
* Municipality entered into a 20 year contracts to manage PMU unit.
 | * Provincial Treasury Team is to assist the municipality in MIG expenditure. All Capital Project Tenders are being subjected to audit.
* MISA is assisting the municipality in addressing water challenges especially in Mondlo and the Engineer has been assigned at the District to support Zululand District Family of Municipalities.
* The Interim Finance Committee chaired by Administrator and responsible for evaluation of all payment to creditors has been established to ensure that only legitimate payments are processed.
* Long term contract are to be reviewed with a view to terminate those poor performing service provider including review of litigation. The matter still outstanding
* Payment arrangement with Eskom has been concluded and cost containment strategy adopted by council is enforced and policies such cell phone allowance are being reviewed in order to curb costs.
* There are no signs of improvement in terms of Debt collection and the policy and debtors Age Analysis are under review
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| 7. Uthukela District Municipality | 21 August 2018PreviousMay 2013 – Dec 2013 | **Financial Administration, Service Delivery and Governance** * Weak financial management controls and processes, compounded by rapidly depleting cash reserves;
* 2016/17 Annual Financial Statements indicated that the municipality’s liabilities exceeded its assets by R92.37m, and this scenario appears to have worsened during the 2017/18 financial year;
* For same period, unspent conditional grants of R69.71m and consumer deposits of R13.58m were disclosed but were not cash backed as at year end, proving that the municipality had used conditional grants for operational expenses;
* Water losses amounted to R53.7m, while consumer debtors stood at R797.4m as at 31 May 2018, of which households accounted for 91%, which indicated the municipality’s inability to collect consumer debt;
* Municipal creditors for more than 30 days amounted to R53.7m as at 31 May 2018, while the municipality incurred irregular expenditure and fruitless and wasteful expenditure of R136m and R64, 581, respectively, for the same period; and
* Consistent failure to budget adequately for repairs and maintenance of its 13 Water Treatment Works, 8 of which are being operated beyond design capacity, and 5 of its 9 Waste Water Treatment Works are dysfunctional.
 | Municipality remains challenged with inadequate water provision that even led the President to visit the area due to protest on lack of water. |
| 8. Mtubatuba LM  | 13 March 2019Previous* Nov 2012 – Feb 2015
* Feb 2015 – May 2015 (dissolution ended after by elections)
* May 2015 – August 2016
 | **Governance, Financial Administration and Service Delivery*** Dysfunctional Municipal Council.
* Failure by the Municipal Council over oversight of the administration.
* Constant vacuum in administrative leadership.
* Proliferation of refuse in KwaMsane township and St Lucia.
* Unauthorized, irregular, fruitless and wasteful expenditure soaring.
* Lack of consequence management.
 | * The Minister’s concurrence of Intervention was granted during April 2019. The Administrator for Mtubatuba Municipality commenced during April 2019 however has since resigned and the new Administrator was appointed and assumed responsibilities as from 15 July 2019. The following progress can be reported to date:
* The challenge of dysfunctional council is to presented & discussed at the next whippery meeting with a view to assess and review Rules & Orders to respond to disciplinary matters where applicable
* The appointment of Service provider to compile general valuation roll is expected by 30 July 2019. Billing accounts information cleansed and revised statements are currently issued. Awaiting consumer’s response.
* Review of Supply Chain Management, delegations and possible on line procurement to be undertaken in the 2019/20 financial year
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| 9. Richmond LM  | 13 March 2019 | **Governance, Financial Administration and Service Delivery*** Political and administrative instability.
* Allegation of maladministration, fraud and corruption.
* Labour protests and stoppages.
* Protracted legal dispute between the Municipal Council and the Municipal manager.
* Inter and intra party political party tensions.
* Lack of commitment to implement section 32(2) of the MFMA.
 | Municipal Financial Recovery Plan developed to mitigate and remedy challenges triggered the intervention. |
| 10. Msunduzi LM  | 9 April 2019PreviousMay 2010 – may 2011 | **Governance, Financial Administration and Service Delivery*** Rendering of the Municipal Council dysfunctional by the councilors.
* Consequence management failures.
* Lack of oversight on grants.
* Poor governance and serious service delivery challenges.
* Unauthorized, irregular, fruitless and wasteful expenditure.
* Failure to investigate malfeasance and maladministration.
 | * The assessment and recovery plan have been completed during the middle of June 2019. The recovery plan workshop has been planned with all Councillors with a view that it be formally adopted by Council on 31 July 2019.
* Thereafter, will be communicated with external stakeholders and the media for buy-in regarding its implementation. It should however be noted that implementation of aspects of the plan have begun notwithstanding formal adoption by Council

**Achieving discipline in meetings of Council and oversight committees** * The latest council meeting lapsed however the rescheduled meeting was successful. Administrator is doing an analysis of previous cases of non-attendance at meetings where actions need to be taken by the Speaker. To reinforce discipline at meetings, the Speaker, Chief Whips and Whips of all political parties will now meet from time to time to lay clear guidelines on conduct expected from councilors**.**
* Disciplinary process for City Manager & General Manager Community Services is in progress.
* Ethekwini Municipality and Umgeni Water were approached to assist the municipality in addressing water and electricity backlogs.
* A multi-disciplinary team has been set up to plan for sustainable cleaning and maintenance of the CBD. This team consists of waste collectors, street sweepers, parks and gardens, roads and storm water, informal trade and security**.**
* The Administrator is now part of the signatories of bank account. Weekly cash flow reports are also generated. Expenditure Committee is also in place to scrutinise all spending and payment decisions before ratification by Administrator**.**
* Interviews for General Manager: Technical Services have taken place and three recommended candidates are undergoing psychometric tests. Final decision will be adopted by Council at the end of July.
* Four Senior Management interviews are also planned, namely:
* Senior Manager: Financial Governance & Reporting
* Senior Manager: Town Planning
* Senior Manager: Development Management
* Senior Manager: Legal
* The review of the organizational structure is work in progress as the Work Study Team has been appointed. The review process is expected to be finalised by the end of December.
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| **Western Cape** |  | **TOTAL: 01** |
| 1. Kannaland Local Municipality (Eden District) - S139(5) | 07 December 2016 | **Financial Administration*** The municipality received an adverse finding for the financial year ending in June 2016; and
* It was also experiencing a serious financial crisis and, as a result, was unable to meet its financial obligations.
 | * DLG proposed the Municipality request for a full extension in terms of the MPRA. The MEC for Local Government granted approval on the Municipality’s’ request for an extension of its Valuation Roll, ending 30 June 2020. New implementation date for Valuation Roll is 1 July 2021.
* DLG will assist the Municipality with a process plan indicating the various timeframes and actions required in order to comply with the timeous appointment of a Service Provider for the execution of its new Valuation Roll to be implemented 1 July 2021.
* Draft ICT Policies and Framework developed following the ICT assessment that took place.
* W/S existing Water and Sanitation Master Plan could not be catered for in 2019/20 budget. Municipality applied to DBSA also Water Services Development Plan. District Municipality support the appointment of a service provider Integrated Waste Management Plan 1/8 draft. Also Air Quality Plan 1/9.
* Air Quality Control Officer appointed and being trained.
* MISA appointed two Learners.
* Progress has been made with the replacement of water and electricity meters, but the process is slow due to vehicle challenges. The Municipality needs one of two vehicles. A large percentage of the replacements have taken place.
* A total number of 1050 meters had been inspected. 190 electrical meters had been replaced. Still in process to inspect all meters
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| **Limpopo** |  | **TOTAL: 01** |
| 1. Modimolle-Mookgopong Local Municipality (Waterberg District) | June 2018 | Governance and Financial Administration* The amalgamation of the Modimolle and Mookgopong local municipalities brought the municipality serious challenges, such as cash-flow problems which have rendered it to be in a state where it is not constituting a going concern; and
* It also suffered from maladministration, resulting in the AG issuing it with a disclaimer of audit opinion.
 | * Standard Operating Procedures (SOPs) for revenue management have been developed, implementation of the SOPs has not yet commenced due to non-submission to Council for noting and approval. Training sessions for personnel in revenue management are being conducted and will be ongoing until March 2020.
* Reconciliations and completeness of all billing revenue sources are in progress. The updated valuation roll will be implemented on 1 July 2019 to ensure that all properties in the valuation roll are included in the billing system for completeness of revenue and accurate billing.
* A meter reading plan for execution and monitoring of the accurate meter reading information from meter readers is in progress to ensure sign off on all billing information received. A meter audit on all properties identified in the valuation roll is also in progress to ensure the validity and accuracy of the information received from meter readers.
* Data cleansing to improve revenue collection has been budgeted for in the 2019/2020 MTREF. Strengthening the effectiveness of the customer care centre by training officials is in progress and a cost of supply study is yet to be conducted for the implementation of cost reflective tariffs.
* A revenue management steering committee to ensure effectiveness of revenue collection is yet to be established. Property rates, credit control and debt collection by-laws have been completed and submitted to CoGHSTA for Promulgation.
* Revenue enhancement initiatives including a strategy to increase and maximise revenue have been developed and still to be finalised and implemented.
* Meter replacement programmes have been completed. Debtor accounts analysis and verification to determine the exact amount that is collectable and write off, of debt that cannot be collected in terms of debt write off policy is still in progress. Review of the credit control and debt collection policies is also in progress.
* A Review of all accounts with credit balances is outstanding. A register of defaulters to monitor all customers who default on payments is still in progress. Final demand letters and legal advice to pursue legal action is in progress. A review of all existing payment arrangements with debtors is also in progress.
* SOP’s for procurement and SCM have been developed. Declaration of interest are completed by all staff and councillors at the bid committees. The use of S36 of the SCM Regulations and valid reasons for all deviations and all requisitions is being authorised by MM. The review and update of SCM policy to be in line with the regulations and SIPDM is in progress.
* A review and update of the Asset management policy that it includes a clause on insurance of municipal assets has been completed. A review and update of the Asset register to ensure accuracy and completeness and Identification of assets that could be disposed is completed for the year under review and ongoing. SOPs for asset management has been developed.
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| 2. Fetakgomo LM | 21 December 2018 | Governance and Financial Administration* Provincial CoGSTA failed to comply with the Constitutional procedural requirements to invoke intervention. The Minister disapproved the intervention due to failure by the provincial government to follow due processes.
 | * National and Provincial Treasury Departments is focusing on the Financial Management aspects and also provide financial and human resources support in the form of technical advisors and expert knowledge of Local Government Finances.
* The support team has managed to assist the municipality in preparing the adjustment budget considering the financial challenges being experienced.
* The team gave support in the reviewing of budget policies and drafting of the ones that never existed. It reviewed and edited the Audit Action Plan and designed activity plans for the Audit.
* Drafted the Turnaround/Financial Recovery plan.
* The Provincial Department of COGHSTA has funded the costs of an acting Municipal Manager whose contract ended at the end of June 2019.
* National Department of COGTA has assigned a Team of IT officials to scan the IT environment and to advice the Acting MM on measures to be undertaken to improve the IT capability and efficiency.
* EXCO took a decision to put the Municipality under administration on the 21 December 2018. However, CoGHSTA failed to comply with the constitutional procedural requirements to invoke intervention by submitting the application for concurrence to the Minister outside the specified timelines prescribed by the Constitution. In this regard, the province have been advise to reinstitute the intervention.
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|  | **OVERALL TOTAL: 39** |