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Cooperative Governance, Human
Settlements and Traditional Affairs
North West Provincial Government
REPUBLIC OF SOUTH AFRICA



OFFICE OF THE MEC

2nd Floor West Wing
University Drive
Garona Building
Tel: +27 (0) 18 388 2892

Private Bag X 2145
Mmabatho
2735

The Chairperson PC on Co-operative Governance and Traditional Affairs

P.O BOX 15
CAPE TOWN
8000

Date: 24 August 2020

Dear Hon. A F Muthambi

**SUBJECT : REPORT ON THE STATE OF LOCAL GOVERNMENT IN THE
NORTH WEST PROVINCE**

1. PURPOSE

The purpose of the submission is to present to the **PC on Co-operative Governance and Traditional Affairs** a "**STATE OF LOCAL GOVERNMENT REPORT IN THE NORTH WEST PROVINCE**"

2. BACKGROUND

Section 152(1) of the Constitution, stipulates that the mandate of Local Government is to provide democratic and accountable government for local communities; ensure provision of services to the communities in a sustainable manner; promote social and economic development; promote a safe and healthy environment and encourage the involvement of communities and community organizations in the matters of Local Government. These constitutional mandates remain our foundation to put necessary systems and controls in place if we were to change the phase of Local Government in our province.

Section 152(2) of the Constitution stipulates that a municipality must strive, within its financial and administrative capacity, to achieve the mandate as set out in Section 152(1) above.

Section 153 of the Constitution further stipulates that a municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community and to promote the social and economic development of the community.

The National and Provincial Government in terms of Section 154 of the Constitution must by legislative and other measures support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions.

Despite these empowering provisions of legislation aimed at *'Making Local Government Work for Everyone'* and ensuring *'Accountable, Responsive and Accessible'*, it is a well-documented fact that local government in the North West is in a state of paralysis; our municipalities have invariably and in varying degrees been and/or are bedeviled by immense capacity challenges. These challenges includes but not limited to the following:

- a) Failure and collapse of governance and administrative systems in municipalities;
- b) Legislative provisions & prescripts flouted, in particular Supply Chain Management (SCM) processes and procedures;
- c) Declining Audit Outcomes with increasing trend of Unauthorised Irregular Fruitless and Wasteful (UIF&W) Expenditure;
- d) Non-compliance with MFMA and other legislative conditions that led to loss and or withholding of Equitable Share and Conditional Grants such as MIG over the years;
- e) Inability to provide sustainable, uninterrupted and quality services and

f) Weak Public Participation and accountability systems.

3. BASIC INFORMATION REGARDING THE MUNICIPALITIES IN THE PROVINCE

The following table provides statistics in terms of categorising our municipalities in the province and also to share the type of the mayoral council system per municipality.

3.1. Legend:

C1	District Municipalities which are Not Water Services Authorities
C2	District Municipalities which Are Water Services Authorities
B1	Local Municipality with a Large Budget and Containing a Secondary City
B2	Local Municipality with a Large Town as a Core
B3	Local Municipality with a Small Town, with relatively Small Population and Significant proportion of Urban Population but with no Large town as Core.
B4	Local Municipality which are mainly Rural with Communal Tenure and with, at most, One or Two Small Towns in their Area.

MUNICIPALITY		CATEGORY (LGTAS)	COUNCIL SYSTEM	NUMBER OF WARDS	NUMBER OF COUNCILORS PR+WC
1.	NgakaModiriMolema District Municipality	C 2	Executive Mayor, Mayoral Committee, Speaker and Council Committees.	0	14
2.	Mahikeng Local Municipality	B2	Executive Mayor, Mayoral Committee, Speaker and Council Committees.	35	69
3.	Tswaing Local Municipality	B4	Mayor, Executive Committee, Speaker and Council Committees.	15	29

MUNICIPALITY		CATEGORY (LGTAS)	COUNCIL SYSTEM	NUMBER OF WARDS	NUMBER OF COUNCILORS PR+WC
4.	Ditsobotla Local Municipality	B3	Mayor, Executive Committee, Speaker and Council Committees.	20	40
5.	Ratlou Local Municipality	B4	Mayor, Executive Committee, Speaker and Council Committees.	14	28
6.	RamotshereMoiloa Local Municipality	B3	Mayor, Executive Committee, Speaker and Council Committees.	19	38
7.	Dr. Ruth SegomotsiMompoti District Municipality	C 2	Executive Mayor, Mayoral Committee, Speaker and Council Committees.	0	16
8.	Naledi Local Municipality	B3	Mayor, Executive Committee, Speaker and Council Committees	10	10
9.	Mamusa Local Municipality	B3	Plenary type municipality constituted by a full-time Mayor as the chairperson of Council and Council Committees.	9	18
10.	Greater Taung Local Municipality	B4	Mayor, Executive Committee, Speaker and Council Committees.	24	48
11.	LekwaTeemane Local Municipality	B3	Plenary type municipality constituted by a full-time Mayor as the chairperson of Council and Council Committees.	8	16

MUNICIPALITY		CATEGORY (LGTAS)	COUNCIL SYSTEM	NUMBER OF WARDS	NUMBER OF COUNCILORS PR+WC
12.	Kagisano Molopo Local Municipality	B4	Mayor, Executive Committee, Speaker and Council Committees.	15	29
13.	Bojanala Platinum District Municipality	C 1	Executive Mayor, Mayoral Committee, Speaker and Council Committees.	0	29
14.	Kgetlengrivier Local Municipality	B3	Mayor, Executive Committee and Council Committees.	8	15
15.	Moses Kotane Local Municipality	B4	Mayor, Executive Committee and Council Committees.	34	68
16.	Madibeng Local Municipality	B1	Executive Mayor, Mayoral Committee and Council Committees.	41	81
17.	Rustenburg Local Municipality	B1	Executive Mayor, Mayoral Committee and Council Committees.	45	89
18.	Moretele Local Municipality	B4	Mayor, Executive Committee, Speaker and Council Committees.	26	52
19.	Dr. Kenneth Kaunda District Municipality	C 1	Executive Mayor, Mayoral Committee, Speaker and Council Committees.	0	16
20.	City of Matlosana Local Municipality	B1	Executive Mayor, Mayoral Committee and Council Committees.	39	77
21.	JB Marks Local Municipality	B1	Executive Mayor, Mayoral Committee and Council Committees.	34	67

MUNICIPALITY		CATEGORY (LGTAS)	COUNCIL SYSTEM	NUMBER OF WARDS	NUMBER OF COUNCILORS PR+WC
22.	Maquassi Hills Local M Municipality	B3	Mayor, Executive Committee and Council Committees.	11	22

4. SUMMARY OF AUDIT FINDINGS FOR LOCAL GOVERNMENT

The table below summarises the audit outcome of all municipalities in the North West Province for the past seven (07) financial years to date:

No.	Municipality	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	Progress
1.	Bojanala	Audit not yet finalised	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Unqualified	Unqualified	
2.	Kgetlengrivier	Disclaimer	Disclaimer	Unqualified	Unqualified	Qualified	Qualified	Disclaimer	Stagnant
3.	Madibeng	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified	Qualified	Qualified	Stagnant
4.	Moretele	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Disclaimer	Stagnant
5.	Moses Kotane	Qualified	Disclaimer	Disclaimer	Qualified	Qualified	Unqualified	Qualified	Improved
6.	Rustenburg	Qualified	Qualified	Qualified	Qualified	Unqualified	Qualified	Qualified	Stagnant
7.	Dr Kenneth Kaunda	Qualified	Qualified	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Stagnant
8.	Matlosana	Qualified	Unqualified	Qualified	Qualified	Qualified	Qualified	Disclaimer	Regressed
9.	Maquassi Hills	Disclaimer	Disclaimer	Qualified	Qualified	Qualified	Disclaimer	Disclaimer	Stagnant
10.	JB Marks	Qualified	Qualified	Disclaimer	Qualified	Unqualified	Unqualified	Unqualified	Stagnant
11.	Dr Ruth S Mompoti	Disclaimer	Qualified	Unqualified	Unqualified	Qualified	Disclaimer	Qualified	Regressed
12.	Greater Taung	Audit not yet finalised	Qualified	Qualified	Qualified	Qualified	Disclaimer	Disclaimer	
13.	Kagisano-Molopo	Qualified	Disclaimer	Qualified	Unqualified	Qualified	Qualified	Disclaimer	Improved
14.	Lekwa-Teemane	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified	Disclaimer	Disclaimer	Stagnant
15.	Mamusa	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Stagnant
16.	Naledi	Disclaimer	Disclaimer	Qualified	Unqualified	Unqualified	Unqualified	Qualified	Stagnant
17.	NgakaModiriMolema	ADVERSE	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Regressed
18.	Ditsobotla	Disclaimer	Disclaimer	Disclaimer	Qualified	Disclaimer	Disclaimer	Disclaimer	Stagnant
19.	Mafikeng	Disclaimer	Disclaimer	Qualified	Disclaimer	Disclaimer	Qualified	Disclaimer	Stagnant
20.	RamotshereMoloto	Disclaimer	Disclaimer	Qualified	Qualified	Unqualified	Qualified	Disclaimer	Stagnant
21.	Ratlou	Disclaimer	Qualified	Qualified	Qualified	Unqualified	Qualified	Qualified	Regressed
22.	Tswaing	Qualified	Qualified	Qualified	Qualified	Disclaimer	Disclaimer	Disclaimer	Stagnant

04 Regressions

09 No Improvement, receiving disclaimer audit outcomes

05 No Improvement, stagnant in terms of receiving Qualified audit outcomes

02 Improvement from Disclaimer to Qualified

02 Audit process not yet finalised

#. Bojanala District: AFS submitted 30 Jan 2020, off-site audit currently in progress.

#. Greater Taung: AFS submitted 30 Jan 2020, off-site audit currently in progress.

Anticipated completion date is June 2020

4.1.1. Provincial Overview

NW audit opinion	2018/19-interim	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
Clean	0	0	0	0	0	0	0
Unqualified with findings	0	1	2	4	6	5	3
Qualified	8	8	12	12	10	9	6
Disclaimer	11	13	8	7	7	9	14
Adverse	1	0	0	0	0	0	0
Outstanding	2	0	0	0	0	0	0
Total	22	22	22	23	23	23	23

4.1.2. Municipalities receiving Disclaimer Audit opinions for

No.	Name of Municipality	Number of Years
1.	NgakaModiriMolema	06 <
2.	Mamusa	06 < (Disclaimer since inception)
3.	Bojanala	04
4.	Lekwa-Teemane	04
5.	Madibeng	04
6.	Ditsobotla	03

5. STATE OF GOVERNANCE IN NORTH WEST MUNICIPALITIES

The Governance Committee in the main assessed Municipalities in terms of the four key focus areas of the Back to Basics (Pillars) namely:

- a) Governance and Administration
- b) Financial Management and Viability
- c) Service Delivery and Infrastructure Development

5.1. AN OVERVIEW ON THE STATE OF MUNICIPALITIES

5.1.1 Dr. Ruth Segomotsi Mompoti District Municipality

Dr. Ruth Segomotsi Mompoti District Municipality (previously Bophirima District Municipality) is in the North West Province of South Africa, with the Botswana border immediately to the north. This area characterised by cattle farming as the most significant economic activity, is commonly known as the 'Texas of South Africa'.

The District is one of four in the province, with poor rural areas, formerly situated in the former Bophuthatswana homeland. With the population dispersed across more than 470 villages and towns in a 250km radius (approximately 50km north to south and 200km east to west), this district presents unique management and organisational challenges.

There are five local municipalities which fall within its jurisdiction and there is largely rural, consists of a few small towns, with Vryburg as the base of the DRSM offices.

Over past three years, the DRSM has been plagued with crisis after crisis, scandal after scandal, ranging from total failure to deliver water and sanitation services as the Water Service Authority to incremental decline in the governance as evidenced by the free fall from successive Unqualified Audit Report to Disclaimer Report by the Office of the Auditor-General.

a) Governance and Administration (Building Stable Institutions)

It must be noted that since the current Council was elected in 2016, the Auditor General Report has regressed from Unqualified to Qualified and now Disclaimer Opinion. This is against the backdrop of DRSM having been a beacon of hope and best placed to be the first NW municipality to get a Clean Audit, having run a record unbroken 16 Unqualified Audit Report in the period preceding the election of the current Municipal Council.

The municipality will approach the next Local Government Election on the back foot unless the downward spiral is halted and reversed. This implies consequence management for the officials and councillors who presided over this morass, to restore institutional integrity and regain trust by the community.

All senior management posts are filled, with the recent appointment of Director Technical Services.

b) Sound Financial Management

VBS Investment

DR. Ruth Segomotsi Mompati District Municipality invested R150, 7m in VBS Mutual Bank and lost the funds which were meant for the following critical investments:

- a) Infrastructure Development,
- b) Economic Development;
- c) Job Creation,
- d) Free Basic Services and
- e) Office Building

The District Municipality according to Auditor General in his 2018/2019 Financial Year Report had to *significantly scale back its Rural Sanitation Programme* as a result of lack of funding. The District Municipality has failed to provide the support to its local municipalities as a Water Service Authority. The use of water tankering is continuing to deplete funds which should be utilised to maintain water and sanitation infrastructure.

It should be noted that DRSMMDM pays about R350 000.00 per month on office rental when the municipality would have completed its own building thus freeing these funds for other critical infrastructure development, investment and poverty eradication purposes.

Impact on Financial Health (Liquidity)

According to Auditor General Report of 2018/2019 Financial Year, the municipality had to enter into a repayment agreement with National Treasury to repay the R150.7 m, to avoid withholding of the entire amount from the equitable share.

The arrangement with National Treasury resulted in a significant increase in outstanding payables and the unspent conditional grants in the current year as a result of these cash flow constraints.

Consequence Management

Auditor General in his 2018/2019 Financial Year Report is stressing that even though the Municipal Manager was suspended, no decisive action has been taken to effect consequence management despite disciplinary board making recommendations to Council. The Council instead of taking decisive action opted to generate a resolution to reinstate the Municipal Manager.

c) Service delivery & Infrastructure Development

The District is a Water Services Authority with local Municipalities and Water Board being appointed as the water services provider. As indicated above the VBS Investment had negatively impacted on capacity of the district to effectively manage the water services function.

The size of the Sewer Plant in Naledi LM was reduced by half due to loss of VBS investment and the lifespan of the Sewer Plant was reduced by half, meaning that government will soon be faced with the reality of having to spend much more on an asset that should last 30 years and the District Municipality according to Auditor General in his 2018/2019 Financial Year Report had to *significantly scale back its Rural Sanitation Programme* as a result of lack of funding. The District Municipality has failed to provide the support to its local municipalities as a Water Service Authority. The use of water

tankering is continuing to deplete funds which should be utilise to maintaining water and sanitation infrastructure.

The 2019/20 MIG expenditure as at 30th June 2020 is 77%. The municipality was allocated a total amount of R 138 393 000.00 of which R 107 090 187.00 was spent with a balance of R 31 302 814.00

5.1.2. Kagisano Molopo Local Municipality

The municipality is situated in a rural area within the Dr RSM District Municipality with a population of 102 703 as per the 2016 community survey, consisting of 15 wards. The municipality is grant dependant as it does not have service charges, such as electricity, water and sanitation, which results in a low income from own revenue generated sources.

Water shortage and sanitation within the municipality is a concern as the municipality has been highly affected by draught. Landfill site powers and functions are still not cleared between the District and Local Municipality, resulting in environmental issues not being addressed. MEC for Cooperative Governance and Traditional Affairs will make a final determination on the matter.

a) Governance & Administration (Building Stable Institutions)

The municipality invoked section 139 (1) (b) Intervention of the RSA Constitution in September 2018. The Intervention was as a result of governance and finance systems failures characterised by political and administrative instability and non-compliance to supply chain management processes which impacted negatively on service delivery.

After a protracted resistance which lasted almost a period of 8 months, the municipality took the Provincial Government to court to challenge the Intervention, the court ruled in favour of the municipality. The Provincial has since applied for a leave to appeal which

was granted by the Court. The appeal will take place as soon as the date is set by the Court.

There are currently two (2) vacancies within senior management, i.e. Planning and Development, Infrastructure and Technical services resulting in service delivery initiatives not being implemented.

The position of Municipal Manager, Planning and Human Settlements, Community Services, Corporate Services, Local Economic Development are filled. The Council and its committees are functional.

b) Sound Financial Management

The municipality has adopted an unfunded budget. There UIF&W is growing and is linked to transgression of supply chain management prescripts and lack of oversight. The municipality has received a qualified audit opinion for the 2018/19 financial year which is an improvement when comparing it with the 2017/18 audit opinion. According to the audited AFS for 2018/19 financial year, the Unauthorised, Irregular, Fruitless and Wasteful expenditure (UIF&W expenditure) stands at R676 759 704.

The following are the figures for the utilisation of Consultants by municipality:

- 2015-16 (R2 400 000)
- 2016-17 (R1 817074)
- 2017-18 (R890 000)

b) Service delivery & Infrastructure Development

There is a lack of operating and maintenance for internal roads remains a problem, associated with lack of adequate operating plant and equipment. The municipality is experiencing dire shortage of water which exacerbated by unresolved issue of service provision by and between the municipality and District Municipality.

Kagisano-Molopo is one of the 3 municipalities in the Province that recorded 100% expenditure of the 2019/20 MIG allocation. The municipality's allocation was R39 568 000.00 for the 2019/20 financial year.

5.1.3. Naledi Local Municipality

Naledi Local Municipality is a category B Municipality situated in the Dr Ruth Segomotsi Mompati District in the North West Province of South Africa. It covers an area of approximately 7 264 square kilometres with a total population of 68 803 – according to the Community Survey of 2016 by Statistics South Africa and is divided into 10 wards representing the interests of the communities of Vryburg, Kismet Park, Huhudi, Colridge, Dithakwaneng, Stella Devondale, Broedersput(Tlhakeng) and the newly developed extension 25/28.

a) Governance & Administration

This is a municipality that was placed on intervention by the provincial government (in terms of Section 137 of the MFMA, and 139 of the Constitution) with the support of national government. The National Council of Provinces (NCOP) supported the invocation of section 137 of the MFMA but not Section 139 (1) (b) of the Constitution, the led to the Provincial Government withdrawing the Intervention after a period of six months. The municipality has during the intervention, embraced and demonstrated commitment and support towards the realisation of the objective of the intervention.

Prior to the provincial intervention, the Executive Committee and Council were not functional. Failure by Council to fill senior management positions within the prescribed period has dismally affected the performance of the municipality.

During the Intervention, a number of tangibles were recorded such as filling of position of Corporate Services, Community and Technical Services; restored stability, most of the

labour related challenges have been resolved. Improved Council functionality and public participation.

Post the intervention, the municipality started to experience again political and administrative instability. The position of the Municipal Manager and Chief Financial Officer remains vacant despite efforts to fill the positions. The municipality resolved not to appoint a municipal manager after following a recruitment and appointment process.

The issue of the recruitment and appointment of the Municipal Manager has recreated chaos in the Council and Administration and also attracted a lot of community interest. As a result, the municipal offices were closed for almost a period of three weeks and in that period community couldn't access services.

MPAC has been performing its minimum statutory duties, but has regressed due to lack of permanent support staff in the unit. There is only one support staff member appointed to assist MPAC. There is insufficient support for MPAC to address the increasing UIF&W expenditures. The municipality participates in the district shared audit committee.

b) Sound Financial Management

Poor audit outcomes with recurrent audit findings for the past seven financial years has received 3 unqualified, 2 qualified and 2 disclaimer audit opinions.

The municipality has received a disclaimer audit outcome for two consecutive years i.e. 2017/18 and 2018/19 financial years, there is no improvement registered.

During the 2018/19 financial year, the municipality submitted its annual financial statements late to AGSA, which is in contravention to the legislated date which states that AFS should be submitted to AG within two (2) months after the financial year end.

The approved budget is not cash-backed, as a result, the municipality is not financially viable and fails to pay its creditors and fulfill other financial commitments. This is evident due to the fact that most of its creditors are not paid within 30 days as per MFMA prescripts.

The municipality has not complied with the submission of section 71 reports as per requirements of MSCOA, information on debtors and creditors age analysis could not be verified to determine the current status. Total creditors as at the end of January 2020 amount to R127 millions of which 97 percent or R124 million is outstanding for over 90 days. The municipality is unable to implement credit control measures to recover outstanding debts from consumers. This is justified by a total of R423 million outstanding debtors as at the end of January 2020.

There is a costly EPWP programme which the year to date its expenditure is at R2.5 million against the grant allocation that is R1.6 million. Employment guidelines in this program is grossly mismanaged. There is gross non-compliance to Supply Chain Management (SCM) processes, wherein SCM processes are conducted manually.

The following are the figures for the utilisation of Consultants by municipality:

- 2015-16 (R2 800 000)
- 2016-17 (R2 394 823)
- 2017-18 (R2 100 000)

This clearly shows that UIF&W expenditures are not investigated and loss of money not recovered as per the requirements of section 32 of MFMA.

c) Service delivery & Infrastructure Development

The refuse removal and the cleaning of the town and townships not adequately performed. No landfill sites at Stella and Rekgarathile. There is interrupted supply of water due to lack of maintenance and non-payment for water services. The old and

inadequate infrastructure and poor maintenance in general result in blockages leading to spillages of sewerage.

This anomaly has attracted unwarranted sporadic national media coverage. Poor expenditure of MIG which affect infrastructure development and lack of upgrade of water reticulation systems resulting in shortages of water, also lack of installation of meters for domestic consumption for about 9000 households, hence the municipality experience community protests relating to water.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for was R16 979 000.00, Expenditure R 10 390 566.12, % expenditure 61% and R 6 588 433.88 balance.

5.1.4. Greater Taung Local Municipality

Greater Taung Local Municipality is a category B4 municipality within the Dr. Ruth Segomotsi Mompati District. It is a low capacity predominantly rural municipality with communal tenure and a population size of 177 642 and 48 613 households. The municipality is constituted by 26 wards with councilors comprising of Mayor, Executive Committee, Speaker and Council Committees. According to census 2011 results, the municipality population has decreased from 182 163 in 2001 to 177 642 in 2011. Despite the decrease in population size, the municipality is still the highest in population size within the District.

a) Governance & Administration (Building Stable Institutions)

The position of Municipal Manager, Planning and Human Settlements, Technical Services and Community Services, Chief Financial Officer and Corporate Services are filled(Corporate Services to started on 1st July 2020). Council and its committees are functional.

b) Sound Financial Management

The municipality has submitted the 2018/19 Annual Financial Statements late to the Auditor General for auditing on the 30th January 2020, audit process has not yet finalised.

The municipality has been receiving qualified audit opinion for the past consecutive years, since 2014/15.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for 2019/20 was R 47 604 000, expenditure R 47 604 000, % expenditure 80% and R 37 864 680 balance.

The following are the figures for the utilisation of Consultants by municipality:

- 2015-16 (R2 400 000)
- 2016-17 (R1 817074)
- 2017-18 (R890 000)

c) Service Delivery & Infrastructure Development

Lack of operating and maintenance for internal roads remains a problem, associated with lack of adequate operating plant and equipments. Shortage of water including unresolved issue of service provision by and between the municipality and the District Municipality.

5.1.5. Mamusa Local Municipality

Mamusa LM is a category B municipality (established in terms of the Municipal Structures Act, Act No. 6 of 2004) in the Dr Ruth Segomotsi Mompati District. The municipality is licenced to provide electricity only in town. Dr Ruth Segomotsi Mompati District is a water authority however Mamusa is performing this function within the area of jurisdiction.

It is one of the municipalities that struggling with collection of their revenue which impacted negatively on its financial sustainability and delivery of basic services.

The municipality remains problematic and lacks sound financial management; and good governance. There are many on-going political and service delivery risks associated with the instability of the municipality

a) Governance & Administration (Building Stable Institutions)

The Municipality received an amount of R 7 million from their insurers to enable them to reconstruct the municipal administration block that burned during riots in June 2017, approximately 26 months after the incident the municipal building still lay in ruins because the funds provided by the insurer were misused and Council has failed to provide oversight and hold those responsible for the misuse accountable. The municipality and municipal services are therefore inconvenienced as a result of the burned building.

The municipality is facing a series of costly litigations which led to municipal assets being attached in the past few months. Council and its newly established committees are functional. The newly elected council participated in the induction programme facilitated by both Cogta and SALGA. Out of five Senior Managers, three positions are vacant and only two filled, i.e. Director Community Services and Director Corporate Services. The positions of MM is not filled, former Administrator is appointed in an acting capacity, the Chief Financial Officer is on suspension.

b) Sound Financial Management

The municipality has adopted an unfunded budget, the budgeted expenditure far exceed the projected revenue. The UIF&W is growing and is linked to transgression of supply chain management prescripts and lack of oversight. No consequence management cases have been concluded. Poor audit outcomes with recurrent audit findings pertaining to

UIF&W and the municipality have not addressed them in accordance with section 32 of the MFMA owing to lack of oversight and consequence management. The municipality has been receiving disclaimer audit opinions since inception. There are serious leadership challenges to oversee effective mSCOA. The municipality is unable to honour the payment obligation and do not get consistent support from the system vendor.

c) Service delivery& Infrastructure Development

Lack of operating and maintenance for internal roads remains a problem, associated with lack of adequate operating plant and equipment. Shortage of water including unresolved issue of service provision by the District municipality on water and sanitation. No operations and maintenance plans for internal roads.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for was R 15 696 000, Expenditure R 13 180 506.91, % expenditure 84% and R 2 515 493.09 balance.

5.1.6. Lekwa-Teemane Local Municipality

Lekwa-Teemane LM is a category B municipality (established in terms of the Municipal Structures Act, Act No. 6 of 2004) in the Dr Ruth Segomotsi Mompati District. It is known for its diversified economy which agriculture is the predominant economic activity, and the Vaal Dam which provides water to the municipality and the surrounding arrears.

Lekwa-Teemane municipality has been under severe financial challenges in the form of cash flow problems and inability to raise sufficient revenue which impacted negatively on its financial sustainability and delivery of basic services.

The municipality remains problematic and lacks sound financial management; and good governance. There are many on-going risks associated with the instability of the municipality

a) Governance & Administration (Building Stable Institutions)

This is a municipality that was placed on intervention by the provincial government with the support of national government and the National Council of Provinces (NCOP). The municipality has during the intervention, demonstrated inconsistent support for provincial intervention (minimum resistant/disregard of the authority of the provincial and national government, including Parliament).

There are serious problems in the municipality because systems have collapsed, the MPAC and other Committees are not functional. The municipality not holding public / community meetings with specific reference to ward 6. Material conditions at the municipality determine the type of intervention needed to rescue the municipality.

The divisions amongst the ANC councillors are hampering on the functionality of the administration. The Provincial executive has taken a cautious decision to place the municipality under section 139(1)(b) of the constitution due to collapse of systems and poor or biased service delivery. MPAC is not functional and there's a general lack of commitment from members. The Municipal Manager has been recently suspended by Council, pending the disciplinary processes. All other positions for section 56/57 Managers are filled except for the Director Technical Services.

b) Sound Financial Management

The municipality required much needed assistance on revenue enhancement. Total outstanding Debtors as at June 2020 amounted to R 955 million, of which R888 million is owed for over a year. Collection of some of these outstanding debtors is of a concern

especially households debt. Households constitutes most of the outstanding debt at R788 million, followed by Commercials at R121 million, government R45 million and R372 000 attributed to other”

The total outstanding creditors as at end of June 2020 amounted to R386 million, of which R339 million is outstanding for more than a year. Total debt owed to Eskom as at July 2020 amount to R45 482 924 and R37 459 889 is overdue for more than 30 days period.

The UIF&W expenditure of the municipality is increasing and not dealt with in accordance with section 32 of the MFMA. The mSCOA implementation is progressing well through the commitment of Municipal Leadership however not all modules offered by the system have been fully implemented. The Municipality is still highly dependent to the system vendor.

The following are the figures for the utilisation of Consultants by municipality:

- 2015-16 (R6 671 099)
- 2016-17 (R1 800 000)
- 2017-18 (R1 800 000)

Poor audit outcomes with recurrent audit findings pertaining to UIF&W expenditure and the municipality has received consecutive disclaimers with regard to AG’s reports, in the past seven financial years has received 5 disclaimers and 1 qualified audit opinions. The municipality maintained a disclaimer audit opinion from 2017/18 to 2018/19. The result is indicative that there is no consequence management.

There instances are the cash flow situation deteriorated to an extent that the municipality is unable to honour its financial obligations.

c) Service delivery & Infrastructure Development

The conditions are real at the municipality as service delivery is skewed - the Christiana town receiving or enjoying more advantage than the Bloemhof town as far as service delivery is concerned.

Service delivery yellow fleet not roadworthy and very unsafe as result the municipality has procured and announced the delivery of two new service delivery bakkies. Furthermore, the municipality is changing from conventional to pre-paid electricity meters. Despite all the challenges refuse collection is happening in the municipality. Skewed service delivery in Bloemhof and Christiana continues to be a challenge.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for was R 14 793 000 and further adjusted to R10 000 000, Expenditure R19 782 059.82, % expenditure 80% and R 5 010 940.18 balance.

5.1.7. Bojanala Platinum District Municipality

The Bojanala Platinum District Municipality (BPDM) is the home of the cradle of humankind and is strategically located on the 'platinum belt' of the north-eastern side of the North West province. To the north the BPDM is surrounded by Waterberg District Municipality (Limpopo Province), Tshwane Metropolitan Municipality (Gauteng Province), West Rand District Municipality (Gauteng Province) to the Southeast. To its south is surrounded by Dr Kenneth Kaunda District Municipality and the Ngaka Modiri Molema District Municipality to the west.

The Bojanala Platinum District Municipality accounts for a total population of 1.81 million, or 44.5% of the total population in the North-West Province, which is the most populous

District in the North-West Province for 2018. The ranking in terms of the size of Bojanala Platinum compared to the other District remained the same between 2008 and 2018. The Bojanala District spans over 18 333km², and has 5 local municipalities (Kgetleng-Rivier, Madibeng, Moses Kotane, Moretele and Rustenburg) with a total of 139 wards.

a) Governance & Administration (Building Stable Institutions)

The District Municipality is on the municipalities in the Province with a full complement of senior management positions. The municipality experienced labour unrest which affected its ability to perform constitutional obligations during 2019/20 Financial Year. Key to labour unrest, was a failure by the Municipality to pay salaries and employee benefits due to financial crisis.

Bojanala Platinum District Municipality has been experiencing financial crisis since beginning of the financial year 2019/20. The financial crisis was exacerbated by the misappropriation of R134 million that was erroneously transferred to the municipality by then Department of Local Government and Human Settlement and had to be repaid by the District Municipality.

On the 16th October 2019, the Council convened a special sitting to assess the situation it found itself in. In that sitting, the Council resolved to place the Municipal Manager and Chief Financial Officer on precautionary suspension in terms of paragraph 6 of the Local Government: Disciplinary Regulations for Senior Managers and ultimately suspended the two senior managers pending the disciplinary process.

The disciplinary processes has commenced after a delay due to the outcome of the forensic investigation conducted. Council took time to meet and consider the report which gave effect to the disciplinary process of the Municipal Manager and Chief Financial Officer.

The municipality was also without a Council Speaker for some time, thus making the convening of meetings very hard. A Speaker was ultimately elected in October 2019. Management of Council meetings are still a challenge to date. Council Committees for most part of 2019 were not sitting regularly to consider regulatory reports.

The Provincial Government is currently providing support and capacity building measures to the District Municipality through Section 154 of the Constitution. The support provided by the Provincial Government is in a form of an Acting Municipal Manager and the Acting Chief Financial Officer. The Provincial Government is also assisting the District Municipality by preparing Financial Recovery Plan.

b) Sound Financial Management

As indicated above, Bojanala Platinum District Municipality has been experiencing financial crisis since beginning of the financial year 2019/20. The financial crisis was exacerbated by the misappropriation of R134 million that was erroneously transferred to the municipality by then Department of Local Government and Human Settlement and had to be repaid by the District Municipality. To date, it is not known how and for what the allocation was used for

Creditors were outstanding for up to 180 days (some more than 6 months unpaid), due to mismanagement of cash flows. The municipality operated on an overdraft facility in 2019. In Nov 2019, the municipality owed its creditors in excess of R80million. The municipality currently, in May 2020, owes creditors an amount in excess of R52million after having gone through invoices and assess and enter into the system. Some have been negotiated with and payment arrangements made.

The municipality has a limited budget to support its local municipalities. There was bad financial management by the previous Council. Over-expenditure of 100% to 300% reported.

The following are the figures for the utilisation of Consultants by municipality:

- 2015-16 (R2 100 000)
- 2016-17 (R1 678 464)
- 2017-18 (R1 900 000)

Poor audit outcomes with recurrent audit findings pertaining to UIF&W expenditure and the municipality in the past six financial years has received 2 unqualified and 4 disclaimer audit opinions. The last financial year i.e. 2017/18 the municipality received a disclaimer which shows stagnation. The UIF&W expenditure is growing every year.

The municipality submitted the Annual Financial Statements late to Auditor General for auditing on the 30th January 2020, audit process is currently underway. Effectively implemented the following modules on the mSCOA system:

- Revenue and grant management
- Procurement (SCM)
- Budget and planning

With regard to mSCOA implementation, asset management and payroll are hosted on a sub-system. Implementation challenges include:

- Lack of training
- Ineffective utilization of the system

There has not been any receipt MFMA Section 71 reports by the Executive Mayor which are obligatory in terms of the MFMA to report on the finances of the municipality. The Executive Mayor and her Executive (Mayoral Committee) has never raised the lack of these reports to her Municipal Manager and CFO so that she is on par with the financial affairs of the municipality. The Mayoral Committee as a collective failed in their duties to ensure the sound financial management of the municipality.

If the above MFMA Section 71 reports, inclusive of the MFMA Section 52 (d) Quarterly Financial reports were properly dealt with by Council, Council could have taken action to remedy the financial situation. Council found itself in severe financial distress as far back as March 2019. The Annual Financial Statements for the 2018/19 financial year were never submitted by the relevant officials and this led to the municipality not being audited. The Council should have known that the matter was unattended and causing the municipality not to be audited for the 2018/19 FY. Gross financial mismanagement has been identified in the Forensic Report that was tabled in Council.

c) Service delivery & Infrastructure Development

The municipality is not a Water Services Authority and is not playing coordinating and /or supporting role to its local municipalities. The District does not have resources to support infrastructure development projects in local municipalities.

5.1.8. Moses Kotane Local Municipality

Moses Kotane Local Municipality is a category B4 Municipality located within the Bojanala District Municipality in the North West Province. It was established after re-demarcation of Municipal boundaries and subsequent municipal elections in 2000.

The Municipality covers an area of approximately 5220km² and is mostly Rural in nature comprising 107 villages and 2 Two townships namely Mogwase and Madikwe. Moses Kotane Local municipality is known as one of the best tourism attraction areas through Sun City in the Pilanesberg as well as Madikwe Game Reserve. The municipality is striving to promote the minerals, agricultural, tourism, Arts & Culture as their cornerstone. The economy of Moses Kotane is mainly characterized by Tourism, Mining and Agriculture,

owing to its location within the major tourism and mining belt of the North West province around Pilanesberg and Sun City.

a) Governance & Administration (Building Stable Institutions)

Council is fully functional and stable has ensured that planned programmes are implemented and realized which bodes well for service delivery acceleration and other governance. There are two vacancies for senior management positions, namely; Head of Dept. Corporate Services and Head of Dept. Infrastructure and Technical Services. All other Senior Management positions are filled. The Municipality is at an advance stage of recruitment and appointment process to fill Corporate Services and Infrastructure and Technical Director positions.

Appointment of the ICT Company is under the investigation by the Hawks and is depleting Council resources as it is expensive. There is also a service provider appointed for fleet management with a contract value of R 9million.

MPAC is functional and continues to sit for critical matters. The oversight report was adopted by council in May 2020. The municipality has recently appointed support staff to MPAC which commenced its duties on the 1 July 2020. Council adopts MPAC recommendations, but the weakness is that the adopted recommendations are given to Management for implementation without any political oversight role by Council.

b) Sound Financial Management

The municipality has adopted an unfunded budget as the budgeted expenditure exceeds the anticipated revenue to be collected. As at June 2020, the total outstanding Debtors amounted to R 1.2 billion, of which R1.1 billion or 91% is owed for over a year. Collection of some of these outstanding debtors is of a concern especially households debt. Households constitutes most of the outstanding debt at R809 million, followed by

Commercials at R220 million, government R184 million and R7 million or 6% of the debt is attributed to other' category'

The municipality has improved from a disclaimer in 2017/18 financial year to a qualified audit outcome in 2018/19 financial year.

UIF&W is growing and is linked to transgression of supply chain management prescripts and lack of oversight. No consequence management cases have been concluded. According to the audited AFS for 2018/19 financial year, the Unauthorised, Irregular, Fruitless and Wasteful expenditure (UIF&W expenditure) stands at R923 556 913. Poor audit outcomes with recurrent audit findings pertaining to UIF&W and the municipality have not addressed them in accordance with section 32 of the MFMA owing to lack of oversight and consequence management.

The following are the figures for the utilisation of Consultants by municipality:

- a. 2015-16 (R0.00)
- b. 2016-17 (R 4 09 528)
- c. 2017-18 (R2 100 000)

There are serious leadership challenges to oversee effective mSCOA. The municipality is unable to honour the payment obligation and do not get consistent support from the system vendor. Moses Kotane is one of the 2 municipalities that have improved on their audit opinions, from Disclaimer in 2017/18 to qualified audit opinion in 2018/19.

c) Service Delivery & Infrastructure Development

Lack of operating and maintenance for internal roads remains a problem, associated with lack of adequate operating plant and equipment. No operations and maintenance plans for internal roads.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for R 149 692 000, Expenditure R101 331 863.51 % expenditure 68% and R 48 360 136.49 balance.

5.1.9. Madibeng Local Municipality

The Madibeng Local Municipality is a local municipality in Bojanala Platinum District Municipality. It consists of 41 wards and 81 members elected by mixed member proportional representation. Madibeng Local Municipality is classified as category B municipality with Executive Mayoral and ward type system of municipality. It is strategically located in NW Province, centrally between Pretoria (50 km), Johannesburg (80 km) and Rustenburg (45 km). Predominantly rural: revenue base therefore limited.

a) Governance & Administration (Building Stable Institutions)

The municipality has during the intervention, embraced and demonstrated commitment and support towards the realisation of the objective of the intervention. A brief overview of the status quo at the municipality since the municipality was placed under administration. The situation in the municipality can be described as stable and improving although there are serious underlying challenges which will take a long time to address. The damage inflicted to the municipal finances, coupled with the dilapidated state of municipal infrastructure will require a complete turn-around in the way in which the municipality is managed politically and administratively.

The intervention team was warmly welcomed by the majority if not all the stakeholders in the municipality. To date there has been no visible active resistance to efforts to stabilise the municipality from both the political and administrative wings of council, including community structures. As this report will indicate, the community has lost trust in the current political leadership of the municipality and the starting point in bringing long-term stability in the municipality is to win back the community's trust.

There is general stability in the municipality which is characterised by: Council and Mayoral Committee meetings as per council agenda, the majority of portfolio committees are meeting regularly and only a few meetings are postponed, MPAC and Audit Committee are also functional, and there is still mistrust among councillors organised labour continuously engaged through the Local Labour Forum.

Ward committees have been established in all the forty one municipal wards and they are functional. There is however not adequate public participation as there are limited engagement of communities in the form of community meetings. Communities regard the municipality as corrupt and uncaring. Although there is general stability in that there has been no labour unrest in the past eight months, the administrative wing of the municipality is characterised by:

Low staff morale, only three of the seven senior management positions are filled. Four positions of Municipal Manager, Chief Financial Officer and Directors of Infrastructure and Technical and Human Settlement and Planning are vacant, the organisational structure is bloated at the top and is not aligned to the municipal functions, high number of unresolved labour matters, blurred lines of responsibility between council and administration, there is general trust deficit of council by communities, council seem to be too scared to engage communities

There is a document on Forensic Investigation on the municipality where no action is taken. There is also a need to investigate the IT contract because the IT Company, has 5 different accounts with the municipality. Council has not yet followed on the disciplinary process following the investigations conducted on VBS. Disciplinary process has not started, Officials were initially suspended but to date the other one is back in the employ of the municipality while the former Municipal Manager has been employed in Waterberg

District Municipality in Limpopo province. No Consequence management has been undertaken.

The investigations implicated one member of the Mayoral Committee. MPAC is hitting the wall on cases of maladministration of credit cards, illegal debit orders in the municipal primary bank account. There is an irregular staff appointment that needs to be investigated because of the allegations of flawed recruitment processes. There is a need to conduct life style audit starting with Councillors. There are also allegations of irregular appointments of contractors and related payments - all contract awarded until April 2019 needs to be investigated. There is a degree of mischief in the municipality. The situation at Madibeng LM is a cause for grave concern and calls for the institution of Section 106 of the Municipal Systems Act (MSA) investigation.

The committee is divided into two groups wherein the minority component is supportive of the Executive Mayor whilst the balance of the Committee (about six) are not in support of the Executive Mayor. The Intervention Team impressed upon the members of the Mayoral Committee to participate and honour the schedules of the Portfolio Committees as Chairpersons of such committees has the potential to strengthen the Mayoral Committee reports which the Administrator will from time to time table before Council for noting and decision making when so required.

Some members hold the view that there is section 139 (1)(b) intervention and therefore the mayoral committee must not be convened because it has no powers. There is a need to have workshops/working sessions with MMCs and TROIKA to deal with the challenges to the extent of ascertaining how they affect governance issues and to empower the functionality of the Mayoral Committee.

The Administrator has cleared the misunderstandings and reinforced the need to respect the legislative prescripts to both councillors and officials. There are community intermittent projects stoppage which negatively affect the progress of certain projects.

These need urgent political intervention. The structures involved in these disruptions are being profiled to determine the root cause of the problem so that a proper prognosis can be instituted.

The limited capacity of MPAC and its implications on accountability and leadership. The MPAC has not been able to do effective oversight and this has compromised the measures to hold Councillors and officials accountable. Consequence management is thus not implemented despite huge irregular expenditure (R130 million) and other forms of misconduct or non-performance as well as disclaimer audit opinion of over the last three financial years. MPAC is unable to deal with UIF&W expenditures due to capacity constraints.

There are Councillors who for a long time, owe the municipality for rates and services. These Councillors remain in active service and ordinarily, must be champions of payments for rates and services to realise the most needed revenue for the municipality. The Speaker should have also instituted action against Councillors involved as demanded by the Code of Conduct of Councillors (Schedule 2 of the Systems Act). There is neither commitment to make reasonable arrangement to settle the debt, nor was there any action taken. Political Leadership and discipline is required to appreciate the roles and responsibilities of various committees and structures of Council.

It is therefore recommended that the councillors be engaged to ensure that there is meaningful and continuous interface with the communities to explain challenges relating to service delivery in general, the need for payment of services in areas where no payment of services is done and also explain the planned phases of delivery to various communities or wards.

There is a possibility of escalating protests and destruction of critical infrastructure owing to lack of information or poor communication to communities. This will escalate with the

advance of the 2021 local government elections where populism and candidacy to elections will take centre stage. It is therefore important for councillors to hold frequent and regular ward and sectional meetings to keep the existing gap narrower with the view to close it completely.

b) Sound Financial Management

The mSCOA implementation is progressing well through the commitment of Municipal Leadership however not all modules offered by the system have been fully implemented. The Municipality is still highly dependent to the system vendor. The municipality is in financial distress, thus being highly indebted to its creditors. This opens room for potential litigations. This is evident on the total outstanding creditors as at end of June 2020 which amount to R598 million. Total debt owed to Eskom as at July 2020 amount to R172 018 384 of which R110 450 325 is overdue for more than 30 days period.

Total outstanding Debtors as at June 2020 amounted to R 2.6 billion, of which R2.3 billion is owed for over a year. Collection of some of these outstanding debtors is of a concern especially households debt. Households constitutes most of the outstanding debt at R1.9 billion, followed by Commercials at R554 million, government at R178 million.

The municipality has been receiving Disclaimer audit opinions for the past 4 consecutive financial years. The municipality was identified as one of the top 10 contributors to a high Irregular expenditure in the country during the 2016/17 financial year. There is generally none implementation of legislative frameworks to address the UIF&W expenditures, which leads to an annual increase. The UIF&W expenditures increased to R3 460 380 422 for the 2018/19 F/Y from R3 033 645 601 in the 2017/18 F/Y The AG has raised a finding on illegal debit orders in the municipality's primary bank account which have not been dealt with for more than 2 years. There are allegations of fraud and corruption including tender rigging.

The following are the figures for the utilisation of Consultants by municipality:

- 2015-16 (R4 800 000)
- 2016-17 (R4 300 000)
- 2017-18 (R4 500 000)

Poor audit outcomes with recurrent audit findings pertaining to UIF&W expenditure and the municipality in the past six financial years has received 3 disclaimers and 3 qualified audit opinions. The municipality has received a disclaimer audit opinion during the 2018/19 financial year which shows stagnation. The result is indicative that there is no consequence management and financial viability of the municipality is under profound scrutiny. There is a need to test the authenticity of all Regulation 32 of SCM appointments.

c) Service delivery & Infrastructure Development

The municipality's service delivery challenges are primarily in the provision of clean water and reliable energy. Among others the following are the municipality's service delivery status: old, dilapidated and inadequate water network, poor state of internal roads, especially in villages, insufficient funding for infrastructure, vandalism of municipal infrastructure, stoppages of projects by business forums.

Treatment of Sewerage network is currently compromised due to ageing infrastructure and vandalism, and does not operate optimally. Most of the sewerage pump stations around the municipality are not functional and as a result, there are spillages within the residential areas and continuous contamination of the Crocodile River. Provision of clean water is a huge challenge for the municipality. The municipality owes the Water Board millions of rands. The municipality is experiencing continued community protests. There

is no operations and maintenance plan for roads and water infrastructure assets. Uneven provision of services, poor standard of internal roads.

There is non-compliance with the regulatory environment governing the provision of services. There is also lack of adequate operating plant and equipment. Shortage of water including unresolved issue of service provision by and between the municipality and the City of Tshwane.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for was R 281 797 000, Expenditure R136 221 809.70, % expenditure 48% and R145 575 190.30 balance.

5.1.10. Moretele Local Municipality.

Moretele LM is a Category B municipality located within the Bojanala Platinum District in the North West Province, provides all the basis service to the communities, except for electricity services which are being performed by Eskom. The municipality services communities which are predominantly in rural areas and indigent, as a result, is highly depend on government grants to provide services to communities.

a) Governance & Administration (Building Stable Institutions)

There are heightened political tensions in council and EXCO. Sabotage is prevalent in the running of Council. Incidents of political interference in the administration are prevalent and this accounts to disrespect for the rule law. A municipal official stole a water JoJo tank meant to assist the community, was reported but no consequences were meted against same.

Organizational culture is not in keeping with acceptable ethical norms and standards that is, employees report late for work and knock off early. There are other people in the

municipality who are equally implicated in the VBS scandal not only the Municipal Manager.

MPAC needs to be reconstituted and include the representation of the opposition parties as a sign of good practice. It also needs support staff to complement its daunting task.

It is alleged that the Mayor appointing and entertaining rented crowds / people to disrupt operations of the municipality. The infighting among Councillors is growing and thus affect their oversight role which then impact on service delivery.

A number of cases have been referred to the Financial Disciplinary Board for processing. The municipality was visited by the Hawks and SIU on the appointment of an ICT service provider through Regulation 32 of SCM regulations. The investigation report on the ICT is finalised and shared with the municipality to implement its recommendations.

Prevalence of malfeasance during the tenure of the then Acting Municipal Manager, resulted in the appointment of an ITC service provider, through usage of Regulation 32 of the National Treasury Regulations (tapping from similar appointment by Madibeng LM). The appointment of the ITC company by the then Acting Municipal Manager, remains irregular and unlawful. Currently, the municipality has extended the contract of the ICT service provider.

It also points out sharply to weak or lack political oversight, in that on a monthly basis, a financial report is submitted to the Mayor in terms of Section 71 of the MFMA. It therefore, insinuates that the centre is not holding.

b) Sound Financial Management

The municipality has adopted an unfunded budget for the 2020/21 financial year. The audited financial statements also indicate that the municipality will run short of resources to can address its creditor's commitments. The audited 2018/19 Annual Financial

Statements indicates a creditors balance of R273 million, R236 millions of which relates to Current Liabilities.

There is steep cost incurred by the municipality in the information communication technology which could be avoided as it drains the limited financial resources of the municipality. The Mayor and Executive Committee do not consider and deliberate on the monthly financial report submitted in terms of Section 71 of the MFMA. This is because the Members of EXCO, do not report to office to play political oversight.

There UIF&W is growing and is linked to transgression of supply chain management prescripts and lack of oversight. According to the audited AFS for 2018/19 financial year, the Unauthorised, Irregular, Fruitless and Wasteful expenditure (UIF&W expenditure) stands at R1 759 397 699. The municipality has been stagnant on qualified audit opinions since 2013/14. The issue of the investment of the municipal funds with VBS is currently handled by the Directorate of Priority Crimes Investigations Directorate (DPCIP) commonly known as the Hawks.

The disciplinary hearing report on VBS was concluded and received by council during a special council meeting, the council has not yet acted on the report. Stagnant audit outcomes with recurrent audit findings pertaining to UIF&W and the municipality have not addressed them in accordance with section 32 of the MFMA owing to lack of oversight and consequence management.

The following are the figures for the utilisation of Consultants by municipality:

- a. 2015-16 (R3 900 000)
- b. 2016-17 (R6 092 475)
- c. 2017-18 (R4 500 000)

Municipality is experiencing implementation challenges due to non-functionality of most modules on the system and lack of support and training from Municipality. This resulted

in the municipality opting to run on the mSCOA system parallel to a non-mSCOA compliant system.

c) Service delivery & Infrastructure Development

Lack of operating and maintenance for internal roads remains a problem, associated with lack of adequate operating plant and equipment. Shortage of water including unresolved issue of service provision by and between the municipality and the City of Tshwane.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for 2019/20 was R 114 780 000.00, expenditure R107 642 154.36, % expenditure 94% and the balance is R 7 137 845.64.

Uneven distribution of projects, at a glance through municipal budgets and annual reports will reveal that only few highly favoured wards is were projects of high values are concentrated. It is evident that one Ward has more than one project during the financial year while some Wards do not have even one project for that financial year.

5.1.11. Kgetleng-Rivier Local Municipality

Kgetleng-Rivier local municipality is spread over 3 973 square km of land and has 8 wards with a population of 51 049 and 17 401 households. The municipality is required by the Water Services Act 108 of 1997 to provide the right of access to basic water supply & sanitation.

a) Governance & Administration

This is a municipality that was placed on intervention by the provincial government with the support of national government and the National Council of Provinces (NCOP). The municipality has during the intervention, demonstrated inconsistent support for the

intervention (minimums resistance/disregard of the authority of the provincial and national government, including Parliament).

There is governance stability in the municipality since the provincial intervention, characterized by weak oversight. Council and its committees do meet as per the revised council calendar. MPAC has only one permanent support staff, yet managed to compile a backlog of oversight reports from the financial year 2008/09, the 2018/19 Oversight report is not yet tabled. The municipality does not have a disciplinary board, and therefore does not have enough resources to deal with UIF&W expenditures.

There is community buy-in in the current paradigm shift in council. Although still tense, no protests or disruptions have taken place of late. Resolutions register is in place including tracking of implementation. The municipality is prone to litigations due to negligent decision making.

The positions of Municipal Manager, Technical and Community Services and Chief Financial Officer are filled and only Local Economic and Corporate Services are vacant. The process to fill the two vacant positions is awaiting Council approval. The Local Labour Forum is not functional due to the term of Officer Bearers of the Trade Unions having lapsed and once processes of fresh elections are completed, establishment process shall commence and a program of action be developed.

b) Financial Management

The Approved 2020/21 Budget is not cash-backed, as a result, the municipality is not financially viable and fails to pay its creditors and fulfill other commitments. The debtors' book is high and could only be serviced once the equitable share is transferred. No outstanding payments to third party contributions.

The following are the figures for the utilisation of Consultants by municipality:

- 2015-16 (R2 500 000)
- 2016-17 (R1 700 000)
- 2017-18 (R1 700 000)

The UIF&W expenditure remains not investigated owing to lack of internal capacity, thus resulting in transgression of applicable legislation, lack of oversight and consequence management. The municipality has thus been exposed to a mixture of, disclaimer, unqualified two qualified audit outcomes and the last financial being a disclaimer leading to regression. The municipality has maintained a disclaimer audit opinion for the 2018/19 financial year.

The municipality is experiencing challenges with implementation of mSCOA due to poor contract management and failure to work amicably with the vendor to deliver the expected results. The municipality is experiencing system challenges, mainly due to lack of capacity and support from the system vendor. It is also notable that the MIG allocation which is intended to reduce infrastructure backlog to enhance service delivery is not adequately utilised.

The financial challenges of the municipality have a potential to collapse the provisioning of services to the Community and this might lead to a total collapse of governance.

c) Service Delivery & Infrastructure Development

The persistent draught has reversed all the gains with regard to water provision by the municipality. Poor water conservation and water demand management strategies not in place and this is compounded by the cracking of the dam-wall. Water provision is adversely affected by lack of operation and maintenance of water treatment plant and waste water treatment plant characterized by sewer spillage in the townships.

Lack of waste management plan and poor maintenance of landfill sites including non-compliance of the landfill side with applicable legislation exacerbates the non-compliance with environmental legislation. The incomplete project of waste water treatment plant has received R 5million financial boost from the Provincial Infrastructure Grant (PIG) and expected completion time is 2019. Water tankering remains a key cost driver without leaving any infrastructure legacy for the municipality.

Road maintenance of potholes is progressing well with the assistance from the Department of Public Works and Roads, including grass cutting on the sides of several roads.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for was R25 847 000.00, Expenditure R 16 838 131.71, % expenditure 65% and R 9 008 868.29 balance.

5.1.12. Rustenburg Local Municipality

Rustenburg Local Municipality is a category B1 municipality within the Bojanala Platinum District. It is a secondary city with the largest budget and a population size of 549 575 and 199 044 households. It is constituted by 38 wards with councilors comprising of Executive Mayor, Mayoral Committee and Council Committees. The municipality is responsible for the provision of basic services as legislated in Chapter 7 of the Constitution and in terms of schedules 4 and 5. According to census 2011 results, the municipality population size has increased from 387 097 in 2001 to 549 575 in 2011.

a) Governance & Administration (Building Stable Institutions)

The Council is a hung Council led by a coalition arrangement. The recruitment process of the Municipal Manager is underway. The Municipality has so far appointed three Municipal Managers in a space of four years. The municipality has experienced raids from the Haws, Public Protector and Minister of COGTA and reports are still outstanding.

There are several media leaks that have been circulating revealing a worrying situation in the municipality, for instance, alleged leaked communication between the Council Whip and Councillor of the EFF. The MPAC is performing its minimum statutory functions, although there has been insufficient support from administration.

b) Sound Financial Management

The municipality is highly indebted through loans for its resource projects. The Auditor General report has revealed a number of fraudulent transactions in the Supply Chain Management space of the municipality, for example, one service level agreement was signed between a company called R&T on the 2nd March 2018 yet the first invoice of five R 5 061 999.33 was already received twelve days thereafter, (invoice date 14 March 2018).

The municipality is currently transacting in the mSCOA chart and is able to produce reports on the same system. Debtors balance as at June 2020 amounted to R5.6 billion, of which R5 billion or 89% is outstanding for more than 90 days.

The major contributor is household which constitute 78% or R4.4 billion followed by at R689 million and government at R22 million. R503 million is been attributed to other' category. The total outstanding creditors as at end of June 2020 amounted to R1.1 billion, of which R665 million or 58% were outstanding for more than 90 days.

Eskom debt as at July 2020 amounted to R286 233 296 of which R148 497 842 is overdue. This included the disputed balance of R100 million which was referred to NERSA for the building of the substation standard charges.

The UIF&W expenditure stands at R7 199 326 which makes the municipality to be considered one of the top 10 contributors to UIF&W in the province.

Poor audit outcomes with recurrent audit findings pertaining to UIF&W expenditure and the municipality in the past six financial years has received 1 unqualified and 5 qualified audit opinions. During the 2018/19 financial year, the municipality maintained the qualified audit opinion.

c) Service delivery & Infrastructure Development

Backlog with regard to road infrastructure. Potholes and street lights need attention.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for was R 235 107 000, Expenditure R 224 394 872.94, % expenditure 95% and R10 712 127.06 balance.

5.1.13. Ngaka Modiri Molema District Municipality

Ngaka Modiri Molema District is one of four district municipalities in the North West province and covers an area of approximately 28 114km². There is currently 961 960 people living in Ngaka Modiri Molema District Municipality and is comprised of 268 099 households. There are 640 000 (67.66%) people living in poverty, using the upper poverty line definition, across Ngaka Modiri Molema District Municipality - this is 3.14% higher than the 621 000 in 2008.

a) Governance & Administration (Building Stable Institutions)

All positions of senior Managers including Municipal Manager are filled. The expenditure on personnel budget is accounts for over 47% of total expenditure which is not sustainable considering that the municipality is grant funded at 98% total revenue. There is an organizational process to address the issue of high personnel budget.

There was an investigation by the Public Protector of South Africa against the municipality. There are aggrieved employees who were favoured by the Remedial Action of the Public Protector. A Council resolution to adopt the outcome of the report including implementing the remedial action but to date, no progress has been registered including reporting back to the department of COGHSTA on implementation.

MPAC is partially functional and performing its minimum responsibilities. The support staff's contracts have been linked to the current chairperson's term of office. The municipality will not have institutional memory should the current chairperson vacate the office for any reason.

b) Sound Financial Management

The municipality has approved the budget that is unfunded. As a result of lack of capacity in the Budget and Treasury Office, there is non-compliance with Municipal Budgeting and Reporting Regulations (MBRR)..

Regarding internal controls, there is no virement policy, segregation of duties, lack of business processes. The municipality developed standard operating procedures (SOP) to improve internal controls and is currently transacting in the mSCOA chart and is able to produce reports on the same system however: not all modules are active e.g., Contract Management. Section 71 reports are not submitted as legislated.

The following are the figures for the utilisation of Consultants by municipality:

- 2015-16 (R3 000 000)
- 2016-17 (R2 094 916)
- 2017-18 (R3 500 000)

This clearly shows that UIF&W expenditures are not investigated and recovered as per the requirements of MFMA section 32. The municipality has been receiving Disclaimer audit opinions for over the past 6 financial years, For 2018/19 financial year the

municipality has regressed from disclaimer to adverse audit opinion. This is so because of lack of oversight and consequence management. The municipality is one of the top ten contributors to UIF&W in the province.

c) Service delivery & Infrastructure Development

Lack of water across the district due to draught and lack of Adequate Water infrastructure to address water shortages. The municipality disputed Sedibeng Water Board debt over bulk supply and operations and maintenance resulted in understatement of contracted services expenditure in the AFS.

Under budgeting of operations and maintenance of waste water treatment plant. There is lack of business processes to deal with lack of payments and cash management, including lack of operational procurement plan and sound cash flow projections due to lack of internal controls. Furthermore, there is an unfunded incomplete/abandoned project which adversely affects service delivery, particularly on provision of water and sanitation.

There is huge backlog of water and rural sanitation projects which are not costed due lack of technical capacity. There is generally lack of water conservation leading to water losses and loss of revenue due to illegal and unmetered yard connections in various areas of the district roll-out the draught relief programme funded by the department of Water and Sanitation augment the DRF through internal funding to drill new boreholes in the next financial year.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for was R 299 499 000.00, Expenditure R 264 601 047.50, % expenditure 88% and R 34 897 952.50 balance.

There is a recent report from the Public Protector indicating that the Municipality is failing its obligations to fulfil its responsibility of providing decent access to water and sanitation as a Water Service Provider. Upon the interaction by the MEC responsible for COGHSTA with the municipality, it was discovered that the decision by the provincial government that the budget allocation of water and sanitation to its residents to paid directly to Sedibeng Water Board, is not assisting the municipality fulfilling its obligations.

5.1.14. Ditsobotla Local Municipality

Ditsobotla Local Municipality is located in the Ngaka Modiri Molema District Municipality in the North West Province and covers approximately 6500 km². The municipality is home to approximately 181 8651 people. The total number of households with access to piped water stands at 43 162 of the total households which translates to 79%, the number of households without access to water is approximately 6 000 based on the emergence of informal settlements notably in Itekeng Tlhabologang and Blydeville

a) Governance and Administration (Building Stable Institutions)

The appointment of Municipal Manager and that of Senior Managers had its controversies and irregularities. The Administrator identified serious procedural flaws relating to these appointments including the fact that as Administrator, he was not involved in the process despite the terms of reference directing that he facilitates and lead these processes.

The Municipal Manager with the support of other Councillors have dismissed more than eleven employees, most of whom were newly elected SAMWU Shop stewards. Their dismissal happened without any disciplinary hearing and has created unnecessary tension in the administration and Local Labour Forum.

Only two (2) positions of Senior Managers are filled, namely the Municipal Manager and the Chief Financial Officer, the remaining four (4) positions are vacant.

The work of the Municipal Public Accounts Committee (MPAC) is not properly resourced. MPAC reports are not processed as expected by the municipal council. Serious and damning allegations against key office bearers and some Councillors have not been allowed space to be tabled.

The municipality is experiencing community protests which resulted in the closure of municipal offices. The employees are also on strike, complaining of the conduct of the Municipal Manager.

b) Sound Financial Management

The approved budget is not cash-backed, as a result, the municipality is not financially viable and fails to pay its creditors and fulfil other commitments. There are serious cash flow challenges hence its inability to meet its financial obligations. Section 65(2)(e) of the MFMA states that all money owing by the municipality must be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

The ever increasing creditor book balance is a clear indication that Municipalities fail to honour the latter section of the MFMA. The municipality owes Eskom bulk account a total amount of R627 717 201 million of which R607 004 485 is overdue for more than 30 days period.

Firm of attorneys have been appointed to conduct forensic investigations with regard to the loss and embezzlement of INEP funds. A register of all UIF&W Expenditures has been

developed by the MPAC - it forms part of the Post Audit Action Plan. The Supply Chain management unit is not given attention as the position of SCM Manager is not filled.

Municipality is still operating on the old system version of SEBATA FMS and in a process to migrate to EMS. Municipality having internal capacity challenges to effectively implement mSCOA.

The following are the figures for the utilisation of Consultants by municipality:

- 2015-16 (R3 500 000)
- 2016-17 (R3 200 000)
- 2017-18 (R2 900 000)

This clearly shows that UIF&W expenditures are not investigated and recovered as per the requirements of MFMA section 32. Poor audit outcomes with recurrent audit findings pertaining to UIF&W expenditure and the municipality in the past seven financial years has received 6 disclaimers and 1 qualified audit opinions. The UIF&W expenditure stands at R360 893 730 in 2018/19 financial year. The municipality has received 3 consecutive disclaimer audit opinion from financial year 2016/17 to 2018/19. The result is indicative that there is no consequence management.

c) Service Delivery & Infrastructure Development

The municipality is not collecting refuse as expected, as a result the communities have to dispose of their own refuse. This led to residents waging violent protests.

There is generally incidents of non-compliance with service delivery commitments as the access roads are not maintained. The internal roads have totally deteriorated to appoint

wherein most of the tarred roads, have informally turned into gravel roads including the town of Lichtenburg.

Ditsobotla LM is one of the three municipalities that have spent 100% of their MIG allocation.

5.1.15. Mahikeng Local Municipality

Mahikeng Local Municipality is a B2 category municipality in Ngaka Modiri Molema District Municipality, capital city of the North West Province. It is demarcated into 31 wards comprising of Executive Mayor, Mayoral Committee, Speaker and Council Committees. It is a medium capacity, semi-urban and predominantly rural municipality with a limited revenue base. It has no electricity license as revenue source with high consumer debt and poor Operations and Maintenance of infrastructure. The municipality has a population size of 291 527 with a total number of households estimated to 84 239 and this therefore means that the population has increased from 259 478 in 2001 to 291 527 in 2011.

a) Governance and Administration (Building Stable Institutions)

This is a municipality that was placed on intervention by the provincial government with the support of national government and the National Council of Provinces (NCOP). The administration started from 1 September 2018 being placed under 137 of the MFMA, on 5 December 2018 EXCO took a decision to escalate the intervention to Section 139 (1) (b) of the constitution.

The Intervention Team started effectively with its work during the month of March 2019 after numerous engagements with Council and Mayoral Committee in which the objective of the intervention was outlined, including the Terms of Reference for the Intervention Team. The delay was as a result of resistance and rejection of the Provincial Intervention. The intervention was later extended until the municipal end of financial year, i.e. 30 June 2020.

There is governance stability in the municipality since the provincial intervention, Council and its committees do meet as compared to previous years where the municipality was facing difficulties and service delivery protests. The municipality has resolved the appointment of Municipal Manager's position.

The municipality investments with the VBS and the repossession of the White and Yellow Fleet affected the financial position of the municipality adversely. The poor financial position of the municipality also affected payments of staff statutory deductions such as pension fund

b) Sound Financial Management

The municipality has adopted an unfunded budget for the 2020/21 financial year. The municipality is unable to implement credit control measures to recover outstanding debts from customers. As at the end of June 2020, the total outstanding debtors amount to R1.8 billion of which 93 percent or R1.7 billion is outstanding for over a year. Households constitutes most of the outstanding debt at R948 million, followed by government department at R717 million and commercial or business at R174 million. The outstanding creditors is standing at R112 million as at January 2020, the municipality is not reporting consistently on section 71 reports.

The UIF&W is growing and is linked to transgression of supply chain management prescripts and lack of oversight. The results of lack oversight led to negative audit outcomes as follows, five disclaimer opinions, two qualified audit opinions for the past seven years. The municipality has received disclaimers for two consecutive years, i.e. 2017/18 and 2018/19 financial years. The UIF&W expenditure stands at R2 018 535 768 in 2018/19 financial year. The municipality is one of the top ten contributors to UIF&W in

the province. The MPAC has no capacity to address the UIF&W expenditures. There is no permanent support staff of MPAC office, only one official seconded from Speaker's office.

Poor audit outcomes with recurrent audit findings pertaining to UIF&W and the municipality have not addressed them in accordance with section 32 of the MFMA owing to lack of oversight and consequence management.

The municipality has spent 100% of MIG allocation as at the end of June 2020.

VBS Investment

Mahikeng Local Municipality invested R83, 4m in VBS Mutual Bank and lost the funds which were meant for the following critical investments:

- a) Infrastructure Development,
- b) Economic Development;
- c) Job Creation,
- d) Free Basic Services

Impact on Financial Health (Liquidity)

According to the report of the Auditor General for the financial year 2018/2019, at Mahikeng LM, the loss of R83, 4 million added further pressure on the municipality's ability to pay suppliers. The municipality had R7 million bank balance at year-end compared to payables in excess of R553 million.

Consequence Management

Auditor General in his 2018/2019 Financial Year Report emphasised that even though the Municipal Manager was suspended and released from his employment contract, no decisive action has been taken to effect consequence management against those responsible. Lack of implementing consequence management is a direct result of lack political oversight.

The VBS investment saga affected the stability of Council, there is no cohesion amongst TROIKA and this affected the functioning of Council. There has been attempts to remove the Executive Mayor, Speaker and Single whip of Council, the cause amongst others include VBS investment.

The lack of leadership was quite glaring since Council could not seat to conduct oversight over the Executive and the Administration thus the VBS and Kwane saga which saw millions of the Municipality's yellow and white fleet being lost leaving Mahikeng residents without machinery and equipment to deliver services. Non-payment of suppliers by Mahikeng resulted in the cancellation of a contract for vehicles leased for the waste and refuse removal. As a result all refuse removal services at the municipality came to a halt.

The matter relating to inconsistent appointment of personnel in political offices outside policy prescripts is still to be addressed. The political disruptions in council have affected the business of council negatively and will require constant intervention in order to restore public confidence in the Councillors.

Mafikeng Local Municipality presented the tabled 19/20 MTREF budget in full compliance with Section 16(2) of the Municipal Finance Management Act (MFMA, Act No. 56 of 2003), the IDP consultation did not take place as scheduled due to meetings being disrupted by factions fighting within the Council. Therefore, the credibility of the budget could not be determined and also if the budget is funding the prioritised needs of the community as community consultation did not happen.

The municipality is reliant on government grants to fund its capital programmes and even more worrisome is the fact that the funding of capital expenditure from own generated revenue is not realistic. The tabled budget is not funded over the 2019/20 MTREF. The 19/20 MTREF budget is not sustainable, not funded and cannot meet the financial

commitments of the municipality. Operating surpluses over the medium term are not realistic and are based on overstated revenue and will not be able to address maintenance of ageing infrastructure and funding of capital projects.

5.1.16. Ramotshere Moiloa Local Municipality

Ramotshere Moiloa Local Municipality (MLM) is a category B municipality (established in terms of the Municipal Structures Act, Act No. 6 of 2004) in the Ngaka Modiri Molema District. The municipality is licenced to provide electricity in town. Ngaka Modiri Molema District Municipality is a water authority and provides water to the remote villages. Ramotshere provides water in town only. Its estimated budget is R 476 million in the 2020/21 financial year. The municipality has been experiencing financial and service delivery challenges due to administrative instability and poor governance structures.

a) Governance & Administration (Building Stable Institutions)

The municipality has during the intervention, embraced and demonstrated commitment and support towards the realisation of the objective of the intervention. To date council, its Committees and EXCO meetings are convened as per the developed corporate calendar. Management meetings and action plan developed and managed including tracking of Council resolution implementation.

All senior management posts are filled except Chief Audit Executive and the LLF is functional. We have noted recently with serious concern signs of regression with respect to the functionality of EXCO.

MPAC is not functional because of lack of commitment by members, non-attendance of some members to the meetings (struggle to form a quorum). MPAC recommendations are not adopted in council, which renders it as ineffective. Management does not respond to request of information from the committee, the effectiveness of MPAC is also

hampered by non-implementation of the committee's recommendations. The oversight report for 2018/19 could not be adopted prior to the lockdown. The committee had 3 support staff, including a manager who has been placed under suspension. MPAC is reportedly not informed of the progress pertaining to the case. This creates a void in the MPAC office as the support staffs serve as an institutional memory of the committee.

The municipality received disclaimer audit opinion for 2 consecutive years, from 2017/18 to 2018/19. There is no evidence that the municipality is implementing audit remedial plans, and recommendation of the internal audit unit as well as the MFMA Sec 166 Audit Committee. Legislative frameworks to address the UIF&W expenditures are not implemented which leads to an annual increase in the UIF&W expenditures.

b) Sound Financial Management

The approved budget is not cash-backed, as a result, the municipality is not financially viable and fails to pay its creditors and fulfil other commitments. There are serious cash flow challenges hence its inability to meet its financial obligations.

This is evident due to the fact that most of its creditors are not paid within 30 days as prescribed by the MFMA. Recently the municipality experienced electricity disruptions as a result of non-payment of Eskom account. The municipality owes a total of R49 million to Eskom as at the July 2020. Furthermore, the municipality is unable to implement credit control measures to recover outstanding debts from customers.

The following are the figures for the utilisation of Consultants by municipality:

- 2015-16 (R2 500 000)
- 2016-17 (R1 700 000)
- 2017-18 (R1 700 000)

c) Service Delivery & Infrastructure Development

The persistent drought has reversed all gains with regard to water provision by the municipality. Service delivery is adversely affected lack of operation and maintenance of water treatment plant and waste water treatment plants characterized by sewer spillages in the townships. There is lack of the waste management plan and poor maintenance of landfill sites including non-compliance of the landfill sites with applicable legislation.

The role of the District municipality as a Water Service Authority, undermines the constitutional rights to access basic services like water and sanitation.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for was R 37 154 000.00, Expenditure R 19 534 522.79, % expenditure 53% and R 17 619 477.21 balance.

5.1.17. Ratlou Local Municipality

Ratlou LM is a category B municipality situated in the Ngaka Modiri Molema District Municipality in the NW Province. The municipality is predominantly rural in nature and is constituted by about 26 villages and commercial farms. The size of municipal area is 14, 618 km², with a population density of 24.37 per square kilometre and is divided into 14 wards.

a) Governance & Administration (Building Stable Institutions)

The functionality of Council and its committees is restored. They convene as per schedule. There are instances where Council sitting is disrupted by members of the community,

Ratlou LM has a history unstable administrative leadership for the past four years where they were not able to appoint a substantive Municipal Manager and Chief Financial Officer. The municipality only managed appoint a substantive Municipal Manager and the Director Technical Services.

The positions of the CFO and other senior managers, namely Director Community Services, Director Corporate Services and Town Planning & Development are still vacant. The instability in senior administrative leadership has an impact on the performance of the municipality, hence the qualified audit opinions over the past three years (2015/2016 to 2017/2018), and regression in 2018/19 financial year to a disclaimer audit outcome.

The MPAC has reported that it is not receiving sufficient support from both administration and council. MPAC is partially functional and performing its minimum statutory functions.

b) Sound Financial Management

The municipality has adopted an unfunded budget as the total expenditure exceeds anticipated revenue projections to be collected. The UIF&W is growing and is linked to transgression of supply chain management prescripts and lack of oversight. The recorded Irregular, fruitless and wasteful expenditure amount to R121 216 763 in 2018/19 financial year. No consequence management cases have been concluded.

Poor audit outcomes with recurrent audit findings pertaining to UIF&W and the municipality have not addressed them in accordance with section 32 of the MFMA owing to lack of oversight and consequence management. The municipality has been stagnant of qualified audit opinion for the past 3 consecutive financial years, and now regressed to a disclaimer in the 2018/19 financial year.

The following are the figures for the utilisation of Consultants by municipality:

- a. 2015-16 (R2 3000)
- b. 2016-17 (R 1900 000)
- c. 2017-18 (R1 700 000)

Municipality had implementation challenges due to aged ICT infrastructure the municipality has since upgraded the server in order to improve mSCOA implementation. The Municipality is over reliant on the system service provider for implementation of mSCOA due to lack of capacity and training.

c) Service Delivery & Infrastructure Development

Lack of operating and maintenance for internal roads remains a problem, associated with lack of adequate operating plant and equipment. Shortage of water including unresolved issue of service provision by the District municipality on water and sanitation. No operations and maintenance plans for internal roads.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for was R 29 400 000, Expenditure R6 902 041.04 % expenditure 23% and R 22 497 958.96 balance.

5.1.18. Tswaing Local Municipality

According to census 2011 Tswaing local municipality has a total population of 124 218 people with a population growth rate of 0.84%. The main economic sectors is agriculture and small scale mining provide and elaborate on efforts/plans by the municipality to address. The municipality still faces challenges of serious back logs in the provision of water, electricity, sanitation, roads and street lighting. The main reason for this is the increased population influx from the neighbouring farms and villages, partly due to the natural growth of the population. The unemployment rate as at 2011 was 28.7%, whilst the youth unemployment rate was 40.1% .the elderly (65+) constitute 6% of the population and individuals of working age (15-64) constitutes 58%.

a) Governance & Administration (Building Stable Institutions)

The municipality was placed under Administration on 2 May 2019 by the Executive Committee (EXCO) of the Province. The intervention commenced on the 17th of July 2019 and expires on 30 June 2020. The intervention team started effectively with its work during the month of July 2019 after numerous engagements with council in which the objective of the intervention was outlined, including the terms of reference for the intervention team. The intervention team spent a lot of time stabilizing the volatile situation within the municipality by engaging the different stakeholders and pressure groups across the municipality.

The intervention team has assisted in resuscitating the following governance structures: Portfolio committees resuscitated and functional. EXCO, Council are functional and resolution register is kept and regularly updated.

MPAC was not functional and has been resuscitated, to that end this committee has managed to sit and completed oversight reports for the past ten financial years (2008/09 to 2017/18). The MPAC oversight reports were tabled before council on 22 August 2019. The biggest challenge with MPAC to function effectively is the lack of complete staff complement. The municipality does not have Audit committee. Financial Disciplinary Board still to be appointed by Council.

Now recently the municipality is experiencing political instability, which resulted in the ousting of the Mayor and the suspension of the MM and the CFO??

Most of the ward committees are dysfunctional and no effective interaction with communities done. A disjuncture between committees and departments is a challenge.

The municipal council is in dysfunctional and as such cannot provide any oversight to the administration. The council committees are dysfunctional and the municipality is unable to discharge on its mandate as espoused in the Constitution and key pieces of legislation. Councillors are colluding with officials for service providers are paying kickbacks.

Councillors and officials are frustrating municipal processes in order to benefit themselves materially.

b) Sound Financial Management

The municipality has adopted an unfunded budget. There UIF&W is growing and is linked to transgression of supply chain management prescripts and lack of oversight. The results of lack oversight led to negative audit outcomes as follows, one disclaimer opinion and three qualified opinion. The municipality maintained a qualified audit opinion from 2015/16 to 2018/19.

The total outstanding Debtors as at June 2020 amounted to R 247million, of which R225 million is owed for over a year. Collection of some of these outstanding debtors is of a concern especially households debt. Households constitutes most of the outstanding debt at R219 million, followed by Commercials at R24 million and government R3.6 million

The total outstanding creditors as at end of June 2020 amounted to R165 millions of which R137 million is outstanding for more than a year. Total debt owed to Eskom as at July 2020 amount to R71 271 976 and 64 884 486 is overdue for more than 30 days period.

A number of cases are fraud remains unresolved. No consequence management cases have been concluded. Poor audit outcomes with recurrent audit findings pertaining to UIF&W and the municipality have not addressed them in accordance with section 32 of the MFMA owing to lack of oversight and consequence management. The results of lack oversight led to negative audit outcomes as follows, one disclaimer opinion and three qualified opinion which is a stagnant.

The following are the figures for the utilisation of Consultants by municipality:

- a. 2015-16 (R2 500 000)
- b. 2016-17 (R4 662902)
- c. 2017-18 (R2 100 000)

The Municipality does not utilize all available modules on the system and opts to perform manual transactions. There is heavy reliance on the system service provider caused by lack of training and capacity.

c) Service delivery & Infrastructure Development

Lack of operating and maintenance for internal roads remains a problem, associated with lack of adequate operating plant and equipment. Shortage of water including unresolved issue of service provision by the District municipality on water and sanitation. No operations and maintenance plans for internal roads.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for was R 29 274 000, Expenditure R 22 432 476.64, % expenditure 77% and R 6 841 523.36 balance.

5.1.19. Dr. Kenneth Kaunda District Municipality

Dr. Kenneth Kaunda District Municipality, which is one of the four category C (district) municipalities in the North West Province, with a total population of 742 822 people, in accordance to Stats SA Community Survey of 2016.

The population is unevenly distributed among the three (3) local municipalities and the average annual growth rate of the district is 1.07% which dropped from 1.16% between 2001 and 2011 (which can be attributed to death, migration etc.).

Dr. Kenneth Kaunda district is a category C municipality situated in the southern portion of the North West province. The district municipality has three local municipalities under its jurisdiction namely and has devolved all of its powers and functions allocated in terms of Section 84 of the Municipal Structures Act. The municipality retained powers and

functions that relates only to provision of Environmental Health Services, Disaster Management and Fire Services across the entire district area of jurisdiction. As a result, the District Municipality is highly dependent of government grants, as its primary source of income. The funding mix of Dr. Kenneth Kaunda District Municipality made up of 98% government grants as well as own revenue which contributes 2% of the total revenue base.

a) Governance & Administration (Building Stable Institutions)

Dr Kenneth Kaunda District municipality has fully functioning governance structures in place which are the Shared Audit and Risk Committee, Internal Audit, MPAC and Disciplinary Board to assist Council with discharging the powers and functions.

The vacancies at senior management positions are at Director: Community Services and Director LED and Planning. Recruitment process was halted by the Covid-19 lock down, but it is now activated. Other senior management positions including the Municipal Manager are substantively filled. MPAC is performing its minimum statutory functions, but does not have enough capacity to investigate the UIF&W expenditures.

b) Sound Financial Management

The following are the figures for the utilisation of Consultants by municipality:

- 2015-16 (R3 100 000)
- 2016-17 (R2 900 000)
- 2017-18 (R3 000 000)

Poor audit outcomes with recurrent audit findings pertaining to UIF&W expenditure and the municipality in the past seven financial years has received 3 unqualified and 4 qualified audit opinions. According to the audited AFS for 2018/19 financial year, the

Unauthorised, Irregular, Fruitless and Wasteful expenditure (UIF&W expenditure) stands at R220 546 415. The municipality has been stagnant on qualified audit opinions since 2015/16 financial year to 2018/19 financial year. .

The mSCOA implementation is progressing well through the commitment of Municipal Leadership however not all modules offered by the system have been fully implemented. The Municipality is still highly dependent to the system vendor.

c) Service delivery & Infrastructure Development

The municipality is not a Water Services Authority and is not playing coordinating and /or supporting role to its local municipalities. Infrastructure development projects have not been implemented, resulting in local municipality playing the role of salaries with no developmental program.

5.1.20. Maquassi Hills Local Municipality

Maquassi Hills is a category B municipality (established in terms of the Municipal Structures Act, Act No. 6 of 2004) in the Dr Kenneth Kaunda District. It is bordered by Tswaing in the north, the Free State Province in the south, City of Matlosana and the Free State in the east, and Dr Ruth Segomotsi Mompati District in the west.

It is one of the three municipalities that make up the district, accounting for a third of its geographical area. The main Economic Sectors are Agriculture (49%), domestic (17%), community services (15%), and manufacturing (14%). The municipality has been under severe financial challenges in the form of cash flow problems and inability to raise sufficient revenue which impacted negatively on its financial sustainability and delivery of basic services.

The municipality lacks sound financial management; and good governance. There are many on-going risks associated with the instability of the municipality

The Municipality is spread over 4 678.4 square kilometres and has 11 wards with a population of 82 013 and 24 077 households (based on the Community Survey of 2016). The Municipality is required by the Water Services Act to provide the right of access to basic water supply & sanitation, hence 22 247 (92.4%) households have access to water supply and 21 717 (90.2%) households have access to sanitation out of 24 077 total households.

a) Governance & Administration (Building Stable Institutions)

This is a municipality that was placed on intervention by the provincial government with the support of national government and the National Council of Provinces (NCOP). The municipality has during the intervention, demonstrated total disregard for the authority of the Provincial and National government, including Parliament.

The former administrator Mr. T. Mokhatla was rejected from the onset by the municipal council to the point where he had to be replaced by Ms. D. Tlhoale and the team. Similarly her team also experienced resistance from councillors in the municipality, which resulted in three months of the intervention period being lost. Councillors were involved in violent activities to challenge the intervention.

There is instability of Council characterized by infighting that led to political instability and weak oversight. Furthermore, this has also led to non-functionality of Council and its Committees and in particular the MPAC.

MPAC is not fully resourced with permanent support staff and tools of trade. The institution has a back-log of oversight reports from 2008/09 to current. Lack of stability in council and non-commitment of majority of members has rendered the MPAC dysfunctional.

The recruitment and appointment of senior managers was conducted without the involvement of the Administrator. This act borders on non-compliance to the Terms of Reference of the Intervention. The MEC issued a directive to the Mayor for the attention of Council, directing that they should not appoint any senior manager without consulting the Administrator since the municipality is under Section 139(1) (b) of the constitution.

The Council disregarded the directive of the MEC and continued with the appointments. Only two Councillors disassociated themselves from the whole council process of perpetual defiance. Section 106 of the Municipal Systems Act was invoked and the report was submitted to the office of the Mayor for tabling in Council, but to date it's still pending to be tabled in Council.

The report resulted in some of the senior officials and the Mayor being implicated in wrong doing, especially with regard to misuse of municipal vehicles. Public participation at Ward level has completely collapsed, and this is a recipe for violent public protests.

b) Sound Financial Administration

The municipality is considered one of the top 10 contributors to UIF&W expenditures in the province. The municipality regressed from a qualified audit opinion in 2016/17 to a disclaimer in 2017/18, and maintained a disclaimer in the 2018/19 financial year.

The municipality has approved the budget that is not funded, this mainly of the fact that the municipality has projected to have a positive net cash from operating activities without factoring in all arrangements in place with creditors. The approved budget is not cash-backed, as a result, the municipality is not financially viable and fails to pay its creditors and fulfil other commitments. The total outstanding creditors as at end of June 2020 amounted to R242 million, of which R201 million or 76% were outstanding for more than 90 days. Eskom debt as at July 2020 amounted to R 38 524 785 of which R29 336 967 is overdue for more than 30 days period.

The total outstanding Debtors as at June 2020 amounted to R 1.5billion, of which R1.4 billion or 95% is over 90 days. Households constitutes most of the outstanding debt at R1.4 billion, followed by commercial /business R60 million, government R11 million

The municipality is experiencing low revenue collection due to poor revenue management.

The UIF&W expenditure stands at R1 089 367 513 for 2018/19 which makes the municipality to be considered one of the top 10 contributors to UIF&W in the province. With regard to mSCOA compliance – there are serious leadership challenges to oversee mSCOA implementation.

In the past seven financial years the municipality received 4 disclaimers and 3 qualified audit opinions, for 2018/19 financial year, the municipality maintained a disclaimer audit outcome.

c) Service delivery & Infrastructure Development

The communities of the municipality could go for a long period of up to three weeks without water. The water crisis was reported as early as May 2019 and to date the situation is still to be addressed in totality. Service delivery is adversely affected by lack of operation and maintenance of water treatment plant and waste water treatment plant characterized by sewer spillages in the townships.

There is lack of plan for waste management and poor maintenance of landfill sites. There is also poor water conservation and water demand management strategies.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for was R 28 209 000.00, Expenditure R 27 164 239, % expenditure 96% and R 1 044 761 balance.

5.1.21. City of Matlosana Local Municipality

City of Matlosana is a category B municipality (established in terms of the Municipal Structures Act, Act 6 of 2006) in the DR Kenneth Kaunda District Municipality, in the North West Province. The main economic activity in the municipal area is gold mining with Anglo Gold Ashanti being the biggest player in the market. The gold mining sector in the country has been decreasing due to supply and demand as well as the pricing of the commodity.

This has negatively affected the economy of the municipality resulting in some areas being as distressed mining towns. The job losses have increased poverty and ability of households and businesses to pay for municipal services. The municipality in current state remains financial not viable due to low collection rates and increasing debt book which has a direct impact on service delivery

a) Governance & Administration (Building Stable Institutions)

The City of Matlosana have been having challenges dating as far as 2017. The Mayoral Committee is divided and is not coherent, including TROIKA. Some Councillors are a grouping of the Speaker and others are a grouping of the Executive Mayor.

This anomaly is impacting negatively on governance and oversight of council, thus creating an enabling environment for the collapse of service delivery and violent service delivery protests. Meetings of Committees of Council are not convened and/or poorly attended. All senior management positions are filled. MPAC is partially functional with only one permanent support staff. It does not have sufficient capacity to address the increasing UIF&W expenditures.

The municipality continues to experience great instability in that there's been a huge involvement of criminal elements which threaten both the functionality of the municipality

and the council proceedings. A number of councilors have reported on many occasions how they are under threat and are not able to exercise oversight or even interrogate council matters without being intimidated.

After the concerted effort by the MEC to strengthen Council, the following occurrences took place in the municipality; it was reported that council sat to discuss the performance report of the Accounting officer, of which a number of thugs were bussed into that meeting and the council sitting was disrupted with councillors being poured with water while in council chambers.

There was a council meeting that took place in which the MPAC tabled its oversight report, upon deliberations by council on the report the council resolved to put the Municipal Manager on precautionary suspension given the financial misconduct allegations.

The Executive Mayor was subsequently instructed by Council to inform the Municipal Manager of its decision and further resolved that the Executive Mayor should write to the Municipal Manager within seven days informing him of the decision. It is alleged that the Executive Mayor did not oblige to that council resolution and instead a council meeting was convened by the Speaker at a later stage and reversed the decision arising from the minutes.

As a result of the above there was a removal of some members of the Mayoral Committee by the Executive Mayor. Council is currently kept in the dark about the precautionary suspension of the Municipal Manager as the Executive Mayor elected not to implement the Council resolutions, and is working in cahoots with the Speaker to undermine the authority of Council.

b) Sound Financial Management

The approved budget is not cash-backed, the budgeted expenditure exceeds anticipated revenue to be collected. The total outstanding creditors as at end of June 2020 amounted to R1.3 billion, of which R1 billion or 76% were outstanding for more than 90 days period. Eskom debt as at 31 July 2020 amounted to R524 516 492, of which R417 901 942 is overdue for more than 30 days period. The municipality is not financially viable and fails to pay its creditors within 30 days period.

The municipality is unable to implement credit control measures to recover outstanding debts from consumers. This is justifiable by a total of outstanding Debtors as at June 2020 amounting to R 4.4billion, of which R4 billion is over 90 days. Collection of some of these outstanding debtors is of a concern especially households debt. Households constitutes most of the outstanding debt at R3.9 billion, followed by commercial /business at R398 million and government at R111 million

The UIF&W expenditure stands at R5 316 108 187 which makes the municipality to be considered one of the top 10 contributors to UIF&W in the province.

The following are the figures for the utilisation of Consultants by municipality:

- 2015-16 (R4 800 000)
- 2016-17 (R4 300 000)
- 2017-18 (R4 500 000)

Improved audit outcomes is indicative that the municipality is in the right direction with regard to oversight and consequence management. The municipality in the past seven financial years has received 1 disclaimer and 4 qualified audit opinions. It has regressed from unqualified audit opinion in 2017/18, to qualified audit opinion in 2018/19. The Municipal Manager is currently facing criminal charges and Council has not been able to process this matter in line with the spirit of the relevant legislation.

c) Service delivery & Infrastructure Development

The municipality is characterized by ageing infrastructure. There is frequency of sewerage spillages. Road infrastructure is dominated by potholes but the municipality is currently attending to the problem. Poor contract management resulting in several blocked projects. This is directly denying communities of their expected services, and there is no action taken against both responsible officials and service providers.

The following is a reflection of the MIG allocation during the 2019/20 financial year, allocation for was R 87 489 000, Expenditure R 52 721 954.28, % expenditure 60% and R 34 767 045.72 balance.

5.1.22. JB Marks Local Municipality

JB Marks Local Municipality is a Category B municipality situated within the Dr Kenneth Kaunda District in the North West Province. It is the largest municipality of three in the district, making up almost half its geographical area.

It was established by the amalgamation of the former Ventersdorp and Tlokwe City Council Local Municipalities in August 2016. It combines the following areas from the Tlokwe Region: Ikageng and its extensions, Potchefstroom town, Mohadin, Promosa, Matlwang, Leliespan/Baitshoki, Haaskraal, Turfvlei, Vyfhoek, Mooibank, Machavie, Buffeldoorn, Miederpark, Kopjeskraal, Wilgeboom, Lindequesdrift. (Agricultural Holdings) Rooipoortjie, Venterskroon, Buffelshoek. (Rural) Vredefort Dome. (World Heritage Site) Vaal River. (Tourism attraction) and the rural hinterland.

Ventersdorp Region consists of a vast rural / commercial farming area as well as the urban area of Ventersdorp, Tshing and Toevlug and has six (6) villages namely Goedgevonden, Welgevonden, Tsetse, Ga-Magopa, Boikhutso and Boikhutsong.

a) Governance and Administration (Building Stable Institutions)

The Municipal Council rejected the NW EXCO resolution to invoke Section 139(1) (b) and accordingly approached Mmabatho High Court on an urgent basis to review and set aside this decision. The MEC of COGHSTA opposed this court application and was successful in his argument that the matter was not urgent since the decision had been made and communicated to the municipality a couple of months preceding the urgent court application challenging it. In other words, the NW EXCO decision to place the municipality under administration through S139(1)(b) remained in force until set aside successfully by the municipality through the normal court application in which process the merits of the matter would be considered. In effect, the invocation of S139 (1) (b) remained in force.

Accordingly, the MEC COGHSTA, instructed the Administrator to resume his duties as per the Terms of Reference and submit monthly progress report on the terms of reference. The Administrator obliged and resumed his duties as there was legal certainty and clarity. The municipal council, however, defied the court ruling and resolved to not accept being placed under administration.

Since the application by JB Marks Council to set aside Provincial EXCO resolution on urgency was dismissed, the application was enrolled again for hearing in the ordinary course which was initially set down in the court roll of 28 February 2020. The matter was removed from the roll by the Municipality without consulting with the Provincial Government. The matter is again enrolled on the court roll and is set for hearing on the 31st July 2020.

Due to continued resistance of the Provincial Intervention by the municipality which affected the effective implementation of the Intervention, thus undermining the authority of the provincial government, the National Council of Provinces, and the Minister responsible for local government; the Ministry of COGTA came down to Klerksdorp in an attempt at inter-governmental dispute resolution. Even though terms were agreed upon, the municipality again reneged on the agreement on invocation of S139 (1) (b).

Present at this meeting with the Deputy Minister COGTA were MEC COGHSTA, Executive Mayor and Municipal Manager of JB Marks LM and the Administrator. It becomes fundamentally important to observe that, the municipality have been constantly defiant to the authority of the Provincial Government with respect to the implementation of the Provincial Intervention.

The MEC of COGHSTA made efforts again during the month of April 2020 to engage with Municipal Leadership to reconsider their stance with regard to Provincial Intervention. A meeting was coordinated for 3 and 6 April 2020 with Members of Troika, Members of Mayoral Committee and Municipal Manager. Both meetings couldn't materialise, the Municipal Leadership requested a postponement to a later date due to COVID-19.

The department has therefore agreed to the postponement. Finally the meeting took place on 5 May 2020 in which the MEC and the Deputy Minister emphasised that the Municipality is still under administration until the Provincial EXCO resolve otherwise, but should be noted that the Mayoral Committee is not in support of the Intervention and requested that only Council can rescind its decision to reject the intervention.

The department sought a legal opinion from the Senior Counsel representing EXCO in the matter between provincial governments V/S JB Marks LM regarding implementation of Section 139 (1) (b). The legal opinion suggest that in an instance that the effective date of intervention is postponed, and such decision is challenged in the High Court, the municipality has prospects of success.

Allegations of Maladministration of the Trust Fund Account

It becomes fundamentally important to observe that, the municipality have been constantly defiant to the authority of the MEC of COGHSTA. This is evident in the municipality's practice of intransigent behaviour towards a letter of enquiry by the MEC on matters related to malfeasance, which are also a subject of investigations by the Hawks.

The municipality continue to give no cooperation to the Hawks and the MEC in spite the fact that, there is empirical evidence of financial impropriety against some Councillors and officials involving royalties paid towards the municipality by one mining house into a Trust fund Account that is allegedly being held at Willem Coetzee Attorneys. For example, there were local and national media reports about an alleged Durban July Trip that took place at great financial cost to the municipality.

Apparently officials who are not as per their job description part of the Sub-Directorate: Local Economic Development were part of the expensive trip, monies from the Trust Fund were allegedly paid into the personal bank account of officials and it ended up as a trip not being value for money.

In addition, there is an amount of R 200 000.00 which was withdrawn through the Executive Mayor purporting to assist the Non-Governmental Organisations. It is on record that the Executive Mayor made a promise to the attorneys who are the administrators of that the money shall be returned to the **trust account later, but in vain.**

Financial Governance

Council not sitting regularly as Scheduled, this is evident by the approval of the 2020/21 Budget and IDP after the legislated time frame.

MPAC is not functional because of non-attendance of some members to the meetings (struggle to form a quorum). MPAC recommendations are not adopted in council, which renders it as ineffective.

Although the municipality has improved audit opinion for 2017/18 financial year from disclaimer to Qualified audit opinion, it remained stagnant with a qualified audit opinion for the 2018/19 financial year. The municipality was identified as one of the top 10 contributors to a high UIF&W expenditure in the country during the 2017/18 financial

year with UIF&W expenditure of R 3 084 446 315 for the 2018/19 financial year and R2 889 876 047 for the previous financial year.

Legislative frameworks to address the UIF&W expenditures are not implemented which leads to an annual increase in the UIF&W expenditures

b) Sound Financial Management

Total outstanding Debtors as at June 2020 amounted to R 636 million, of which R478 million is owed for over a year. Collection of some of these outstanding debtors is of a concern especially households debt. Households constitutes most of the outstanding debt at 244 million, followed by government at 65 million, businesses R45million and R281million is classified under "other".

Total outstanding creditors as at end of June 2020 amounted to R31 million. R138 598 135 is owed to Eskom and R58 034 057 is overdue debt

6. OBSERVATIONS AND CONCLUSION

As indicated above the greatest challenge facing the municipalities is the **trust deficit** which can be directly attributed to the conduct of the municipality's political leadership since their election in 2016. As a result of this trust deficit, majority of the municipal councils has no relationship with communities and this makes it difficult to convince communities to play their part in service delivery by paying for services rendered.

There is therefore a need to focus on winning the trust of the community by strengthening council's capacity to play an **oversight role** and improving the image of the municipalities as a **caring, responsive and corruption free institutions**.

The inability of several municipalities to **collect revenue** from the provision of basic services results in low revenue collection rate and ultimately the **inability to meet**

financial obligations. Continuous failure to collect revenue has a negative impact on the maintenance of revenue generating assets and ultimate loss of revenue. Low revenue collection, **threatens municipal sustainability.**

Underspending on capital projects (MIG) results in municipalities losing out on funding through stopping of grant funding and roll-over processes thereby affecting service delivery which is the cornerstone of existence of municipalities. Incapacity challenges, especially in Finance and Technical services, characterised by poor project management planning, results in many municipalities in the province not spending their capital budget as expected, **undue delays in supply chain management** and high vacancy rate in senior positions.

There is **notable liquidity risks** at municipalities that are highly indebted to Eskom, Water Boards, Auditor General and other key creditors. Despite the hands-on support by the Provincial Treasury on revenue management and implementation of credit control policies, municipalities remain stagnant. This is so because, there is **political inertia and lack of oversight** by Councils, characterised by **lack of accountability** to both the higher authorities of national and provincial government and the electorate in general.

Leadership in all municipal councils, did not provide adequate political oversight and monitoring of the control environment, financial performance, implementation of consequence management, **over recurring Supply Chain Management transgressions** and lack of implementation of post audit action plan. One of the key elements that characterise the desperate governance situation is the **anecdotal evidence of disregard for the local government applicable legislation, unethical leadership, disregard of democratic centralism, and a culture of non-accountability.**

We have a responsibility as a collective-Municipalities, National and Provincial Government and all oversight bodies to improve the state of municipalities in line with our legislative mandate to achieve a developmental local government as articulated on the White Paper for Local Government.

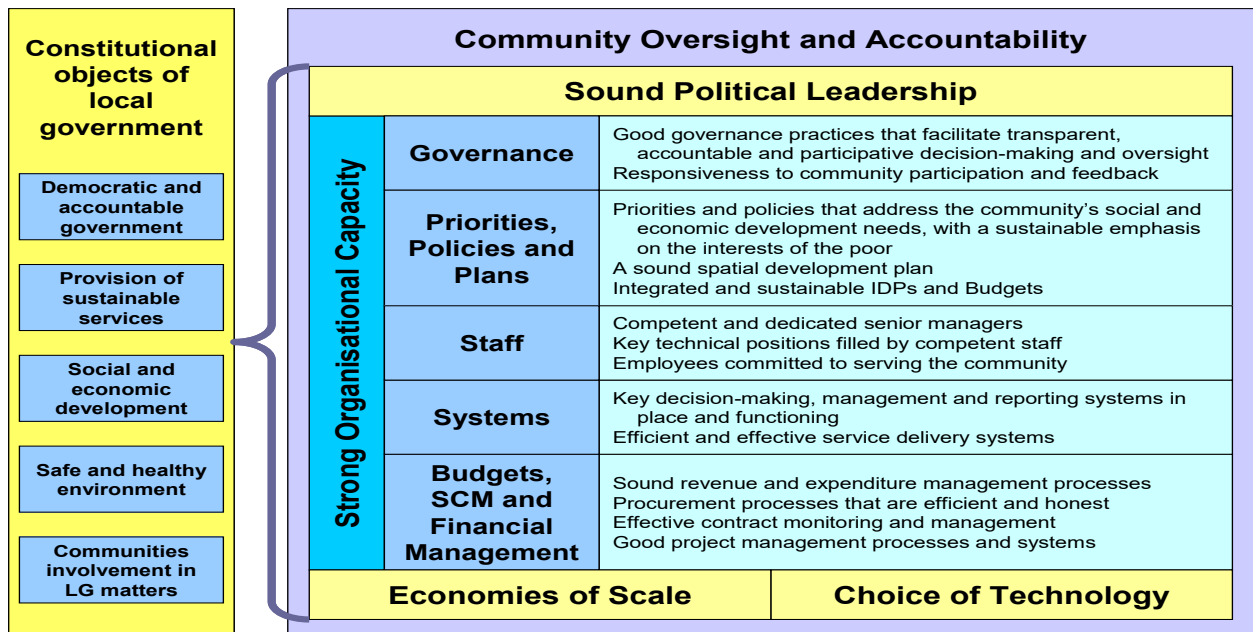
The ideal municipality we want must:

- Provide democratic and accountable government for local communities
- Be responsive to the needs of the local community
- Ensure the provision of services to communities in a sustainable manner
- Promote social and economic development
- Promote a safe and healthy environment
- Encourage the involvement of communities and community organisations in the matters of local government
- Facilitate a culture of public service and accountability amongst its staff
- Assign clear responsibilities for the management and co-ordination of these administrative units and mechanisms.

We should all strive for a:

- **Functional, Well-Performing Municipality**
- **Sustainable Municipality**
- **Accountability**

Key elements of a functional, well-performing municipality



ACCOUNTABILITY
 "Institutionalized practices of giving account of how assigned responsibilities are carried out and public resources are used"

FINANCIAL
 Demonstrate that delegated power and authority has been used properly;
 Show that the mission and priorities of the MUNICIPALITY are being achieved;;
 Report regularly on MUNICIPALITY'S and individual performance;
 Demonstrate that MUNICIPALITY'S resources are being used both efficiently and effectively;
 Ensure the quality of the MUNICIPALITY programs and services;;
 Show that needs of

POLITICAL
 The extent to which the executive arm of the municipality is willing and able to justify its decisions and actions to the municipal council.
 Effective Political Accountability means:
 Good quality legislative oversight over the Council admin & exec;
 Councillors adhere to relevant regulations regarding their functioning;
 Council executive is enabling the Council to operate properly;
 Roles and functions of the legislative & executive arms are clear, and there is a clear separation of functions

SOCIAL
 The extent to which the executive is willing and able to justify and explain their actions to the citizens in the municipality
 Effective Social Accountability means:
 Politicians account adequately to their electorate;
 The Council justifies and explains to its citizens its performance and the use of public funds;
 The Municipal Council responds adequately to expressions of dissatisfaction by its citizens;
 Citizens are informed about local government processes and play an

ADMINISTRATIVE
 The extent to which the internal controls of the municipality are in place and effective to guarantee that funds are used as planned
 Effective Administrative Accountability means:
 Financial and asset management of the Municipal Council is good and controls are in place and effective;
 Independent financial audits are of good quality and adequately followed-up by management;
 Audit committees are functional with both local government and citizens representation and have clear roles and functions

Departmental officials will be assigned to implement the Municipal Recovery Programme in the context of District Development Model.

8. FINANCIAL IMPLICATIONS

Use the budget allocated for 2020/21 Financial Year to fund the Municipal Recovery Programme.

9. CONSULTATION IMPLICATIONS

The MEC for COGTA and PT to engage with the both political and administrative leadership of the affected municipalities for the implementation of Municipal Recovery Programme.

10. POLITICAL IMPLICATIONS

The MEC for COGTA and PT to engage with the both political and administrative leadership of the affected municipalities for the implementation of Municipal Recovery Programme.

11. RECOMMENDATION

It is recommended that the Provincial Executive Council mandate the MEC of COGTA working with MEC of PT to develop a Municipal Recovery Programme focusing on Kgetleng; Moretele; Maquasi Hills; Ditsobotla; Mahikeng; Lekwa-Teemane; Ratlou; Mamusa; Naledi; Dr RSM and Bojanala DM.



HON. B. MOILOA
MEC: COGHTSA

DATE: 24/08/2020