**MEDIA STATEMENT**

**COMMITTEE DISCOVERS THAT AMATHOLE DISTRICT MUNICIPALITY’S FINANCIAL PROBLEMS ARISE FROM DEEPER IGR PROBLEMS**

**Parliament, Thursday, 4 March 2021**– The Portfolio Committee on Cooperative Governance and Traditional Affairs has told the leaders and managers of Amathole District Municipality and municipalities under its jurisdiction that the meeting the committee had yesterday with them was necessitated by, among other things, media reports that the Amathole District Municipality was unable to pay salaries to its staff, councillors and traditional leaders for certain months because the municipality was running without cash.

The committee said it has noted from media reports that at the core of the problem of the district municipality was the payment of the municipal manager and section 56 managers in excess of the gazetted upper limits, as well as remunerating employees at the level of Grade 7 instead of Grade 6. Furthermore, the committee said the district municipality received a disclaimed audit opinion in respect of the 2018/19 financial year.
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The municipality also reported to the committee that it does not receive support from the provincial and national Departments of Cooperative Governance and Traditional Affairs (CoGTA) to address its unaffordable organisational structure. Also, in its presentation to the committee, the South African Local Government Association (Salga) reported nothing about any intervention to ease the tensions between labour and management in the municipality.

The Auditor-General (AG) painted a bad picture about the Amathole District Municipality and the municipalities under its control. With the exception of Mbashe Local Municipality which received an unqualified audit report for the 2018/19 financial year, and Mnquma Local Municipality improved, all the other local municipalities in the district regressed. The problems for regression the AG highlighted included non-adherence to legislation, poor-quality financial statements and no preventive internal controls to prevent irregular and unauthorised expenditure.

According to the AG’s report, the poor audit report at Amathole District Municipality also arose from the problems that included bloated organisational structure and remuneration of staff done outside the law. The committee heard that the municipality had a tendency of adopting an unfunded budget and that, inadvertently, resulted in a situation where the equitable share would be less than the salary bill. Recently, according to Amathole District Municipality’s Municipal Manager, Dr Thandekile Mnyimba, the equitable share was R400 million and the salary bill was R800 million.

The municipality told the committee that the financial quagmire it experiences currently arise from the decision its previous council took that incorrectly graded it from category six to seven. The municipality reported that the current municipal council has rescinded that decision although its consequences are not reversed. The municipality told the committee that both the provincial and the national CoGTA departments are not supporting the municipality.

The Eastern Cape Provincial Department of CoGTA disputed the report that it doesn’t support the municipality. It told the committee that its ability to assist the municipality was diminished by the problem of wrong grading and it said it told the municipality to rescind the incorrect grading decision a long time ago.

Noting that the problem was deeper than the committee expected, as the provincial department of CoGTA and the municipality were accusing each other on a number of issues, the committee said it will create enough time soon to convene another meeting where there will be enough time to engage on the problems. “There is a deeper inter-governmental relations problem (IGR) here,” said the committee Chairperson , Ms Faith Muthambi.

**ISSUED BY THE COMMUNICATION SERVICES ON BEHALF OF THE CHAIRPERSON OF THE PORTFOLIO COMMITTEE ON COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS, MS FAITH MUTHAMBI.**