

**PROGRESS REPORT ON THE  
NOKENG SECTION 139(5)(a)  
INTERVENTION:  
LOCAL GOVERNMENT AND  
HOUSING**

**16 FEBRUARY 2010**

## **BACKGROUND AND INTRODUCTION**

- This report has been structured to provide a summary of the progress made in implementing the recovery plan which was developed as a result of the invocation of Section 139 (5) (a) of the Constitution in Nokeng.
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## **BACKGROUND AND INTRODUCTION**

- The recovery plan is being implemented by a team made of officials from the Gauteng Department of Local Government and Housing (GDLG and H), Gauteng Department of Finance (GDF), Nokeng municipality and the suitably Qualified Accountants from SAICA deployed in the Nokeng municipality.

## **BACKGROUND AND INTRODUCTION**

- The team covers the following areas of work; finance, risk and internal controls, legal, governance and institutional transformation.

# CONTEXT

- Severe financial challenges due to: nonpayment of services, poor collection of debtors' balances outstanding, poor cash flow management, poor internal controls, lack of risk management and an unbalanced budget in terms of realistic estimated revenues.

# CONTEXT

- Consequently the Gauteng Executive Council resolved on 8 July 2009 to evoke the provision of section 139 (5) (a) of the Constitution in order to restore financial stability within the municipality.

# CONTEXT

- Gauteng MECs of LG and DF requested National Treasury Municipal Finance Recovery Service (MFRS) to assist the province in the preparation of a financial recovery plan
- The financial recovery plan has been informed, amongst others, by the Status Quo Assessment report prepared by MFRS working jointly with the Department of Local Government and Housing (DLG and H) and Gauteng Department of Finance (GDF) officials.

# Key Problems Identified

A summary of key findings from analysing the financial status of the municipality has revealed the following financial problems including the root causes and potential solutions:

The actual cashbook balance for 30 June 2009 is an overdrawn amount of R8 981 391

The cash position of the municipality has been negative for at least the last two financial years



# Key Problems Identified

- The municipality has used unspent conditional grant funding to fund operating expenditure
- Credit control is not applied vigorously resulting in current payment levels of about 58%.
- Trade creditors at year end amount to R27.4 million as at 30 June 2009

# Key Problems Identified

- Water and electricity reticulation losses for 2008/09 (27% and 16% respectively) are significant and need to be addressed.
- The municipality received disclaimer audit opinion in 2006/07 and 2007/08 and a qualified audit opinion for 2008/9.
- Non-alignment of the IDP to the budget