MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY

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4903. Mr N M Hadebe (IFP) to ask the Minister of Finance:

With regard to the National Treasury's temporary withholding of the July 2026 equitable-share transfers from 69 municipalities due to concerns over financial management, what (a) total amount has been withheld, (b) total number of municipalities have since met the conditions for the release of their allocations and (c) measures have been implemented to prevent municipalities from recurring financial-management failures?

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REPLY

a) A total of R13.5 billion in Local Government Equitable Share (LGES) allocations was withheld from the 69 municipalities for the 8 July 2026 instalment.

b) Of the 69 municipalities affected by the enforcement of section 216(2), only 20 received full disbursement immediately, while 21 were partially paid. This left 28 municipalities entirely unpaid due to initial non-compliance. The implementation strategy changed on 28 July 2026, when the Minister of Finance announced that the withheld funds for all remaining municipalities would be released by 31 July 2026. This intervention resulted in a total release to 49 municipalities on that date, encompassing the remaining balances for the 21 partially paid municipalities and full payments for the 28 non-compliant municipalities. The final 34 municipalities had not yet met the unauthorised, irregular, fruitless, and wasteful expenditure (UIFW) statutory requirements, their funding was processed as a conditional release. To maintain compliance, these 34 municipalities are required to reduce UIFW expenditure balances, that is, continue processing UIFWE to achieve a 25 per cent reduction of the total balance recorded as of 30 June 2026. Implement consequence management by enforcing accountability and disciplinary measures by 30 September 2026. Submit progress reports by providing detailed compliance and progress reports by 30 October 2026 for formal assessment.

c) The responsibility to implement appropriate corrective and preventative measures to ensure that financial management failures do not recur vests with municipalities. This requires municipal administration to investigate the root causes of identified weaknesses, implement effective internal controls, strengthen governance and oversight arrangements, take appropriate disciplinary or corrective action where warranted, and monitor the effectiveness of remedial measures. When the municipal officials fail to implement preventative measures then the municipal council has the responsibility to hold those municipal officials accountable.

The National Treasury in collaboration with provincial treasuries actively supports municipalities in implementing their mandates prescribed in the Constitution of the country, guided by the Municipal Finance Management Act, 2003 and the supporting regulations. The following measures are being implemented, among others, to prevent municipalities from recuring financial management failures:

- Annual budget benchmarking engagements are convened by the National and Provincial Treasuries to perform an in-depth assessment of the proposed budget and thereafter submit written feedback to the municipalities;
- Through the Municipal Finance Improvement Programme, the National Treasury has placed technical advisors in the provincial treasuries. These technical experts are responsible for building capacity and supporting provincial treasuries in implementing support measures for municipalities to address UIFWE within their respective provinces;
- Training Programs: Enhancing the capacity of financial officers, bid committees, MPACs, Disciplinary Boards, and other relevant municipal officials through targeted training sessions;
- Direct Support and Oversight: Implementing support programmes in municipalities identified with high levels of irregular expenditure, involving direct intervention from National Treasury officials;
- Issuance of various circulars: The National Treasury has been providing clear guidance for financial management and reporting aimed at reducing instances

of non-compliance including focusing on the implementation of consequence management; and

- Technological tools: The National Treasury has launched a number of tools to assist municipalities to track and address audit findings relating to irregular expenditure including the web-enabled audit action plan.