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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

MEC BOITUMELO MOILOA'S SPEECH TO VIRTUAL NCOP INTERACTIVE PROVINCIAL FOCUS SESSION HELD ON 09/09/2020

TOPIC:

**The plans to improve Service delivery,
Financial Management and Develop Capacity
in the Local Sphere of Government, especially
in Municipalities under Section 139**

Salutations

Warm greetings to the Honorable Deputy Chairperson of the NCOP; Honorable Members; all esteemed stakeholders and participants of this august interactive session.

Introduction

Honorable Deputy Chairperson, 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.

Furthermore, Section 153 of the Constitution 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.

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

Despite all these empowering provisions of legislation aimed at "Making Local Government Work for

Everyone” and ensuring “Accountable, Responsive and Accessible”.

It is with a heavy heart that one can confirm that **“Local government in the North West Province is in a state of semi-paralysis; municipalities in the province have invariably and in varying degrees been and/or are bedevilled by immense capacity challenges.”**

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. The Constitution through Section 139 equally empowers the provincial sphere of government to intervene directly when section 154 doesn't have an impact.

Therefore as a province we have recently decided to invoke Section 139 (1) (b) of the Constitution of the Republic of South Africa to attempt to improve Service Delivery, Financial Management and Develop Capacity in 4 municipalities, namely JB Marks, Ramotshere Moiloa, Madibeng and Tswaing Local Municipalities.

Our decision to intervene was triggered by a number of stubborn service delivery and governance problems, namely:

- Service delivery and backlog challenges, e.g. housing, water and sanitation;
- Poor communication and accountability relationships with communities;
- Problems with the political administrative interface;
- Corruption and fraud;

- Poor financial management, e.g. negative audit opinions;
- Number of (violent) service delivery protests;
- Weak civil society formations;
- Intra - and inter-political party issues negatively affecting governance and delivery; and
- Insufficient municipal capacity due to lack of scarce skills, just to name key ones.

The failures and Challenges of the four Municipalities which have placed under Section 139 (b) (1):

Madibeng Local Municipality had a **collapse of Service Delivery** characterized by: No sufficient bulk water; interrupted supply of water due to lack of maintenance and none payment of water services; generally poor maintenance of infrastructure; and Poor Management of conditional grants in particular

Municipal Infrastructure Grant (59% expenditure and R60 million adjusted).

On Governance and Administration Instability characterized by: Position for Director Infrastructure vacant for over a period of 6 months; Council not sitting regularly as scheduled; 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 high Irregular expenditure in the country during the 2016/17 financial year;

On Financially Distressed characterized by: the municipality that is currently implementing a budget which is not funded; the municipality has insufficient cash to cover its operations; the municipality is in a severe financial crisis of R1.3 billion deficit; the municipal financial sustainability is seriously threatened as the budget of the Municipality is

severely underfunded and unsustainable over the MTREF; total outstanding debtors as at June 2020 amounted to R2.6 billion, of which R2.3 billion is owed for over a year; total outstanding creditors as at end of June 2020 amounted to R598 million; and total debt owed to Eskom as at July 2020 amount to R172 018 384 and R110 450 325 is overdue.

Honorable Deputy Chairperson, On **Ramotshere Moiloa Local Municipality**, the following challenges are experienced: There is a general collapse of **Service Deliver** is characterized by insufficient bulk water; routine interruptions of water supply due to lack of maintenance and none payment of water services; generally poor maintenance and operations of infrastructure; Poor management of conditional grants with specific reference to Municipal Infrastructure Grant (MIG).

On **Governance and Administration**, it is characterized by perpetual instability; unceremonious removal of a Mayor and appointment of a substantive Mayor; suspension of the Municipal Manger; poor political oversight function; irregular expenditure increased from R1.32 billion in 2016/17 financial year and to R1.38 billion during the 2017/18 financial year; section 32 of the MFMA process to rectify such are not implemented; 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; 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

recommendations 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 expenditure.

On **Financially Distress**: it is characterized by the Municipality's collection rate dropped from 78% to 34% in April; revenue from traffic fines and licenses has not been collected; the MIG has been reprioritized to undertake water and sanitation projects which were never budgeted for;

Madam Deputy Chairperson, On Tswaing Local Municipality: the collapse on Service Delivery has been characterized by failure to remove refuse and no dedicated schedule; perpetual water supply interruption due to lack of maintenance and none payment of water services; inability of the Municipality to maintain its Service Delivery fleet; and

generally there's poor maintenance and operations of infrastructure.

On Governance and Administration instability, MPAC not functional; lack of complete MPAC staff complement is a challenge; no Audit Committee; financial Disciplinary Board not yet established; most Ward Committees are currently dysfunctional; and no public participation.

On Financial Distress, the Municipality has approved an Unfunded 2020/21 budget; it is currently facing a severe financial crisis; total outstanding Debtors as at June 2020 amounted to R247 million, of which R225 million is owed for over a year; Households debt is effectively collected and it constitutes most of the outstanding debt at R219 million, followed by Commercials at R24 million and Government's is R3.6 million; total outstanding creditors as at end of June 2020 amounted to R165

million 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 R64 884 486 is overdue; Municipality's repayment plan with Eskom was valid until end of April; and it is also important to note that the Municipality owes third parties transactions such as pension funds and PAYE to a tune of R24 million and R20 million respectively.

Honorable Deputy Chairperson, On **JB Marks Local Municipality**, the following challenges are experienced: On the **collapse of Service Delivery**, the Municipality is failing to remove refuse as expected especially in Ventersdorp Town; no sufficient bulk water service; contamination of water streams and sources; and there is generally poor maintenance and operations of infrastructure.

On Governance and Administration instability, the Municipality has been having a vacant position of

Director Infrastructure for over six months; Council not sitting regularly as scheduled; MPAC is not functional because of non-attendance of some members to the scheduled meetings; MPAC recommendations are not adopted in Council, which renders it ineffective. Although the Municipality has improved audit opinion for the financial year 2017/18 from disclaimer to qualified, it remains stagnant with a qualified audit opinion for the year 2018/19; and legislative frameworks to address the UIF&W expenditures are not implemented which leads to an annual increase in the UIF&W expenditures.

On Financial Distress, the Municipality has not complied with the provision of the legislation, with regard to the approval of the final budget for 2020/21 before the start of the budget year; the 2020/21 budget is not funded as the municipality has budgeted for deficit of R233 million, which means that

the Municipality does not have enough cash/no cash-backed reserves to fully finance the entire expenditure over the MTREF; the inconsistencies reported on the expenditure incurred for the procurement of COVID-19 Personal Protective Equipment (PPE); the Municipal expenditure report shared with the Provincial Accounts committee, National Treasury amounted to R11m, R14m and R47m respectively; total outstanding Debtors as at June 2020 amounted to R636 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 debt constitutes most of the outstanding debt at R244 million, followed by government at R65 million, businesses R45 million and R281 million is classified under other; total outstanding creditors as at end of June 2020 amounted to R31 million, R138 million is owed to

Eskom and R58 034 057 is overdue debt as at 32 July 2020.

The following are our synoptic Plans to improve Service Delivery:

- We have tightened the terms of reference for Section 139 (1) (b) administration teams;
- Ensured that clear targets and frequent monitoring and evaluation of the work of the section 139 (1) (b) administration is linked to IDP targets;
- Improve public participation in order to instil the spirit of pay as you use within consumers of municipal services to improve revenue collection;
- To improve stakeholders' relations between Section 139 administration, municipal administration, Councils and the Workers as a foundation for effective intervention;

On Financial Management and Development of Capacity

We plan to create a stable financial management and capacity through:

- The tightening of financial management processes in order to ensure efficiency, accountability and to improve audit outcomes as reflected in the Auditor General's (AG) report (create SMART targets out of AG's report);
- We have ensured that the capacity of deployed Administration Teams is aligned to the weaknesses experienced in municipalities under section 139 (1) (b); and
- Make sure that we strengthen consequence management and get rid of corruption through tight financial management and forensic investigation.

Honorable Deputy Chairperson, the terms of reference for all our deployed Administration Teams encapsulate our extensive practical plans to deal with the improvement of **Service Delivery, Financial Management and Development of Capacity in Municipalities** were **Section 139 (1) (b)** was recently invoked.

Closing Remarks

In conclusion, the challenges we are currently facing as a Provincial government in our quest and attempt to deal with challenges faced by the local government in our Province are:

- The High level of Mistrust fermented by Political and Governance instabilities; and
- Open Resistance which manifest itself through violence and litigation.

It is highly unfortunate that the measures to intervene are facing a fightback and resistance from those who supposed to be having interest of the communities at heart. Let me thank the NCOP for this opportunity.

KEA LEBOGA! I THANK YOU!