



MATJHABENG LOCAL MUNICIPALITY

UPDATED STATUS QUO ASSESSMENT

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1. ABBREVIATIONS

NO.	ABBREVIATION	FULL FORM
1.	AFS	Annual Financial Statements
2.	AG	Auditor General
3.	AOPI	Audit of Performance Information
4.	AR	Asset Register
5.	CoGTA	Department of Co-operative Governance and Traditional Affairs
6.	CoS	Cost of Supply
7.	DDM	District Development Model
8.	DBSA	Development Bank of Southern Africa
9.	DWS	Department of Water and Sanitation
10.	EPWP	Expanded Public Works Programme
11.	EXCO	Executive Committee
12.	FDP	Financial Disciplinary Board
13.	FRP	Financial Recovery Plan
14.	GDAARD	Gauteng Department Agriculture and Rural Development
15.	HRD	Human Resources Development
16.	ICT	Information and Communications Technology
17.	IDP	Integrated Development Plan
18.	IIA SA	Institute for Internal Auditors of South Africa
19.	KPA	Key Performance Area
20.	KPI	Key Performance Indicator



NO.	ABBREVIATION	FULL FORM
21.	LLF	Local Labor Forum
22.	LPU's	Large Power Users
23.	MEC	Member of the Executive Council
24.	MFMA	Municipal Financial Management Act
25.	MFRS	Municipal Financial Recovery Services
26.	MISA	Municipal Infrastructure Support Agent
27.	MLM	Matjhabeng Local Municipality
28.	MPAC	Municipal Public Accounts Committee
29.	mSCOA	Municipal Standard Chart of Accounts
30.	MSI	Municipal Sustainability Index
31.	NT	National Treasury
32.	MPAC	Municipal Public Accounts Committee
33.	MSA	Municipal Systems Act
34.	NERSA	National Energy Regulator of South Africa
35.	PMS	Performance Management System
36.	SALGA	South African Local Government Association
37.	SAPS	South African Police Service
38.	SCM	Supply Chain Management
39.	SPV	Special Purpose Vehicle
40.	SQA	Status Quo Assessment
41.	SQR	Status Quo Report



NO.	ABBREVIATION	FULL FORM
42.	UIF&W	Unauthorised, Irregular and Fruitless and Wasteful Expenditure
43.	WSA	Water Services Authority
44.	WSDP	Water Services Development Plan
45.	WSP	Water Services Provider
46.	WTW	Water Treatment Works
47.	WWTW	Wastewater Treatment Works



2. EXECUTIVE SUMMARY

On 22 October 2024, the Free State High Court delivered a judgement in favour of the Democratic Alliance, where the former made an application to the Court to compel the Premier of the Free State Province and three other respondents to intervene in the Matjhabeng Local Municipality (MLM) in terms of section 139(5) of the constitution.

The Free State High Court declared that the Matjhabeng Local Municipality, as a result of a financial crisis, is in serious or persistent material breach of its obligations to provide basic services or meet its financial commitments, and ordered that:

- An FRP be prepared for the Matjhabeng Local municipality.
- A copy of the FRP be filed with the Registrar of the High Court within 6 months of the Order.

Pursuant to the Court judgment, the Free State Provincial Executive Council (PEC) resolved, on 30 October 2024, to intervene in Matjhabeng Local Municipality in terms of section 139(5)(a) and (c) of the Constitution, in response to the municipality's prolonged financial crisis and its persistent failure to fulfil its constitutional obligations relating to the provision of basic services.

The Member of the Executive Council (MEC) for Finance submitted a request to the Minister of Finance for the MFRS to determine the root causes of the financial crisis, assess the municipality's financial position, prepare an appropriate FRP, recommend necessary adjustments to the budget and revenue raising measures, and submit these recommendations to the MEC for Finance in the province. In terms of section 141(2) of the Municipal Finance Management Act (Act No.56 of 2003) (MFMA), only the National Treasury Municipal Financial Recovery Services may prepare a Mandatory FRP.

The first step in the financial recovery process is to conduct a diagnostic assessment to determine the status quo and the root causes of the financial crisis. The Status Quo Assessment (SQA) findings confirm that the municipality is financial distress and experiencing systemic failures across its governance, financial, institutional, and service delivery pillars. The crisis is not a series of isolated challenges but a self-reinforcing cycle of decline that threatens the municipality's existence and the well-being of its residents.

Financial Distress and Governance Failure



The erosion of the economic base, compounded by possible maladministration, has resulted in financial distress. Key indicators include:

- **Going Concern:** There is a material uncertainty about the going concern of the municipality due to liabilities exceeding assets by R4.59 billion as at 30 June 2024.
- **Low Revenue:** The collection rate has plummeted to 42.3 per cent, and the municipality has deemed 79 per cent of its R8 billion debtor's book to be irrecoverable.
- **Crippling Debt:** MLM owes over R14.6 billion to its primary creditors, Eskom and Vaal Central Water, an amount that exceeds its entire annual budget. Non-adherence to payment plans has led to ongoing litigation and the risk of service termination.
- **Rampant Irregular Expenditure:** A culture of poor financial control is evidenced by accumulated Unauthorised, Irregular, and Fruitless and Wasteful (UIF&W) expenditure totalling R4.7 billion as of June 2024.
- **Weak Governance:** Critical institutional capacity is lacking, with a 47 per cent staff vacancy rate, a non-functional Financial Disciplinary Board, and a failure to implement consequence management for financial misconduct.
- **Co-funding of EPWP grant:** The municipality has co-funded the EPWP grant received from the Department of Public Works by 63% (R4.7 million) in 2023/24 and 86% (R10.25 million) in the 2024/25 financial year despite the financial distress experienced by the municipality.
- **Irregular appointments:** Seven employees are paid from the municipal payroll as EPWP support unit that does not exist on the organisational structure.

Service Delivery Failure

Financial insolvency has led directly to the deterioration of public infrastructure and basic services. The municipality is trapped in a vicious cycle where it cannot afford to maintain revenue generating assets, leading to service delivery failures that further undermine revenue collection.

- **Infrastructure Decay:** Spending on repairs and maintenance is a negligible 0.1 per cent of the infrastructure's asset value, far below the 8 per cent norm. This has led to the systemic failure of aged water, sanitation, and electricity networks.



- **Massive Service Losses:** The dilapidated infrastructure results in catastrophic losses of 57 per cent for water and 28 per cent for electricity, representing hundreds of millions of Rands in lost revenue annually.
- **Public Health and Safety Crisis:** Residents endure constant water interruptions, widespread sewage spillages as a result of lack of electricity supply for pumping stations,. The sanitation system has been declared to be in a disastrous stage by the municipality, and fire and rescue services are critically under-resourced and largely non-operational. Interruptions in electricity endangers public health in that the proper functioning of the critical health infrastructure and equipment is compromised.

The Vicious Cycle and the Path Forward

- Matjhabeng is locked in a vicious cycle: economic decline leads to revenue decline, which causes infrastructure and service delivery failure, which in turn creates a hostile environment for the investment needed to diversify and resuscitate the economy.
- This SQA concludes that a piecemeal approach is destined to fail. A successful intervention requires a comprehensive and legally enforceable Financial Recovery Plan that intervenes at multiple points simultaneously. The strategic imperatives are clear:
- **Impose Immediate Financial Order:** Stabilise the municipality's finances through stringent controls, a credible budget, and aggressive revenue enhancement.
- **Execute a Twin-Track Strategy:** Simultaneously pursue financial stabilisation and economic resuscitation, with a focus on diversifying the local economy beyond mining.
- **Invest in Revenue-generating Infrastructure:** Prioritise capital investment in repairing and upgrading water and electricity meters and networks to reduce losses and restore billing integrity.

Without a decisive, multi-stakeholder intervention guided by a robust FRP, Matjhabeng risks complete systemic collapse, with devastating consequences for its community.

2.1 INTRODUCTION

The crisis in Matjhabeng is set against a challenging national and provincial backdrop. The South African economy has seen anaemic growth averaging just 0.7 per cent and is plagued by severe energy and logistics deficits. National unemployment remains high at 31.9 per cent (Q4



2024), with extreme inequality. The Free State is the nation's worst-performing provincial economy, with a 0.1 per cent growth in 2023, hobbled by the decline of its mining sector and a widespread deterioration of municipal services that now actively impedes recovery.

The core to the municipality's financial health is its dependency on its economic base, and Matjhabeng exemplifies this, where the erosion of its economic core has led to cascading failures in its financial, and service delivery systems.

Historically, the heart of South Africa's goldfields, Matjhabeng's economy was a monoculture built on gold mining. The local economy is now in a state of structural contraction, shrinking at an average annual rate of 1.45 per cent between 2011 and 2021, with this trend predicted to continue. This means the municipality is attempting to fund its operations from an ever-shrinking economic base, placing further strain on the fiscus to stay afloat.

The economic decline has devastating social consequences for Matjhabeng's roughly 439,000 (four hundred and thirty nine thousand) residents. The municipality faces a hyper-unemployment crisis, with an estimated 150,000 (one hundred and fifty thousand) jobless adults in 2021. This is coupled with deep poverty, affecting 60.2 per cent of the population in 2021, and extreme inequality. Matjhabeng exhibits an "inequality paradox"; it has the lowest poverty rate in its district but the highest Gini coefficient (0.624), a legacy of the mining economy that created a small, affluent elite alongside a vast, impoverished workforce.

The Auditor-General's (AG SA) 2023/24 report highlights a material uncertainty regarding going concern, citing an operating deficit of R525 million (2023: R961 million), an accumulated deficit of R4.6 billion (2023: R4.1 billion), and total liabilities exceeded its assets by R4.6 billion (2023: R4.1 billion). A 0.9 per cent of infrastructure asset value was spent on repairs, contributing to 57 per cent of water losses and 28 per cent of electricity.

This analysis concludes that a successful FRP cannot be an accounting exercise. It must be a comprehensive intervention to break the vicious cycle of decline. Strategic imperatives include imposing immediate financial discipline, executing a twin-track strategy of financial stabilisation and economic resuscitation, prioritising economic diversification, and investing in revenue-generating infrastructure.



2.2 OVERVIEW AND ECONOMIC ASSESSMENT OF MATJHABENG

The Matjhabeng Local Municipality is a Category B municipality located within the Lejweleputswa District in the Free State, covering an area of 5,690km². It is bound by Nala to the north, Masilonyana to the south, Tswelopele to the east and Moqhaka to the west. It is one of five municipalities in the district.

It encompasses the city of Welkom and surrounding towns namely Allanridge, Odendaalsrus, Hennenman, Virginia, and Ventersburg.



Figure 1 - Map of the Lejweleputswa District

MLM's primary economic sector consists of mining (40 per cent), agriculture (18 per cent) and community services (16 per cent), as evident from the graph below.



GVA-R SECTORAL COMPOSITION ANNUAL REPORT (2022/23)

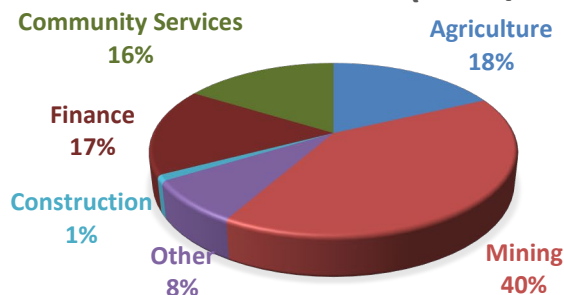


Figure 2 - GVA-R Sectoral Composition : Annual Report 2022/23

2.3 THE BROADER CONTEXT: A NATION AND PROVINCE UNDER STRAIN

The crisis in MLM is an acute manifestation of challenges afflicting both the South African and Free State economies. While its problems are uniquely severe, they unfold within an environment of economic stagnation, high unemployment, and systemic governance failures.

2.3.1 THE NATIONAL ECONOMIC CLIMATE

South Africa's economy, though technologically advanced, has performed poorly over the last decade, with GDP growth averaging 0.5 per cent for 2024 (annual) and 0.1 per cent for 2025 in quarter 1. The economy is constrained by severe infrastructure bottlenecks, particularly persistent electricity shortages ("load shedding"), deteriorating transport and logistics systems, which have crippled industrial productivity and export capacity.

The weak economic growth has worsened the deep-rooted socio-economic problems in the country. The national unemployment rate is among the world's highest, standing at 31.9 per cent in quarter 4 of 2024. The youth unemployment crisis is particularly acute, with rates as high as 59.6 per cent for the 15-24 age bracket. Furthermore, South Africa remains one of the most unequal countries in the world, a legacy of apartheid combined with non-inclusive growth patterns. The national Gini coefficient is very high at 0.63 in 2025, a slight improvement from the 0.67 2018 Gini coefficient, indicating that widespread poverty persists.

2.3.2 THE FREE STATE'S ECONOMIC CLIMATE

If the national economy is struggling, the Free State provincial economy is in critical distress, widely regarded as the country's worst-performing. In 2024, its economy grew by virtually 0.6



per cent in the Free State Province. As a least contributor to the national economy, it accounts for only 4.8 per cent of GDP.

The provincial economic performance is rooted in the structural decline of its primary industries. Manufacturing became the largest real economic sector in Free State, accounting for 11 per cent of the provincial GDP in 2023, mining declined by 2 per cent to 9 per cent from the previous year, and agriculture accounted for 6 per cent. Construction is the smallest sector among real economic sectors, accounting for 2 per cent of the provincial GDP. Agriculture's contribution to GDP increased from 4 per cent in 2010 to 6 per cent in 2023. Consequently, unemployment rates increased from 27.8 per cent in 2010 to 36.7 per cent in 2023. Crucially, the inadequate provision of municipal services is now identified as a stumbling block to economic growth.

2.3.3 A COMPARATIVE MUNICIPAL SNAPSHOT

To contextualise Matjhabeng's condition, it is compared with peers: Mangaung Metro (a diversified urban economy) and the smaller municipalities of Moqhaka and Dihlabeng (driven by agriculture and tourism).

TABLE 1: HIGH-LEVEL COMPARATIVE MUNICIPAL PROFILE (C. 2021-2023)

Municipality	District	Population (2022)	GDP Growth (Annual Avg. 2011-2021)	Poverty Rate (Upper Bound, 2021)	Gini Coefficient (2021)
Matjhabeng	Lejweleputswa	439,034	-1.45%	60.2%	0.624
Mangaung Metro	Mangaung	787,804	+1.28%	36.6%	0.620
Moqhaka	Fezile Dabi	155,410	-0.05% (2012-19)	Not Available	0.618 (District)
Dihlabeng	Thabo Mofutsanyana	130,434	+1.23% (2012-19)	Not Available	0.616

Table 1: High-Level Comparative Municipal Profile (c. 2021-2023)

This snapshot reveals the gravity of Matjhabeng's situation. Unlike Mangaung and Dihlabeng, its economy is actively contracting. Although Matjhabeng has high inequality, it is in line with the metro, district and the local municipalities. Also worth noting that the inequality is also similar to the national ratio of 0.63.



2.3.4 THE SOCIO-DEMOGRAPHIC FABRIC OF MATJHABENG

The economic decline has profound and devastating consequences for the people of Matjhabeng. This section examines the municipality's socio-demographic profile, revealing a community trapped in a cycle of high unemployment, deep-seated poverty, and extreme inequality.

2.3.5 POPULATION AND HUMAN DEVELOPMENT

Matjhabeng is home to 439,034 people, making it the second-most populous municipality in the Free State. Matjhabeng is a Sesotho word meaning **"where nations meet,"** reflects its history as a melting pot for migrant mine-labourers. The population's slow growth, averaging just 0.74 per cent annually (2011-2022), signals limited economic opportunity.

The large working-age cohort (66.8 per cent of the population) should represent a "demographic dividend". However, in Matjhabeng's context of economic decline, it represents a massive social burden, with hundreds of thousands dependent on a shrinking economic base. The Human Development Index (HDI) was 0.648 in 2021, the highest in its district, but this "medium" development level is misleading. It is likely skewed by the residual wealth of a small elite, masking the severe deprivation of the majority (the HDI is composed of three elements: health, education, and living standards).

2.3.6 THE ANATOMY OF A LABOUR MARKET IN CRISIS

The most critical social issue is the high level of unemployment, a direct result of the closure of the gold mining industry. As at 2021, an estimated 150,000 adults aged between 15 and 64 in the municipality were unemployed.

- A 2016 survey showed only 36.1 per cent of the working-age population was employed.
- Data from 2011 in towns like Ventersburg showed youth unemployment at a staggering 62.4 per cent.
- The economy is heavily reliant on a contracting formal sector, which accounts for 74 per cent of employment.

This crisis fuels social instability, crime, and a pervasive sense of hopelessness within the community.

2.3.7 POVERTY AND INEQUALITY



Pervasive poverty and extreme inequality go hand-in-hand with mass unemployment. In 2021, 60.2 per cent of the population lived below the upper-bound poverty line.

A crucial dynamic is Matjhabeng's "Inequality Paradox."

- **Lowest Poverty, Highest Inequality:** While its poverty rate of 60.2 per cent is shockingly high, it is paradoxically the lowest in the Lejweleputswa District. However, its Gini coefficient of 0.624 is the highest in the district, signifying extreme inequality.

This contradiction is a direct legacy of the mining economy, which created a highly stratified society. It supported a small, affluent class of managers and skilled artisans alongside a vast majority of low-wage labourers. The decline of mining impoverished thousands, but a remnant of the former middle and upper class remains. This small, high-income group skews statistical averages, making the overall poverty rate appear lower while creating an extreme Gini coefficient. This deep, structural inequality fuels social tension and perpetuates stark divides.

2.4 HOUSEHOLD CONDITIONS AND THE SERVICE ACCESS

The socio-economic distress is reflected in household living conditions. While home ownership is relatively high, 14.8 per cent of households are in informal dwellings, and average incomes are extremely low.

The reality on the ground is one of systemic service delivery deterioration. Water Services Act, Act 108 of 1997, as amended, defines "basic sanitation" as the prescribed minimum standard of services necessary for the safe, hygienic, adequate collection, removal, disposal or purification of human excreta, domestic wastewater and sewage from households, including informal households. "Basic water supply" is defined as the prescribed minimum standard of water supply services necessary for the reliable supply of a sufficient quantity and quality of water to households, including informal households, to support life and personal hygiene.

Currently, the services provided by the municipality do not meet these standards.

- Ageing electricity, water, and sanitation systems are failing, leading to frequent water cuts and widespread sewage spillages. The municipality is addressing these challenges through the DWS Ministerial Intervention for all sanitation projects and through the BFI application for water projects.



- According to the Auditor-General, the municipality loses around 45 per cent of its water due to leaks, areas without meters, and meters that can't be read - pointing to ongoing challenges in maintaining the infrastructure.
- Access to weekly refuse removal is significantly lower at just 66.1 per cent.
- The municipality's infrastructure has aged, and measures were introduced to renew the infrastructure through Ministerial Intervention.

The gap between "access" and "reliable delivery" is the heart of the problem. The municipality cannot maintain its large infrastructure footprint. This not only creates a public health crisis but also undermines the revenue model, as it is untenable to bill for services that are not rendered, reinforcing a culture of non-payment and deepening the vicious cycle of cash flow decline.

2.5 MATJHABENG'S ECONOMIC BASE: AN AUTOPSY AND PROGNOSIS

The financial and social crises in Matjhabeng are manifestations of a deeper problem which has caused the deterioration of the economic base. The municipality's very existence hinged on gold mining, and its inability to transition away from this dependency has hollowed out and contracted its economy.

2.5.1 THE RISE AND FALL OF A MONO-ECONOMY

The discovery of gold in the 1940s transformed the region into a global mining powerhouse. The entire local economy was built to serve the mines, creating immense prosperity but also extreme vulnerability. When global gold prices fell and reserves were depleted, the economic foundation crumbled.

The consequences have been catastrophic. Mining employment plummeted from approximately 180,000 in the 1980s to below 30,000 by 2013. This de-industrialisation triggered a regional depression, leaving Matjhabeng a classic "post-mining" town, stripped of its economic engine.

2.5.2 THE CURRENT ECONOMIC LANDSCAPE

Today, Matjhabeng's economy is a shadow of its former self. While it still generates nearly 70 per cent of the Lejweleputswa District's GDP, this reflects the district's profound dependence on a failing entity. The district's economy is pulled down as Matjhabeng fails.

The most alarming feature is its active, structural decline:



- **Economic Contraction:** Between 2011 and 2021, the local economy shrank at an average annual rate of -1.45 per cent.
- **Negative Forecast:** Projections indicate this will continue, with a forecast decline of -1.46 per cent per annum through to 2026.

This negative trajectory means the economic pie from which the municipality must draw revenue is shrinking every year, making any financial plan based on existing trends unsustainable. The FRP must assume that without radical intervention, the fiscal position will worsen.

Economic Sector	GVA Contribution (% of Total)
Mining	44.3%
Community Services	14.6%
Finance, Insurance, Real Estate	13.3%
Trade, Catering, Accommodation	12.4%
Manufacturing	6.7%
Transport and Communication	4.3%
Construction	2.5%
Agriculture, Forestry, Fishing	1.1%
Electricity, Gas, Water	0.8%

Table 2: Gross Value Added (GVA) by Economic Sector, Matjhabeng LM (2019)

Source: Free State Municipal Profiles, 2020.

The data shows a dangerous reliance on a declining primary sector and a profound failure to diversify.

2.5.3 THE SEARCH FOR DIVERSIFICATION

Efforts to diversify the economy have so far failed to gain significant traction. Potential growth areas have been identified but remain nascent:



- **Natural Gas:** The Virginia Gas Project, operated by Renergen, is cited as the region's "new gold" and represents the single most significant potential catalyst for economic revival.
- **Tourism:** Potential exists, with assets like the Phakisa Raceway, but is severely hampered by the deterioration of public infrastructure.
- **Agro-processing:** There is latent potential to add value to the region's primary agricultural products that produce significant amounts of maize and sunflower. The beneficiation process involves adding value to these primary agricultural products instead of just distributing them as raw materials. The aim is to develop industrial-scale agro-processing activities, which are seen as an essential step to broaden the region's industrial base and move away from its heavy reliance on the declining mining sector.
- **Logistical hub-** The airport node and the developments to upgrade the Welkom airport into a regional cargo airport, which is a strategic because of the centrality of Welkom in the country and furthermore, it can enhance accessibility and provide a vital transport hub for the region.

2.6 STATUTORY AND LEGISLATIVE CONTEXT

Chapter 13 of the MFMA (Sections 135 to 162) specifically sets out the process to be followed in the resolution of financial problems in a Municipality. Part 1 (Section 135) addresses the identification of financial problems, Part 2 (Sections 136 to 150) with Provincial interventions, Part 3 (Sections 151 to 156) with debt relief and restructuring, and lastly, Part 4 (Sections 157 to 162) with Municipal Financial Recovery Service.

The Status Quo Assessment Report is prepared in terms of the provisions of section 139(1) of the MFMA which requires determination of the reasons for the financial crisis and assessment of the municipality state of financial affairs.

Similarly in the High Court of South Africa, Free State Division, Bloemfontein, in the matter between the Democratic Alliance v Premier of the Free State Province and Others(1623/2024) [2024] the Judge dealt extensively with the prescripts contained in the Constitution of the Republic of South Africa, 1996 and Regulations, section 139, which provides that where a municipality does not fulfil its executive obligations in terms of the Constitution and any relevant



legislation, the relevant provincial executive must intervene by taking appropriate steps in order for the municipality to fulfil its obligations.

The Free State High Court in Bloemfontein, in *Democratic Alliance v Premier of the Free State Province and Others*, found, inter alia, that the municipality failed in its duty to deliver services, and that the Free State Province has failed to comply with the responsibilities to intervene in the Matjhabeng Municipality in terms of s 139(5) of the Constitution. The Court ordered the Provincial Executive to impose a recovery plan to secure the Municipality's to meet its Constitutional obligations to provide basic services and to become financially stable.

On 30 October 2024, the Free State PEC resolved to intervene in terms of sections 139(5)(a) and (c) of the Constitution, by imposing a Mandatory Financial Recovery Plan:

- FRP to be prepared in terms of national legislation (Chapter 13 of the MFMA)
- FRP binds the municipality in the exercise of its legislative and executive authority to the extent necessary to solve the financial crisis.

In terms of Municipal Finance Management Act, No. 56 of 2003, section 141(2), only the National Treasury Municipal Financial Recovery Service may prepare a mandatory financial recovery plan. The first step in the financial recovery process is a diagnostic assessment to determine the status quo and the root causes of the financial crisis. SQA findings will be used to prepare an appropriate FRP. Section 142 of the Municipal Finance Management Act, No. 56 of 2003 sets out, in detail, what a mandatory FRP must address.

2.7 STATUS QUO ASSESSMENT METHODOLOGY

Methodology Used and Extent of the Work Done

The methodology used comprises the detailed technical assessment of the state of the municipality in terms of the four Municipal sustainability pillars per the agreed framework, as detailed below:

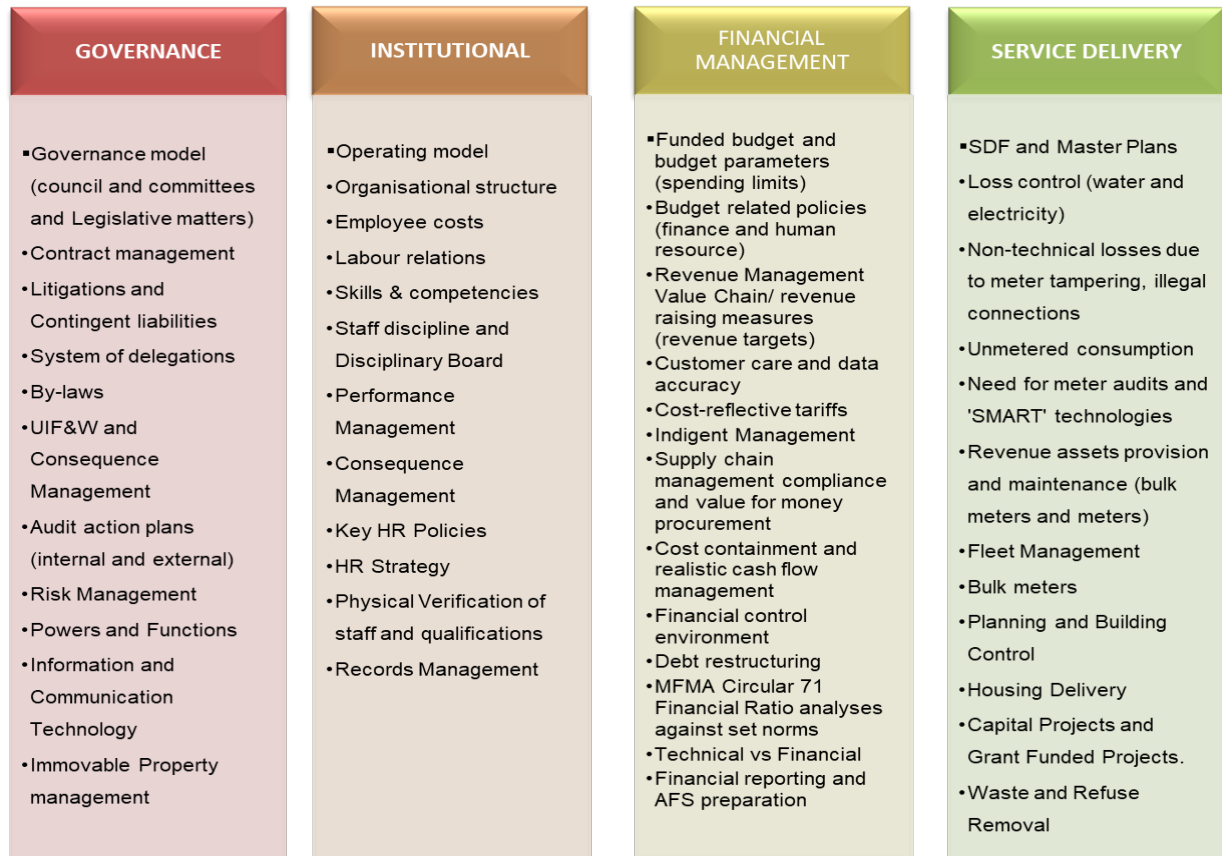


Figure 3 - Assessment Framework

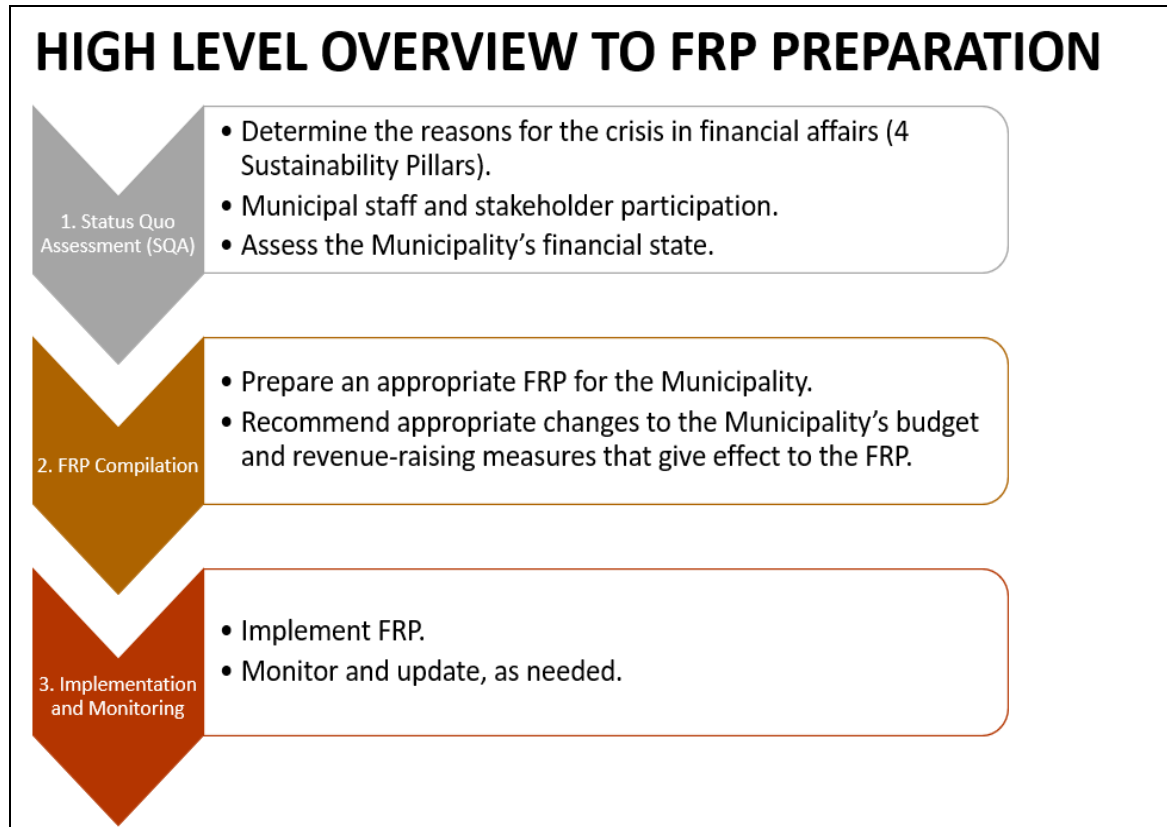


Figure 4 - FRP Preparation Process

Preparation

The approach adopted in the development of the SQA is holistic and consultative. It also involves a detailed analysis of all relevant documentation coupled with engagements between the Executive Mayor, Municipal Manager, Management, and other municipal staff, as well as engagements with the national and relevant provincial government departments, key stakeholders, major Creditors, and the Local Labour Forum.

Additionally, this SQA is aligned to the four (4) pillars used by the National Treasury to assess municipal sustainability, namely governance, institutional Stability, financial Management and service delivery.

Consultation Approach

Various consultations were conducted to obtain and confirm the SQA findings at MLM.

Key consultation engagements included but not limited to:



1. Information gathering from various sources and conducting a desktop analysis and diagnostic assessment per focus area.
2. A two-day workshop at MLM with Management, including break-away sessions for the four pillars identified above, on 10 and 11 June 2025.

In addition to the above, information was shared between MLM Officials, CoGTA and National Treasury MFRS to facilitate access to information and transparency.

3. A two-day stakeholder and managers workshop at MLM was held presenting the findings made from the information shared, an internal alignment engagement on 26 June 2025 and Labour force engagement on the 27 June 2025. This was followed by the engagement of Creditors and Councilors on 02 July 2025 and 03 July 2025, respectively.

Submission

This SQA, once finalised, will be submitted to the MEC for Finance, whereafter, the latter will submit the same to the municipality, the Minister of CoGTA, and the Minister of Finance.

2.8 RISK MATRIX

Below are some of the key risks identified per pillar, which are not exhaustive to MLM.

Governance

- Lack of role clarity between political and administrative leadership.
- Non-compliance with the Code of Conduct by Councillors and staff.
- Under-expenditure on grants due to administrative delays.
- Failure to implement regulations on financial misconduct procedures and referral of matters to criminal proceedings.
- Volatile and sporadic staff protests.
- Litigation cases due to non-payment of creditors Inadequate systems of delegation that impact on governance, administration and operational efficacy, including confusion between administrative vs political delegations.

Institutional



- The proposed organisational structure may not improve service delivery as the operating model has not been reviewed to inform the structure.
- Ad-hoc changes to the organisational structure create a potential for personal interests.
- Potential of employees with fake qualifications due to lack of verification of qualifications.
- Continued labour instability due to dysfunctional LLF.
- Potential for ghost workers due to physical staff verification not being conducted.
- Lack of appropriate organisational culture and performance-driven workforce.

Financial Health

- Unfunded budgets.
- Attachment of bank accounts by Eskom, Vaal Central and/or other creditors.
- Tariffs are not cost reflective, and the water and electricity services are running at losses.
- Poor cashflow, escalating creditors' balance especially Eskom and Vaal Central Water Board.
- Increase in the debtors book due to low collection rates.
- Unreliable and incomplete billing due to damaged or non-existent meters and insufficient planning, capacity and capability to read existing meter.
- Qualified audit opinions for the last 2 financial years with persistent/ repeat audit findings.
- High and unsustainable water and electricity distribution losses.
- Increasing grant dependency.
- Underfunded mandates i.e. fire services, human settlement, etc.
- Budget constraints for capital investment in revenue generating assets, including smart meters.
- The municipality is insolvent and is not a going concern.

Service Delivery



- Failure to reverse the trend of under-maintenance and failure of timely replacement of aged infrastructure.
- The municipality faces ongoing challenges in effectively managing non-revenue electricity and water losses, which may limit the full impact of broader service delivery and infrastructure improvement initiatives.
- The unavailability of materials, appropriate equipment and tools of trade, which undermines efforts to rehabilitate infrastructure and improve service delivery.
- Illegal connections,
- Theft and vandalism of infrastructure.
- Inadequate and outdated fleet, which is uneconomical to maintain and is frequently breaking down.
- Inadequate number of qualified and appropriately experienced staff in critical areas leading to underspending of grant funding, inappropriate project planning, incorrect scoping of projects, inefficient execution of projects and ineffective management of external service providers.
- Insufficient budget for maintaining, rehabilitating, upgrading, replacing and extending infrastructure.
- Inability to plan, which places an immense burden on the infrastructure and budget provisions.
- Illegal occupation of municipal rental stock.
- Inability to enforce bylaws, which results in higher levels of illegality and reduces the attractiveness of the municipality as an investment destination.
- Land invasions.
- Health risk due to unattended sewer spillages

2.9 KEY ISSUES IDENTIFIED

Detailed below are the findings of the SQA, which will be referenced in terms of the following four (4) categories:

- Governance.
- Institutional Arrangement, Organisational and Human Resources.
- Financial Management.
- Service Delivery.



3. GOVERNANCE

Governance model (Council and Oversight structures/Committees): The Matjhabeng Council is constituted by 72 (seventy two) elected public representatives of which 36 (thirty six) are directly elected ward councillors while the other 36 (thirty six) represent proportionally elected councillors.

The parties in Council are illustrated below:

PARTIES	Number of Members in Council
African National Congress (ANC)	39 Members (Governing Party)
Democratic Alliance (DA)	16 Members (Official Opposition)
Economic Freedom Fighters (EFF)	9 Members (Opposition)
African Democratic Change (ADC)	2 Members (Opposition)
Independent South African National Civic Organisation (SANCO)	2 Members (Opposition)
Freedom Front Plus (FFP)	2 Members (Opposition)
African Transformation Movement (ATM)	1 Member (Opposition)
Congress of the People (COPE)	1 Member (Opposition)

Table 2: Composition of political parties within MLM council



MLM has established the following standing sections 79 committees:

SECTION 79	SECTION 80
<ul style="list-style-type: none"> • Municipal Public Accounts Committee. • Dispute Resolutions Committee. • Rules and Ethics Committee. • Standing Committee of Chairpersons. • Ad-hoc Naming and Renaming Committee. 	<ul style="list-style-type: none"> • Finance Committee. • Integrated Development Planning, Performance, Monitoring and Evaluation Committee. • Local Economic Development, Small Business, Agriculture and Tourism Committee. • Corporate Services and Good Governance Committee. • Special Programs including Women, Children, Elderly and People living with Disabilities Committee. • Sports, Arts and Culture Committee. • Community Services and Public Safety Committee. • Infrastructure and Technical Services Committee. • Human Settlement, Land Use Management and Spatial Planning Committee. • Fleet, Disaster Management and Service Delivery Committee.

Based on the information provided, all the above committees are functional with the exception of the Disciplinary Board, which is in place, but not functional. This has an impact on implementation of consequence management in the municipality and an implication on referrals of financial misconduct matters from MPAC to the Disciplinary Board. In particular it means that a non-functional Disciplinary Board prohibits the section 32 investigations in terms of the Municipal Finance Management Act, No.56 of 2003.

The municipality has further established the following section 80 committees:

- Finance Committee.
- Integrated Development Planning, Performance, Monitoring and Evaluation Committee.
- Local Economic Development, Small Business, Agriculture and Tourism Committee.



- Corporate Services and Good Governance Committee.
- Special Programs including Women, Children, Elderly and People living with Disabilities Committee.
- Sports, Arts and Culture Committee.
- Community Services and Public Safety Committee.
- Infrastructure and Technical Services Committee.
- Human Settlement, Land Use Management and Spatial Planning Committee.
- Fleet, Disaster Management and Service Delivery Committee.

Based on the information provided, all the above committees are functional with the exception of the Disciplinary Board, which is in place, but not functional. This has an impact on implementation of consequence management in the municipality and an implication on referrals of financial misconduct matters. In essence, this will have the effect that individuals that are guilty of financial misconducts, are not acted against and that send out a message that these deeds go unpunished. One of the values of having a Disciplinary Boards, is that it acts as a deterrent to would-be offenders.

Contract Management

Contract management monitoring is fragmented and decentralised, and the management of contracts is divided between Supply Chain Management (SCM), contract management agent and legal services units. There is a lack of congruence between tender specifications and legal briefs in drafting contracts, and tender specifications often differ from the scope of work contained in the final contract, resulting in misaligned deliverables and implementation challenges. The lack of interdepartmental coordination, harmony, and compatibility contributes to legal proceedings being instituted against the municipality as a result.

Certain contracts within the municipality are structured to automatically renew for a specified period following the expiry of their initial term, unless one of the parties provides formal notice of termination prior to the renewal date. Examples of such contacts include Nelesco 14 T/A Rovers Club and Rovers Tennis Club, among others. The municipality deviated from SCM regulations, where emergency services were procured to the value of R31 million from R10 million in the previous year. There are no capital projects that deviated from SCM processes;



the municipal deviations are on operating expenditure line items and not on capital expenditure. Money spent on projects to the value of R144 million were halted/incomplete in 2023/24 financial year due to budget constraints; the majority of these projects were already stopped in 2022/23 (R126 million) for the same reason. These projects are subject to vandalism, deterioration, community upraising due to failures in service delivery. Below is the list of projects/incomplete halted:

Project Name	2024	2023
Klippan Pumpstation upgrade	7 330 656	7 330 656
Bronville Substation	6 647 941	6 647 941
Mmamahabane Taxi Rank	477 699	477 699
Nyakallong Construction of stormwaters	17 461 171	17 461 171
Nyakalong Taxi Rank	377 781	377 781
Koppie Alleen collapsed sewer	4 879 496	4 879 496
Phomolong WWTW	766 492	766 492
Replacement of Old Galvanized Steel Pipes with UPVC Pipes:	8 413 854	8 413 854
Roads Infrastructure	174 429	174 429
Resealing of Roads	3 220 383	3 220 383
Thabong Community Centre parking upgrade	220 493	220 493
Thabong Taxi Rank	2 588 469	2 588 469
Thabong Upgrading and Refurbishment of T8 Sewer Pump station	13 570 402	13 570 402
Upgrading of Kutlwanong Outfall Sewer	22 458 201	22 458 201
Upgrading of seven electrical panels	167 058	167 058
Upgrading of the Urania 132KV 20MA Substation and 132kV Overhead Line	30 401 455	11 593 941



Project Name	2024	2023
Welkom Landfill Site	18 110 918	18 110 918
Welkom Regional Taxi Rank	6 741 313	6 741 313
White Septic Tank Welkom	335 631	335 631
Total	144 343 842	125 536 328

The percentage of contracted services and expenditure is as depicted below:

Years	2024	2023
Contracted services	153 722 736.000	163 210 614.00
Total Expenditure	4 290 332 376.00	4 530 281 003.00
Ratio	3.58%	3.60 %

Table 3: Percentage of contracted services and expenditure

The MFRS assessed the 2025 Contracts Management report which highlights challenges experienced in contracts management, which includes inadequate cooperation between user departments and legal services in the development of contracts.

The report indicates that there is no defined accountability for monitoring contract performance within the municipality. A total of 38 (thirty eight) contracts are listed with end dates in the future which is a reflection of a specified duration of the contracts and hence provide for future planning regarding the need for the specific service. However, seven infrastructure-related contracts reflect only the duration of the work, with no recorded start or end dates, and no appointment letters were issued. These contracts are, however, recorded as contract site handovers and originate from tenders awarded in 2023. The total combined value of these seven contracts is approximately R110 million.

The municipality does not operate a formal contract management system and instead relies on manual processes. The absence of an integrated system, coupled with limited coordination between Legal Services and SCM, hampers effective monitoring. As a result, contract management processes expose the municipality to financial risk and vulnerability to legal action.



The 2023/24 financial year Auditor-General's report, dated 30 November 2024, found that contracts were awarded to service providers who did not submit proof of tax compliance, contrary to MFMA SCM Regulation 43. The report also confirms that in several instances, contract performance was neither monitored nor managed. These findings suggest that no remedial action has been taken in response to previous audit outcomes.

To support these findings, it was observed that the Ntiyiso consulting team contracted to assist with revenue investigation and debt collection. is operating from within municipal offices, despite the legal obligation that they work from their own premises. This arrangement raises concerns regarding the unauthorised use of municipal resources, including office space, infrastructure, and possibly other operational support. The budget funding plan states that the escalation of debt raises the question of whether the project is yielding the required results. SLA also states that there should be a trust account, which should be opened and audited. At the time of the report, there was no evidence that this was being adhered to.

Furthermore, this practice results in a loss of potential revenue for the municipality, as services and facilities that could otherwise be charged for are being used without compensation. The situation undermines the principle of cost recovery and places an additional burden on municipal resources that are already under strain.

A draft policy to formalise contract management has been developed and is currently undergoing consultation. The policy has not yet been adopted by Council.

There were no material irregularities identified during the 2023/24 financial year audit.

System of Delegations

The municipality's system of delegations was reviewed in 2023 and formally approved by Council on 7 August 2023. The system outlines a delegation framework whereby certain powers are reserved for Council, while others have been delegated to the Executive Mayor, who in turn has delegated functions to the Municipal Manager. The Municipal Manager has subsequently sub-delegated certain responsibilities to the Chief Financial Officer.

A key concern is the absence of sub-delegations to other Executive Directors. As a result, the Municipal Manager retains a substantial portion of administrative powers, which may hinder operational efficiency.

For a municipality to function optimally, it is essential that all senior officials reporting directly to



the Municipal Manager hold the delegated authority necessary to carry out their responsibilities. Where duties are performed by Executive Directors without formal delegation, the legality of such actions may be subject to challenge.

An additional deviation from standard practice was noted: the Council directly delegated powers to a Building Control Officer. Typically, such administrative functions would fall under the authority of the Municipal Manager, who would then sub-delegate them to the relevant official. This approach may undermine the principle of administrative delegation and blur lines of accountability.

Unauthorised, Irregular and Fruitless and Wasteful Expenditure (UIF&W)

The reports on UIF&W are presented to Council, and matters are referred to Municipal Public Accounts Committee (MPAC) for investigation, however, there are still matters that MPAC has not investigated.

Unauthorised expenditures 2022/23 and 2023/24 financial years

The municipality incurred unauthorised expenditure during the two financial years indicated above, to the value of R1 067 576 614 and R 1 048 403 955, respectively. This expenditure arose as a result of overspending against the approved budget for the respective years. On 30 January 2025, Council, under item A 14/2025, special adjustment budget for the 2023/2024 financial year, resolved that the Unauthorised Expenditure for the 2023/2024 financial year be referred to the MPAC for investigation.

Description	2023/24	2022/23
Opening balance as previously reported	2,492,276,125	2,277,614,175
Unauthorised expenditure for the year	1,048,403,955	1,067,576,614
Amount written off-Current	0	(852,914,664)
Amount authorised	(1,067,576,614)	-
Closing balance	2,473,103,466	2,492,276,125

Table 4: Unauthorised expenditure per financial year



Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

Irregular expenditures 2022/23 and 2023/24 financial years

The municipality incurred irregular expenditure during the two financial years indicated above, amounting to R146,754,378 and R123,755,994, respectively, due to non-compliance with Supply Chain Management (SCM) Regulations. On 07 May 2025, under item SA10/2025, titled **“Oversight Report by the Municipal Public Accounts Committee (MPAC) on the 2023/2024 Annual Report of Matjhabeng Local Municipality”**, Council resolved that monitoring and evaluation of projects be strengthened from inception to completion. The council further directed the Accounting Officer to develop and implement contract management tools to prevent overpayments on expired contracts, extension of expired. This is also applicable for other contracts other than expired contracts. If effectively implemented, this resolution could contribute to a reduction in irregular expenditure.

However, no evidence was presented to indicate that Council has referred any of the above matters for criminal investigation or initiated disciplinary action against any officials responsible for the unauthorised or irregular expenditure.

Description	2024/25	2023/24	2022/23
Opening balance as previously reported	1 953 200 782	1,829,444,788	1,682,690,410
Irregular expenditure for the year	36 589 630,07	61,112,599	132,400,248
Irregular expenditure identified during the audit	0	62,643,395	14,354,130
Closing balance	1 989 790 412	1,953,200,782	1,829,444,788

Table 5: Irregular expenditure per financial year

Irregular expenditure incurred by the municipality amounting to R1.9 billion was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Irregular expenditure is being incurred every year. The municipality is unable to implement



controls to curb the irregular expenditure.

Reason	2024/25	2023/24
Extension on expired contract	23 139 053	0
Non-compliance with procurement prescripts	8 721 884	4 109 653
Awards not compliant with the Bid Documents	0	8 032 526
Expired contract	4 728 693	48 970 420
Total	36 589 630	61 112 599

Fruitless and wasteful expenditures 2022/23 and 2023/24 financial years

The municipality incurred fruitless and wasteful expenditure during the two financial years indicated above, in the amounts of R339 841 917 and R239 024 031, respectively, due to interest and penalties on late payments to suppliers. There has not been any fruitless and wasteful expenditure other than in relation to interest or penalties since the 2015/16 financial year.

No consequence management was undertaken due to Section 32 investigations not being conducted.

The Financial Disciplinary Board was established during 2023 but is currently not functional.

Description	2023/24	2022/23
Opening balance as previously reported	339,841,916	313,298,103
Fruitless and wasteful expenditure for the year	239,024,031	339,841,917
Amount written off-Current	(339,841,917)	(313,298,104)
Closing balance	239,024,030	339,841,916

Table 6: Fruitless and wasteful expenditure per financial year



Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Litigations and Contingent Liabilities

The municipality 2023/24 Contingencies register. In terms of this register, there are 207 matters in litigation, of which a few are indicated as finalised.

The legal matters in the register show a total of R9.34 billion, of which R1.5 billion is disclosed as contingent liability. From the register, it cannot be determined whether the success rate of these matters was assessed before litigation was entered into.

The head of the legal department's duties were reassigned to a subordinate to implement. This has caused instability in the legal department, where a senior now reports to a junior. In the absence of a fully functioning legal department, the municipality is at risk. As the municipality did not provide a litigation register for scrutiny, it is difficult to form an opinion on the efficacy of its work. It is, however, worrying, as stated elsewhere, that default judgments were granted against the municipality, and that matters are not settled timeously where the municipality acknowledges indebtedness. The overspending on budgets for legal costs is also indicative of a legal department not being in control of its litigation. It follows that a dysfunctional legal department places the municipality at risk, at least in a financial and reputational sense.

It is clear that there is instability within Legal Services, which the municipality's records refer to as 'internal wrangles'.

The biggest claims against the municipality are those by Eskom in the amount of more than R6.7 billion, and Vaal Central Water with the amount of about R7.9 billion. Upon computation of the above claims and considering the remaining claims in litigation against the municipality, which claims are not yet due for payment since litigation is pending, the contingent liability is at R 1.5 billion.

The legal cost (extracted from the 2023/24 AFS and YTD extracted from the financial records) to Matjhabeng is extensive and is reflected as follows:

	2022/23	2023/24	2024/25 (YTD)
Budget	18 226 000	18 521 000	23 500 000



	2022/23	2023/24	2024/25 (YTD)
Actuals	15 231 796	21 073 794	26 604 873
Within Budget/ (Overspent)	2 994 204	(2 552 794)	(3 104 873)

It is however noteworthy that the original 2023/24 approved budget for legal services was R18.5 million (2022/23: 18.2 million), and the expenditure as indicated above was R21 million (2022/23: 15.2 million), this is indicative of a variance of R2.5 million (2022/23: 2.9 million) which is an over (2022/23: under) expenditure by the legal service unit. The over expenditure grew more in the 2024/25 financial year.

The over expenditure on legal costs in 2023/24 can in part be attributed to the fact that attorneys are appointed from the vendor register without following the approved SCM processes. The municipality does not have a pre-approved fee structure, making itself subject to payment of prescribed fees to appointed attorneys acting on its behalf. The above practice constitutes fruitless & wasteful expenditure in terms of the MFMA, since had the municipality exercised reasonable care and complied with legislation and regulations, the expenditure on legal costs made in vain would have been avoided. Therefore, the regulated quantum of R200 000.00 (3 quotations) is easily exceeded, and any service required that exceeds R200 000.00 must be sourced through an open tender process. This process to appoint attorneys for legal services may potentially be construed as irregular, over and above the unauthorised expenditure.

The “*Status Report on Legal Services 11 December 2023*”, and under paragraph 14 thereof, the municipality received several applications issued by several service providers of the Municipality in claims totalling more than R134 million.

While the municipality maintains a vendor list of legal service providers, it does not have an SCM compliant panel of attorneys. The municipality does not have a set fee structure in terms of which legal fees and disbursements are agreed to between the municipality and attorneys at the inception of a matter/s or upon finalization of a matter/s subject to litigation.

While the municipality maintains a vendor list of legal service providers, it does not have a SCM compliant panel of attorneys.

Furthermore, the legal department recommends which attorneys on the vendor list to appoint for authorisation by the Accounting Officer. After the appointment of an attorney, the invoice is



sent to the municipality for authorisation. The legal department reviews the invoice and then submits it for payment. This is irregular expenditure as outlined in the SCM regulations. No competitive bidding.

The Auditor General Report of 2024 states the following: “the Municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined”.

The municipality has recorded over 70 matters in which Default Judgements have been entered into against the municipality for the period 1 May 2024 to 31 June 2025. The same is listed and appears from the columns under the Matjhabeng Refunds Register; however, the matters do not indicate the values refunded in monetary terms.

The municipality faced claims totalling R395 million from six major creditors (the “Big Six”), and after review of invoices, it was found that only R162 million of these invoices were valid.

After a negotiation between the attorney representing the municipality and the attorney representing creditors, a settlement amount of R120 million was proposed. This item was then taken to Council for a decision. There is no information received on the outcome of the Council session on this matter, even after requesting it from the Accounting Officer.

Savings, if settled:

- R42 million saved from disqualified claims.
- R12.9 million saved in future legal costs.
- R34 million saved in interest.
- Total potential savings of approximately R89 million.

Motsewarona, which forms part of the six major creditors, obtained 20 (twenty) default judgements against the Municipality, all in July of 2023. The total for the 20 (twenty) default judgements amounts to R 3 623 780. This amount is much smaller than the amount of R 41 529 852 that the municipality accepts liability for regarding this creditor. For every default judgement, costs were awarded against the Municipality as well. These should be regarded as fruitless and wasteful expenditure. Ordinarily, default judgements are granted against debtors for two reasons, namely:

- a) They did not defend a matter when summons were issued against it, or



- b) They were placed under bar (being late or neglecting to file pleadings in legislated timeframes).

In both instances, it reflects negatively on the municipality and its legal representatives in managing litigation. Default judgements equate to a Court order to pay the amounts stipulated.

Audit Findings and Audit Action Plan

The municipality received qualified audit opinions for the past three financial years (2021/22, 2022/23, 2023/24), with the major issue being a going concern, where the municipality's net loss increased from R1.3 billion in 2019/20 to R4.7 billion in 2023/24.

The following repeat finding findings for the 2021/22; 2022/23 and 2023/24 financial years were extracted from the Auditor General Management reports which lead to Qualified opinions:

- Inadequate processes to bill service charges, unable to obtain sufficient appropriate audit evidence for the sale of electricity and water in the service charges.
- Incorrect accounting for trade payables due to the municipality not recording the supplier's invoices in the account of the municipality for the corresponding period, resulting in understatement by R 49.1 million.
- Material uncertainty regarding going concern:
 - Accumulated deficit of R4 589 616 857.
 - Total Liabilities exceeds assets by R 4 589 616 857.
 - Receivables from exchange transactions and receivables from non-exchange transactions were impaired by R5 128 242 232.
- Repeat Findings on Unauthorised, Irregular, Fruitless and Wasteful Expenditures which has not been Investigated in terms of section 32 of the Municipal Finance Management Act, No. 56 of 2003.
- Growing distribution losses of water and electricity.

Risk Management

Risk management in the municipality is functional, with the Risk Management Committee holding meetings and approving all relevant risk management documents. An enterprise-wide



risk assessment was conducted, and a strategic risk management strategy and plan were approved by the Council. The post of Chief Risk Officer was filled in May 2022.

Internal Audit

Internal Audit within the municipality is established and operational, supported by a functional Audit Committee that convenes on a quarterly basis. However, the position of Chief Audit Executive remains vacant and was only advertised in May 2025. Since its creation in the 2021 organisational structure amendments, the role has been temporarily overseen by the Internal Audit Manager.

The Internal Audit Unit has not completed 58 per cent of its planned annual audits, which raises concerns regarding internal control oversight and audit capacity. Certainly! Here's a more formal and refined version suitable for official reports or governance documentation. As at the time of the preparation of the SQA, there were no forensic investigations. However, there is an ongoing investigation by the Special Investigating Unit (SIU) involving one of the "Big 6" companies.

Additionally, allegations of maladministration, political interference, fraud and corruption were raised by the Labour Unions and other stakeholders that require further investigation.

Powers and Functions

According to the 2024/25 IDP, the municipality provides services such as Electricity, Roads and Stormwater, Waste Management, Water and Sanitation, Environmental Health, Public Safety, Infrastructure Planning and Development, Economic Development and Recreational Services.

The municipality has transferred the following functions to the relevant provincial/municipal district:

- Library Services - transferred to the province in 2014. Staff had the option to move to the Province or remain within the Municipality; those who remained were reassigned across various municipal departments.
- Primary Health Services (Clinic) - transferred to the Province in 2004 together with all associated staff.
- Disaster Management – transferred to the District Municipality in 2011.

The municipality has performed underfunded and unfunded mandates in the 2023/24 financial year for the following services:



- Fire Services - underfunded to the value of R 41.2 million,
- Pauper Burials - underfunded to the value of R 331 million.
- Housing – unfunded to the value of R 20.9 million
- The municipality further trains traffic officers at the Traffic Academy, and the extent of the underfunding or lack of funding has not been determined because the records kept at the municipality are not segmented to show the real costs of these services.

Consequence Management

The municipality does not have a fully functioning Disciplinary Board, and it has not had a sitting since 2023. The 2024 Auditor-General's Report found that no investigations were done on irregular expenditure reported. The municipality had 345 instances of irregular expenditure, and no section 32 investigations were conducted to determine if any officials should be held liable.

Information and Communication Technology

ICT also serves as a fundamental pillar of viability and sustainability in municipalities. By enhancing efficiency, enabling data-driven decisions, improving service delivery, promoting transparency, and supporting sustainable practices, ICT significantly contributes to the financial, strategic, social, political, and environmental viability of a municipality. This also rebuilds confidence and trust in the municipality through citizens feeling engaged and connected with the municipality.

The municipality has taken initial steps to formalise ICT governance, with Council approving ICT policies in December 2022. However, significant capacity and operational challenges undermine the effectiveness of the ICT function. The unit is severely understaffed, with only four fixed-term contract employees supporting approximately 2,000 municipal staff. This includes just one systems administrator, one help desk operator, and two technicians, which is inadequate for the size and complexity of the institution. The failure to fill critical ICT posts has resulted in a high vacancy rate and weak service coverage.

The municipality operates several non-integrated systems, which limit efficient process flows and impair real-time reporting. Key ERP modules such as asset lifecycle management, budget and planning, and customer care remain unimplemented, further constraining ICT's ability to support strategic service delivery.



Although a Disaster Recovery and Business Continuity Plan has been drafted, there is no evidence of its formal approval. The absence of strong internal controls for managing ICT policies and ongoing budgetary constraints continues to hinder progress in strengthening the ICT environment.

The municipality maintains community engagement through multiple digital platforms. It has an active presence on its official municipal website, Facebook, and a dedicated WhatsApp channel, which serve as key touchpoints for disseminating information and engaging with residents. In addition, billing-related communication is effectively managed using email and SMS, ensuring that residents receive information regarding their municipal accounts.

The key issues for ICT that are being addressed are as follows:

- Seven (Microsoft 365 E5, SOLAR ERP Suite, PayDay HR & Payroll, etc.) high impact ICT platforms and network/security services underpin municipal operations.
- Annual operating commitment: R 12.6 million (licensing, support, broadband, security).
- BCX remains the municipality's partner for Disaster Recovery as a Service (DRaaS); implementation is paused because several legacy servers with disk bad sectors cannot be replicated.
- Server Infrastructure Refresh (R 12 million CAPEX) will remove the hardware bottleneck and unlock full DRaaS capability, lifting coverage to 100 per cent.

Immovable Property Management

The municipality has a Land Disposal Policy dated August 2015 and Procedure dated September 2016. However, the policy is not signed, and there is no evidence that it has been approved by the Council. There are generally poor records management and monitoring of lease agreements for Council-owned property, as it was found that some lease agreements had expired as far back as 2008 without renewals.

The municipal residential property rentals register shows that monthly rentals for houses, flats and hostels range from R144.00 to R1 800.00, which are not market related. The register is incomplete and does not have up to date information, such as the status of rental payments, information on arrear amounts and the state of maintenance. The municipality is only collecting rental payments from municipal employees. This mismanagement of rental property could constitute maladministration.



The register does not comply with the Fixed Assets Management Policy requirements on fixed asset register information.

Below is a table reflecting the number of properties rented out to Council officials and the community. A total of 28 (twenty eight) properties are illegally occupied, which means the municipality is not collecting revenue on them.

Type of Property	No of Units	MLM Employees	Private Tenants	Illegal / No. MLM Account
Flats	136	48	64	24
Hostels	3 546	282	3 264	-
Houses	41	34	3	4
Total	3 723	364	3 331	28

Table 7: Properties rented out to employees and municipality, private tenants.

The table below reflects typically leased properties and the amounts per annum, which are not market related.

Lessee	Inception	Expiry	Rental Amount	Buildings/Area	Purpose of Use
Rovers Rugby Club	Sept 2003	Aug 2008	R733 p/a	Clubhouse Rugby fields	Rugby
Rovers Cricket Club	July 2003	Aug 2008	R1 810.74 p/a	2x Cricket fields Clubhouse	Cricket
Rovers Cricket Club and Netball Clubhouse	June 2006	May 2008	R145 p/a	Clubhouse Cricket fields Netball fields	Radio Controlled Model Flying
Nelesco 14 t/a Rovers Club	Could not establish		R2 358.97 p/a	3 Bedroom Flat 2 Bedroom Flat 10 Chalets (sleep 20) Bar	A copy of the agreement could not be found – purpose of use in terms of the contract could not



Lessee	Inception	Expiry	Rental Amount	Buildings/Area	Purpose of Use
				Siete's Restaurant Recreation Hall	be established.
Rovers Bowling Club	July 2003	Aug 2008	R1 604 p/a	2x Bowling greens Clubhouse/Bar	Bowls
Rovers Squash Club	Jul 2003	Jul 2012	R0	Recreation Hall 6x squash courts	Squash
Rovers Tennis Club	No information	No information	No information	2x tennis courts Clubhouse	Tennis
Rovers Soccer Club	Jul 2003	Aug 2008	R408.98 p/a	Soccer fields	Soccer
Rovers Hockey Club	Jul 2003	Aug 2008	R668.69 p/a	2x hockey Fields Clubhouse	Hockey

Table 8: leased properties and amounts per annum.

It must also be noted that in terms of common practice, sports facilities are generally not charged at the market rate because they provide a service that ought to have been provided by the municipality in terms of powers and function.

By-Laws

According to the municipal website there are 15 gazetted by laws. There is no evidence that any revenue is budgeted for emanating from by-law enforcement. In addition, no Municipal Courts have been established. The consequence of that is that any bylaw enforcement has to be heard in the Magistrates Courts, where it competes with court time on the already overloaded criminal court roll, and will not get the needed attention that will lead to a successful prosecution, and eventual revenue for the municipality.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
Governance Model (Council and Oversight Structures/ Committees)	<ul style="list-style-type: none"> The Council, Mayoral Committee, and Section 79/80 Committees are in place and are functional. Section 79/80 Committees include the Audit Committee, MPAC, Ethics Committee and are functioning. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> 2024 Council Resolution Registry RMC Minutes dated 18 February 2025 Minutes of the political steering committee meeting held on Friday 03rd May 2025 in room 428, 4 the floor main building, Welkom.
	<ul style="list-style-type: none"> Council meetings were held 15 times in the 2024/25 financial year as is evidenced by the resolutions in these meetings. 	<ul style="list-style-type: none"> Council Resolutions not implemented. Service delivery delays. 	<ul style="list-style-type: none"> Lack of consequence management to implement Council resolutions by the Accounting Officer. Lack of oversight on the implementation of resolutions by the Municipal Manager. 	<ul style="list-style-type: none"> 2024 Council Resolution Registry. 2025 Council Resolution Registry.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> Analysis of Council Resolutions reveal that decisions taken are not implemented timeously and some items have been pending such as payment of service providers. 			
	<ul style="list-style-type: none"> Councilors are in arrears with their consumer accounts for more than 90 days to the amount of R 600 thousand as at 13 June 2025. 	<ul style="list-style-type: none"> Non-payment of consumer accounts by Councilors. 	<ul style="list-style-type: none"> Lack of credit control by management. Lack of monitoring by the CFO of accounts of Councilors and staff members. 	<ul style="list-style-type: none"> Section 12 A of the Municipal Systems Act, Act 32 of 2000.
	<ul style="list-style-type: none"> Officials are in arrears with their consumer accounts for more than 90 days to the amount of R 19.8 million as at 13 June 2025. 	<ul style="list-style-type: none"> Non-payment of consumer accounts by officials. 	<ul style="list-style-type: none"> Lack of consequence management by the Speaker and Municipal Manager to instill discipline and implement corrective actions. 	<ul style="list-style-type: none"> Schedule 2 of the Municipal Systems Act, Act 32 of 2000.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> 5 persons were appointed to serve on the Financial Disciplinary Board on 02 June 2023. The Board is not functional because it has never sat, due to reservations on its composition. The Board has a Draft ToR dated April 2021. 	<ul style="list-style-type: none"> Board is not being constituted in terms of legal requirements. Non-compliance with Legislation. 	<ul style="list-style-type: none"> Improper appointment of members. Lack of skills and competency to advise officials and Municipal employees on rules and regulations. 	<ul style="list-style-type: none"> Regulation 4 of the Municipal Finance Management Act (MFMA) Letters of appointment by MM to serve on FDB. Governance FRP Questionnaire
	<ul style="list-style-type: none"> Some of the declaration of interest forms of staff members have not been fully completed, nor are they properly signed. 	<ul style="list-style-type: none"> Lack of oversight and monitoring on the proper completion of declaration of interest by staff members. 	<ul style="list-style-type: none"> Lack of accountability and no consequence management by management. 	<ul style="list-style-type: none"> Incomplete declaration forms received.
Contract Management	<ul style="list-style-type: none"> The municipality has a Contract (SLA) Register, contract management 	<ul style="list-style-type: none"> There are no checks and balances and no monitoring of tasks allocated. Legal non-compliance. 	<ul style="list-style-type: none"> Management failure to comply with legal obligations. Lack of consequence management of employees 	<ul style="list-style-type: none"> (67 – 72) Contract Management Register / 01 May To 30 June 2023.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	<p>report and a draft contract management policy.</p> <ul style="list-style-type: none"> The municipality does not have an updated contract management register. 		<p>responsible and tasked with ensuring compliance with legislative prescripts.</p>	<ul style="list-style-type: none"> (Management Report, Matjhabeng Local Municipality, 2023-24, 13 February 2025 page 31). Consolidated SLA register.
	<ul style="list-style-type: none"> Contract management is decentralised, and the management of contracts is divided between SCM, User Departments and Legal Services. 	<ul style="list-style-type: none"> Poor reporting and oversight in general due to decentralisation. There is a lack of inter-departmental communication. 	<ul style="list-style-type: none"> Organisational structure design flaws where Contract Management is supposed to report to SCM. 	<ul style="list-style-type: none"> Matjhabeng LM Current Approved Organisation Structure 2009, 2010, 2021, 2022.
	<ul style="list-style-type: none"> Performance and monitoring measures and methods applied in monitoring two contracts with a total value of R 47 600 000 were insufficient to 	<ul style="list-style-type: none"> Lack of monthly performance monitoring of contracts. 	<ul style="list-style-type: none"> Fragmented contract management arrangements. 	<ul style="list-style-type: none"> The final Management Report by the AGSA, dated 13 February 2025,



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	ensure effective contract management.			
	<ul style="list-style-type: none"> The municipality does not report on the management of contracts as required by section 116(2) of the MFMA. 	<ul style="list-style-type: none"> Poor legal compliance and internal control deficiencies. 	<ul style="list-style-type: none"> Poor accountability and no consequence management for legal delinquency. 	<ul style="list-style-type: none"> The final Management Report by the AGSA, dated 13 February 2025.
	<ul style="list-style-type: none"> Lack of technological aids and systemic factors such as outdated and inadequate contract management systems. 	<ul style="list-style-type: none"> Lack of ICT tools and system to manage contracts. 	<ul style="list-style-type: none"> Financial Constraints. 	<ul style="list-style-type: none"> (Contract Management Report, Matjhabeng Local Municipality, 2023-24.
	<ul style="list-style-type: none"> There are evergreen contracts relating to sports and recreation facilities without market related fee structures. 	<ul style="list-style-type: none"> Improper monitoring of starting and end dates of contracts. 	<ul style="list-style-type: none"> Ineffective monitoring of contract end dates. 	<ul style="list-style-type: none"> Report on Municipal Facilities under different directorates.
	<ul style="list-style-type: none"> The contract between Matjhabeng and Ntiyiso is 	<ul style="list-style-type: none"> Collection rate has not improved even though 	<ul style="list-style-type: none"> Contract not being monitored as per the SLA 	<ul style="list-style-type: none"> SLA between Matjhabeng and Ntiyiso



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	not adhered to. The collect rate has not improved.	amount has been paid to SP		
	<ul style="list-style-type: none"> Projects have been halted for more than 2 financial years. 	<ul style="list-style-type: none"> These projects are subject to vandalism, deterioration, community upraising due to failures in service delivery. 	<ul style="list-style-type: none"> Poor budgeting. Poor project management. Poor Demand management. 	<ul style="list-style-type: none"> AFS 2023/24
System of Delegations Unauthorised, Irregular and Fruitless and Wasteful Expenditure. (UIF&W)	<ul style="list-style-type: none"> The municipality has a system of delegations that was reviewed in 2023 and approved by the Council on 7 August 2023. The delegations have provided role clarification. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Matjhabeng Delegation of Power: (reviewed in 2023). Extract from the special Council Minutes: 7 August 2023. Council Resolution on item SA13/2023. Signed Delegations reviewed 2023.



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	<ul style="list-style-type: none"> The Municipal Manager has delegated powers to the CFO to the exclusion of other Executive Directors. The Council has directly delegated functions to a Building Control Officer. 	<ul style="list-style-type: none"> Non-Compliance with delegation norms and regulations. Powers not delegated to management. 	<ul style="list-style-type: none"> Fear of failure. Lack of trust and confidence. Inadequate skills and training. Ineffective leadership. Bureaucratic red tape. 	<ul style="list-style-type: none"> Signed and approved Delegations of Power document (reviewed in 2023).
	<ul style="list-style-type: none"> The municipality does not have a Delegations Register with sub-delegations to departmental heads and divisions. 	<ul style="list-style-type: none"> No register of sub-delegations to departmental heads and divisions. 	<ul style="list-style-type: none"> Lack of trust and confidence in departmental heads. Fear of failure. Trust deficit between staff members. 	<ul style="list-style-type: none"> Signed and approved Delegations of Power document: 2023.
	<ul style="list-style-type: none"> The financial delegations do not provide for sub-delegations of supply chain management functions and establishment of bid committees. 	<ul style="list-style-type: none"> Delegations are non-compliant with delegations' norms and standards. 	<ul style="list-style-type: none"> Lack of internal controls to ensure compliance with statutory requirements. 	<ul style="list-style-type: none"> Signed and approved Delegations of Power documents: 2023.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	<p>Unauthorised Expenditure</p> <ul style="list-style-type: none"> The municipality incurred unauthorised expenditure to the value of R1.07 billion due to over expenditure during 2022/23 financial year. In the 2023/24 financial year, the municipality incurred R1.05 billion due to overspending of the budget. 	<ul style="list-style-type: none"> High amounts of unauthorised expenditure. 	<ul style="list-style-type: none"> Budget constraints. Poor control and oversight environment. Inadequate financial management and accountability. The 2024 Auditors General Report found that no investigations were done on irregular expenditure reported 	<ul style="list-style-type: none"> 2022/23 Report of the AGSA to the Free State Provincial Legislature and Council in the Matjhabeng Local Municipality. 2023/24 Report of the AGSA to the Free State Provincial Legislature and Council in the Matjhabeng Local Municipality.
	<p>Irregular expenditure:</p> <ul style="list-style-type: none"> The municipality incurred irregular expenses to the value of R146.75 million due to non-compliance with Supply Chain Management Regulations during the 2022/23 financial year. 	<ul style="list-style-type: none"> Amounts of irregular expenditure resulting from deviation from SCM regulations. Lack of consequence management. 	<ul style="list-style-type: none"> Lack of supply chain management training. Disregard of SCM policies and legislative requirements. 	<ul style="list-style-type: none"> 2022/23 Report of the AGSA to the Free State Provincial Legislature and Council in the Matjhabeng Local Municipality.



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	<ul style="list-style-type: none"> During the 2023/24 financial year, the municipality incurred irregular expenditure to the value of R123.76 million, due to non-compliance with Supply Chain Management Regulations. 	<ul style="list-style-type: none"> Amounts of irregular expenditure resulting from deviation from SCM regulations. Lack of consequence management. 	<ul style="list-style-type: none"> Lack of supply chain management training. Disregard of SCM policies and Legislative requirements. 	<ul style="list-style-type: none"> 2023/24 Report of the AGSA to the Free State Provincial Legislature and Council in the Matjhabeng Local Municipality.
	<p>Fruitless and Wasteful Expenditure:</p> <ul style="list-style-type: none"> During the 2022/23 financial year, the municipality incurred Fruitless and Wasteful Expenditure in the amount of R339.84 million as a result of interest and penalties on late payments to suppliers. 	<ul style="list-style-type: none"> Fruitless and wasteful expenditure is incurred due to late payment of creditors. Lack of consequence management. Interest incurred as a result of late payments to service providers. 	<ul style="list-style-type: none"> Provision not made for cash flow necessary to pay creditors on time. Insufficient budget. Poor planning. Non-adherence to the procurement plan. 	<ul style="list-style-type: none"> 2022/23 Report of the AGSA to the Free State Provincial Legislature and Council in the Matjhabeng Local Municipality. 2023/24 Report of the AGSA to the Free State Provincial Legislature and Council in the Matjhabeng Local Municipality.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> During the 2023/24 financial year, the municipality incurred Fruitless and Wasteful Expenditure amounting to R 239.02 million. 			
	<ul style="list-style-type: none"> No section 32 investigations were conducted relating to UIFW. 	<ul style="list-style-type: none"> Lack of consequence management for UIFW expenditure. 	<ul style="list-style-type: none"> MPAC does not function optimally. Internal control deficiencies. 	<ul style="list-style-type: none"> AGSA report of February 2025.
Consequence Management	<ul style="list-style-type: none"> According to the AG(SA) 2023/24 Management Report, there were 345 instances of irregular expenditure not investigated to determine if any officials should be held accountable. 	<ul style="list-style-type: none"> There is a weakness in consequence management due to internal control deficiencies. No investigations were conducted relating to UIF & W. 	<ul style="list-style-type: none"> The municipality does not have a fully functioning Disciplinary Board, and it has not had a sitting since 2023. The 2024 Auditor-General's Report found that no investigations were done on irregular expenditure reported 	<ul style="list-style-type: none"> AG(SA) report of February 2025.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
		<ul style="list-style-type: none"> Lack of consequence management for UIF & W expenditure. 		
Litigation and Legal Landscape	<ul style="list-style-type: none"> The municipality is defending/ alternatively opposing all matters. There are currently 153 active matters in litigation. The total litigation/contingent liability is estimated at over R 1.5 billion. The biggest claims by creditors are those by Eskom in the amount of more than R6,9 billion, and Vaal Central Water in the amount of more than R 7.9 billion. 	<ul style="list-style-type: none"> Financial, reputational and legal exposure risk to the municipality. Mora Interest charged on quantum (interest accumulated on liabilities pending finalization of matters under litigation). Incurring legal costs of both the municipality and the opposition in the event that the municipality is unsuccessful in the matter under litigation. 	<ul style="list-style-type: none"> Poor management of litigation and lack of consequence management. 	<ul style="list-style-type: none"> Contingencies Register 23/24 Adjusted (Adjusted for CoAFs 42 and 61). Contingencies Register 23/24 Adjusted (Adjusted for CoAFs 42 and 61).



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> The bulk of claims against the municipality emanate from service providers who have rendered services and have not been paid for such services rendered. 	<ul style="list-style-type: none"> Pending settlement agreements that are not implemented by the municipality. Legal claims necessitate the appointment of attorneys to defend / oppose the matters. Incurring legal costs. 	<ul style="list-style-type: none"> Lack of political will to finalise the settlement agreement proposals. Cashflow constraints. Not adhering to procurement plan/demand management plan. 	<ul style="list-style-type: none"> Contingencies Register 23/24 Adjusted (Adjusted for CoAFs 42 and 61). The breakdown of legal fees against cases won and lost was requested but not provided at the time of preparing this report.
	<ul style="list-style-type: none"> The municipality does not have a panel of attorneys to handle litigation. 	<ul style="list-style-type: none"> Inability to control fees. Municipality is a price taker. 	<ul style="list-style-type: none"> Procurement processes are not followed through. 	<ul style="list-style-type: none"> Contingencies Register 23/24 Adjusted (Adjusted for CoAFs 42 and 61).
	<ul style="list-style-type: none"> There is a list of attorneys who are entrusted with assisting the municipality with matters under litigation, whose appointment is not in line 	<ul style="list-style-type: none"> Non-compliance with SCM regulation in the appointment of attorneys. 	<ul style="list-style-type: none"> Procurement processes are not followed through. No consequence management. No checks and balances. 	<ul style="list-style-type: none"> Contingencies Register 23/24 Adjusted (Adjusted for CoAF 42 and 61).



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	with the SCM processes, therefore irregular.			
	<ul style="list-style-type: none"> The legal fees paid by the municipality to service providers in respect of legal services during the: <ul style="list-style-type: none"> 2022/23 financial year were R 15.2 million. 2023/24 financial year were R 21.07 million. R26.6 million in the 2024/25 financial year. No proper and updated litigation register is kept. It is unclear whether matters are assessed for probability of success 	<ul style="list-style-type: none"> The municipality has no set fee structure for Attorneys No management of the legal process. 	<ul style="list-style-type: none"> The municipality has no pre-approved panel of attorneys. 	<ul style="list-style-type: none"> GS 360 23242.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	before litigation is entered into.			
	<ul style="list-style-type: none"> Manager Litigation in legal services recommends attorneys on the vendor list to appoint for authorisation by the Accounting Officer. 	<ul style="list-style-type: none"> Over-pricing leads to unauthorised expenditure. Overloading of specific attorneys with too many cases. Breach of SCM regulations. 	<ul style="list-style-type: none"> Absence of clear criteria and documented procedures for legal appointments. No consequence management. 	The Status Report on Legal Services dated 11/12/2023.
Audit Action Plan	<ul style="list-style-type: none"> The Municipality has failed to improve its qualified audit opinion for the past five years, with the financial deficit accumulating to R4.7 billion in the 2023/24 financial year. 	<ul style="list-style-type: none"> Qualified audit opinion for the past five financial years and increasing net loss but with less qualification paragraphs. 	<ul style="list-style-type: none"> Poor internal controls. Lack of consequence management. Poor credit control. No effective system of internal control for assets. 	<ul style="list-style-type: none"> Audit Reports (2021/22, 2022/23, 2023/24).
	<ul style="list-style-type: none"> The Post Audit Action Plan for 2024/25 was approved by the Audit Committee, 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Audit Action Plan 2024/25.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	and Council approved the Audit Committee Charter.			<ul style="list-style-type: none"> Audit Committee Minutes. Council Resolutions.
	<ul style="list-style-type: none"> The Post Audit Action Plan for 2023/24 status report as at June 2025 shows that out of the 103 audit action plan items, 2 have not yet been started; 21 are in progress; 22 are to be completed at year end; 53 have been completed; and there are disagreements with AGSA on 5. 	<ul style="list-style-type: none"> Incomplete implementation of 2021/22 Post Audit Action Plan. 	<ul style="list-style-type: none"> Slow submission of supporting documents (evidence) for progress made. Poor monitoring of action plan development by management. 	<ul style="list-style-type: none"> 2023/24 Audit Action Plan status report as at 30 June 2025.
Risk Management	<ul style="list-style-type: none"> The council has approved the 2025/26 Risk Management Policy and Strategy, Fraud Prevention Policy and Fraud Response Plan, Anti-Fraud and Anti- 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Council Resolution (4 June 2025). Fraud Prevention Policy and Fraud Response Plan, Anti-Fraud and Anti-



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	Corruption Strategy, and the Whistle Blowing Policy on 4 June 2025.			Corruption Strategy, and the Whistle Blowing Policy.
	<ul style="list-style-type: none"> The post of Chief Risk Officer (Manager: Risk Management) has been filled since May 2022. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Summary of Staff Complements and Financial Implications for Matjhabeng Local Municipality Structure.
	<ul style="list-style-type: none"> The Enterprise-Wide Risk Assessment was conducted and a Risk Management Plan with registers for 2024/25 was developed approved by Council. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Strategic Risk Assessment Report. Risk Management Implementation Plan: 2024/25. 2024/25 Strategic Risk Register, ICT Risk Register, Operational Risk Register, OHS Risk Register, Fraud Risk Register, Project Risk Register.



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	<ul style="list-style-type: none"> Management provides reports on mitigation measures quarterly to the RMC and to the Audit Committee. The Chairperson of the Audit Committee submits these at Council. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Risk Management Committee and Audit Committee Minutes. Council Resolutions.
	<ul style="list-style-type: none"> The 2024/25 third quarter status report on the Strategic Register shows that 85 per cent are still in progress, 3 per cent implemented, 0 per cent mitigated and 12 per cent still outstanding. 	<ul style="list-style-type: none"> Ineffective mitigation of identified strategic risks. 	<ul style="list-style-type: none"> Inadequate management and oversight. High vacancy rate in the implementing departments. 	<ul style="list-style-type: none"> 2024/25 third quarter status report on the Strategic Register.
	<ul style="list-style-type: none"> The Disaster Recovery and BCP Plan was developed, and to be presented to 	<ul style="list-style-type: none"> Disaster Recovery and Business Continuity Plan not approved. 	<ul style="list-style-type: none"> Procurement process for Disaster Recovery and BCP has not been finalised. 	<ul style="list-style-type: none"> Risk Management Status Report (3rd Quarter 2024/25).



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	Council for approval after the 2024/25 review.			
Internal Audit	<ul style="list-style-type: none"> The post of Chief Audit Executive is vacant and was advertised recently, with a closing date of 30 May 2025. The post is new on the organisational structure as the unit was headed by Manager: Internal Auditing. 	<ul style="list-style-type: none"> Senior management vacuum in the Internal Audit Unit. 	<ul style="list-style-type: none"> Post was previously not provided for in the organisational structure and delays in filling the post after creation on the structure. 	<ul style="list-style-type: none"> Report named (Summary of staff complements and financial implications for Matjhabeng Local Municipality Structure).
	<ul style="list-style-type: none"> Internal audit submitted the Annual Internal Audit, 3-year Internal Audit Rolling Plan to Audit Committee for approval on 25 June 2024. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> RFI response. Annual Internal Audit Plan: 2024/25. 3-year Internal Audit Rolling Plan: 2024-2027.



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	<ul style="list-style-type: none"> Council has approved the Audit Committee Charter for 2024/25 on 25 August 2024. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Audit and Performance Committee Charter 2024/25.
	<ul style="list-style-type: none"> The Committee was established in May 2022 and is functional. The appointment was for a fixed term of three years and at the end of the term, Council extended it by one year until June 2026. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Audit Committee Resolutions Register. Council Resolutions 2024 (4 June 2025).
	<ul style="list-style-type: none"> Internal Audit planned to conduct 26 audits in the 2024/25, and the implementation status shows that 12 audits not started, 11 completed and 3 in progress. Of these 12 Audits not started, 4 were 	<ul style="list-style-type: none"> Non-completion of planned audits as only 42 per cent of audits were completed. 	<ul style="list-style-type: none"> Inadequate capacity (Chronic shortage of staff as only 5 out of 13 posts are filled). Lack of management co-operation resulting in the slow movement of audit engagements. 	<ul style="list-style-type: none"> Revised Internal Audit Annual Plan: 2024/25 request to Audit and Performance Committee.



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	removed from the plan after approval by the Audit Committee and 1 deferred to the 2025/26 financial year.		<ul style="list-style-type: none"> Unavailability of auditees. MPAC investigations not completed. 	
	<ul style="list-style-type: none"> There are no concluded or pending forensic investigations. There is, however, a pending investigation by the SIU against one of the Big 6 Companies, details of which have not been provided. 	<ul style="list-style-type: none"> Pending investigation against a service provider. 	<ul style="list-style-type: none"> Possible fraud and non-performance. 	<ul style="list-style-type: none"> RFI response to questionnaire. Creditors inputs.
Powers and Functions	<ul style="list-style-type: none"> The municipality performed functions that are unfunded and under-funded in the 2023/24 financial year as follows: 	<ul style="list-style-type: none"> No revenue provision is made on the budget. 	<ul style="list-style-type: none"> Lack of cost benefit analysis for continuing with the unfunded and underfunded mandates. 	<ul style="list-style-type: none"> AFS of 2022/23 and 2023/24 (Revenue not budgeted for)



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> ○ Fire Services – underfunded by R41.2 million. ○ Pauper burials – unfunded by R 331 428.74. ○ Housing – unfunded by R 20.9 million. • Traffic Academy – underfunding or lack of funding could not be determined. 		<ul style="list-style-type: none"> • No mandate agreements in place for performing the delegated mandates. 	
	<ul style="list-style-type: none"> • The municipality has transferred back the following national/provincial functions: <ul style="list-style-type: none"> ○ Library Services ○ Primary Health Services (Clinic) 	<ul style="list-style-type: none"> • Not applicable. 	<ul style="list-style-type: none"> • Not applicable. 	<ul style="list-style-type: none"> • RFI email response.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> Disaster Management 			
ICT Strategy and Governance	ICT policies were approved by Council in December 2022.	Not applicable.	Not applicable.	<ul style="list-style-type: none"> Council Resolution on ICT Policies – A119 / 2022.
	<ul style="list-style-type: none"> There are only 4 individuals assisting about 2,000 municipal employees in the entire municipality, who are on a fixed-term contract basis, and it is uncertain as to whether their contracts will be renewed or not. One Employee is responsible for systems administration. One Employee is responsible for the help desk. 	<ul style="list-style-type: none"> Inadequate in the ICT unit to support the whole municipality. 	<ul style="list-style-type: none"> Non-filling of posts contributes to high vacancy rates. 	<ul style="list-style-type: none"> Matjhabeng LM Current Approved Organisation Structure 2009, 2010, 2021, 2022.



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	<ul style="list-style-type: none"> 2 Technicians left to service the entire infrastructure and staff of the Municipality. 			
	<ul style="list-style-type: none"> The municipality uses different systems which are not integrated for efficient process flows. The following modules are not implemented within MLM's ERP system: <ul style="list-style-type: none"> Asset lifecycle management. Budget and planning. Customer care. 	<ul style="list-style-type: none"> Use of multiple systems that are not integrated for real time reporting. 	<ul style="list-style-type: none"> Budgetary constraints. 	<ul style="list-style-type: none"> List of Corporate Productivity Systems.
	<ul style="list-style-type: none"> The municipality has an ICT Disaster Recovery and Business Continuity Plan, but it is not clear if it was approved. 	<ul style="list-style-type: none"> Draft Disaster Recovery and Business Continuity Plan in place. 	<ul style="list-style-type: none"> Lack of internal controls for managing policies. 	<ul style="list-style-type: none"> ICT Disaster Recovery and Business Continuity Plan.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
Immovable Property	<ul style="list-style-type: none"> The municipality has a Land Disposal Policy dated August 2015 and a procedure dated September 2016. The municipality indicated that the Disposal of land is done in terms of the MFMA & MATR. 	<ul style="list-style-type: none"> Outdated Land Disposal Policy and Procedure. Reliance on MFMA and MATR for disposal of land. 	<ul style="list-style-type: none"> Inadequate planning and control. 	<ul style="list-style-type: none"> Land Disposal Policy: 2015. Land Disposal Procedure: 2016.
	<ul style="list-style-type: none"> The report on the list of facilities owned by the municipality shows that all lease agreements for Sports Complexes have expired as far back as 2008. Of concern is facilities that have been taken over by businesses and are being sub-let for unknown amounts while the monthly payment to the municipality 	<ul style="list-style-type: none"> Leases on municipal property are extremely low and not market related. The municipality has no proper records and monitoring of lease agreement on facilities it owns. 	<ul style="list-style-type: none"> Inadequate management and control. Poor records management. 	<ul style="list-style-type: none"> RFI Response on the list of municipal facilities under different directorates. RFI governance questionnaire response.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	<p>is R196.58 which is below the norm.</p> <ul style="list-style-type: none"> Some rentals of clubhouses are as low as R145 per annum. Information on other immovable property was not up to date and lack of an up-to-date immovable property register, which is currently undergoing verification. 			
	<ul style="list-style-type: none"> The municipal residential property rentals register shows that monthly rentals for houses, flats and hostels range from R144.00 to R1800.00, while municipal employees pay 6 per cent of their salary. 	<ul style="list-style-type: none"> Possibility of paying below market rate. 	<ul style="list-style-type: none"> Inefficient administrative systems cause delays, inaccuracies and revenue loss. 	<ul style="list-style-type: none"> Residential Property Rental Register.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> The residential property register does not have complete and up-to-date record information such as status of rental payments, information on arrear amounts and state of maintenance. The municipality is only collecting rental payments from municipal employees. The register does not comply with the Fixed Assets Management Policy requirements regarding fixed asset register information. 	<ul style="list-style-type: none"> Inadequate residential property management and record keeping. 	<ul style="list-style-type: none"> Lack of skilled personnel hinders effective property management. Lack of control measures. Capacity constraints. 	<ul style="list-style-type: none"> Residential Property Register. Fixed Assets Management Policy.
	<ul style="list-style-type: none"> 28 properties are illegally occupied, which means the 	<ul style="list-style-type: none"> Loss of revenue. 	<ul style="list-style-type: none"> Management failure to secure Council properties 	<ul style="list-style-type: none"> MLM Rental 2 register 2020-2022.



Focus Area	Brief Diagnostic Analysis	Problem/Key Issue	Root Causes	Source of Information
	municipality is not collecting revenue from them.		and implementation of by-laws	
By-laws	<ul style="list-style-type: none"> According to the information published on the municipal website, there are 15 gazetted and promulgated by laws. 	<ul style="list-style-type: none"> No revenue budgeted for the enforcement of By-Laws. 	<ul style="list-style-type: none"> There is no Municipal Court, which means that these matters have to be heard in a Magistrates Court where they are not prioritized. 	<ul style="list-style-type: none"> Budget (A and B) Schedules.



4. INSTITUTIONAL, ORGANISATIONAL AND HUMAN RESOURCES

Operating Model

The municipality has not reviewed its operating model since the last organisational restructuring that took place in 2009, and according to the Staff Establishment Policy of 2023 of the MLM. It was not until recently that the Service Delivery Model was developed, and as a result, the proposed organisational structure was designed.

Organisational Structure: The Municipal System Act, 2000, Act No. 32 of 2000, supported by section 5 of the Municipal Staff Regulations on the determination of staff establishment, guided by the DCoG Prototype, and the Municipal Systems Act, 2022, No. 66, as amended.

Filling of Critical posts

The municipality has a vacancy rate of 47 per cent at the end of May 2025. This is significantly higher than the acceptable norm of below 10 per cent. The status of the vacancy rate per department varies, and specific core functions have a high vacancy rate in general (see graphical diagram below).

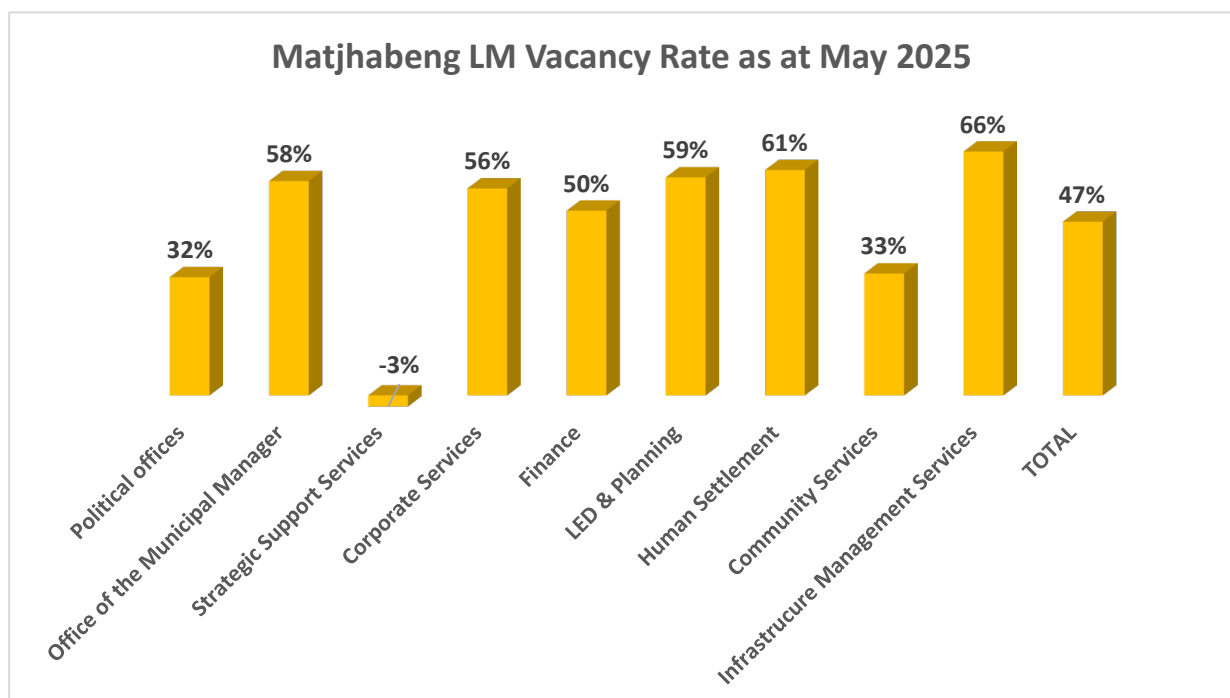


Table 9 - Vacancy Rate Per Department



The above figure shows that the highest vacancy rate is in the Infrastructure Department with a 66 per cent vacancy rate, followed by Human Settlement with 62 per cent and LED & Planning. The figure shows that most departments have vacancy rates above 50 per cent which is significantly higher than the acceptable norm of 10 per cent. Of further concern is that the highest vacancies are in the core/service delivery departments.

Skills and Competencies

The municipality conducted a Skills Audit in the 2023/24 financial year which resulted in a low response rate of 40 per cent. The Internal Bursary Policy is not adequately implemented with employee academic results not being monitored to ensure value for money. The skills development initiatives by the municipality are more academic than technical in nature. The municipality has partnered with SAICE to host seven Engineering Technologist employees within the Infrastructure Directorate, funded by LGSETA, to provide technical training courses, support and mentorship up to Professional registration with ECSA, in an effort to professionalise the municipality.

Employee Costs

Employee costs for the municipality account for 22.7 per cent (2023/24) and 24 per cent (2024/25) of the municipal expenditure, which is within the norm of 25-40 per cent. This lower overall employee expenditure can be attributed to the high vacancy rate of 47 per cent. However, employee costs account for 40 per cent of the operating budget, attributed to high levels of overtime, high acting allowances, and irregularly appointed EPWP employees paid on the municipal payroll. The Municipality cannot make third party payments on time, such as pension funds, which are outstanding for 3 months.

Performance Management

The municipality has cascaded the performance management system in phases where it is currently cascaded to level 6-7 as a pilot. However, there are low levels of compliance with entering into a performance agreement. Performance assessments for Executive Directors for the 2023/24 annual and 2024/25 mid-year were not finalised within the prescribed timelines, while the performance assessment for the Municipal Manager has not been conducted.

The municipality achieved an overall 65 per cent of the set key performance areas, with non-performance achievement level concerns of above 50 per cent within the core services (see depicted in the table below).



Department	Total Number of Planned Targets	Achieved Targets	Targets not Achieved	% Achievement	% Non- achievement
Basic Services	40	19	21	48%	53%
Engineering	22	8	14	36%	64%
Community Services	7	5	2	71%	29%
Human Settlement	11	6	5	55%	45%
Local Economic Development	20	13	7	65%	35%
Institutional Capacity	16	11	5	69%	31%
Financial Management	22	19	3	86%	14%
Good Governance Transparency and Accountability	37	31	6	84%	16%
Public Participation	13	3	10	23%	77%
TOTAL	148	96	52	65%	35%

Table 10 - Performance Management - Targets vs Actuals

Key HR Policies

The municipality reviewed key HR policies during the 2023/24 financial year, in line with Municipal Staff Regulations, and the Council approved these on 30 August 2023. However, the policies are due for review as they are meant to be reviewed annually, in line with the policy review provision.

Human Resource Strategy

The municipality has an approved Human Resource Strategy in place. However, implementation of the strategy is inadequate, with the development of an HR Plan still outstanding.

Labour Relations



The Local Labour Forum is not functional with only one meeting out of the planned five being held in 2025. Relations between management and Labour unions are strained where unions embarked on protracted strikes and marches on 7 September 2023 and 23 February 2024. Engagements with Labour Unions indicate that there is potential for future strikes.

Physical Verification of Staff and Qualifications

The municipality has not conducted physical verification in the past 3-5 years to mitigate the risk of ghost workers. There is no consistent verification of qualifications for recruited candidates and no criteria has been set to determine posts to be prioritised for qualifications verification.

Occupational Health and Safety

The municipality does not comply with the Occupational Health and Safety Act, Act 85 of 1993 with employees not being provided with appropriate Personal Protective Equipment (PPE) and prohibition notices from Department of Labour not been adhered to and non-compliance with Compensation for Occupational Injuries and Diseases Act (COIDA), where families of diseased employees have not been compensated accordingly.

Staff Discipline and Disciplinary Board

Disciplinary cases are not resolved within a reasonable time, with some cases extending beyond three years without finalisation. This is mostly due to the Presiding Officers' unavailability. The Financial Disciplinary Board has not been functioning since 2023 due to challenges raised by the Speaker on its composition.

Management of Overtime

The municipality has high levels of overtime amounting to R42 million for the 2023/24 financial year, reduced from R45 million (2022/23). The high vacancy rate, failing infrastructure and inadequate overtime controls are reasons for this significant amount of overtime. The municipality has an approved Overtime Allowance Policy, but there are high levels of non-compliance with its provisions attributed to inadequate internal controls such as poor monitoring, staff who are not eligible to claim overtime and prescribed overtime hours being exceeded.

Records Management

The municipality does not have an electronic records management system, and there are generally poor records management practices. The File Plan in use has not been reviewed for



extended periods, over many years, and staff did not have a record of when the File Plan was last reviewed. The Draft Records Management Policy reviewed in 2024/25 is still to be approved.

Change Management: The municipality does not have a Change Management Strategy in place to ensure a structured approach to changing the culture of the Organisation.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
Operating Model	<ul style="list-style-type: none"> Matjhabeng LM is organised in 7 functional areas made up of Strategic Support Services, Corporate Support Services, Financial Services, Local Economic Development, Human Settlement, Community Services, and Infrastructure. Services are mostly performed internally with the exception of meter reading. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Matjhabeng LM Current Approved Organisation Structure 2009, 2010, 2021, 2022.
	<ul style="list-style-type: none"> Matjhabeng LM has a centralised operating model where the main functions are located at head office in Welkom. Concerns were raised by some departments (Electrical and Corporate Services) regarding the need to decentralise some functions during the organisational review process, but 	<ul style="list-style-type: none"> Centralisation of functions at head office. 	<ul style="list-style-type: none"> Lack of review of the service delivery model. 	<ul style="list-style-type: none"> Organisational Structure (2009, 2010, 2021, 2022) Report on the Proposed Staff Establishment to Council dated 29 August 2024.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<p>these were not addressed. A similar concern was raised by community members.</p> <ul style="list-style-type: none"> The municipality has not reviewed the operating model to consider different service delivery options to enable it to perform optimally but solely depends on SDIPs to guide service delivery. 	<ul style="list-style-type: none"> An operating model has not been reviewed during the review of the organisational structure as required by the approved Staff Establishment Policy and Procedure. 	<ul style="list-style-type: none"> Inadequate planning and management of the organisational structure review process. 	<ul style="list-style-type: none"> Report on the Proposed Staff Establishment to Council dated 29 August 2024. HR Policy Manual 2023 (Staff Establishment Policy)
Organisational Structure	<ul style="list-style-type: none"> The municipality's organisational structure was last reviewed and approved in 2009, with ad-hoc amendment/additions of posts in 2010, 2021 and 2022. 	<ul style="list-style-type: none"> Prolonged periods of not reviewing the organisational structure in line with changing strategy and legislation. 	<ul style="list-style-type: none"> Lack of strategic clarity and leadership. Lack of management control such as systems, processes, and mechanisms that Managers use to ensure that organisational activities align with strategic goals. 	<ul style="list-style-type: none"> Matjhabeng LM Current Approved Organisation Structure 2009, 2010, 2021, 2022.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> The municipality undertook an organisational structure review process in 2024 but has not yet been approved. The review used the generic service delivery model/prototype provided by DCoG to guide the organisational structure review. The proportion of core vs support is 86:14 compared to the 80:20 recommended ratio. Post numbers have increased from the current 3995 to 5003 in the proposed structure. 	<ul style="list-style-type: none"> The proposed Structure is unaffordable, costed at R1.65 billion compared to the current structure costed at R1.41 billion. The proposed structure will only be implemented in phases, starting with currently filled posts. 	<ul style="list-style-type: none"> Financial constraints. Non-compliance with regulated number of posts in political office bearers' offices. Lack of a work study exercise to determine the correct number of posts. 	<ul style="list-style-type: none"> Report on the Proposed Staff Establishment to Council dated 29 August 2024.
	<ul style="list-style-type: none"> Council resolved on 29 August 2024 that a workshop be conducted on the Draft Reviewed Organisational Structure before it can be approved. 	<ul style="list-style-type: none"> Proposed Reviewed Structure not approved by Council. 	<ul style="list-style-type: none"> Council decision to first conduct workshops on the proposed structure. 	<ul style="list-style-type: none"> Council Resolution on Item A89/2024 dated 29 August 2024. Workstream meeting.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> Jobs were evaluated in line with SALGA job catalogue for benchmarking. However, jobs have not been migrated to the TASK system due to the Wage Curve process still at the Central Bargaining Council. 	<ul style="list-style-type: none"> Migration of evaluated jobs to the TASK system has not been initiated yet. 	<ul style="list-style-type: none"> The wage curve process not finalised. Financial constraints. 	<ul style="list-style-type: none"> Report on the Proposed Staff Establishment to Council dated 29 August 2024.
Employee Costs	<ul style="list-style-type: none"> Employee costs for the municipality account for 22.7 per cent (2023/24) and 24 per cent (2024/25) of the municipal expenditure, which is within the acceptable norm. It is, however, in excess of 40 per cent of the operational budget. 	<ul style="list-style-type: none"> High employee costs (above 40 per cent) against the operational budget. 	<ul style="list-style-type: none"> High overtime. High acting allowance. Ineffective leave management. Poor internal controls and management. 	<ul style="list-style-type: none"> Annual Report 2023/24. FRP Presentation. Internal Audit Report on HR: 2024.
	<ul style="list-style-type: none"> The municipality is not paying all third parties on time. There are outstanding payments for April (R10 m) and May (R9.8 m) 2025 to pension funds. 	<ul style="list-style-type: none"> Third-party payments not paid on time. 	<ul style="list-style-type: none"> Budget deficit. Inadequate revenue collection. 	<ul style="list-style-type: none"> Outstanding 3rd Party Payments Report as at 30 June 2025.
	<ul style="list-style-type: none"> During the amalgamation process, Matjhabeng LM was graded 5 and later graded 6. Employees are paid at 	<ul style="list-style-type: none"> Employees remunerated at grade 5 while councillors and Executive Management 	<ul style="list-style-type: none"> Distinct Remuneration Frameworks. 	<ul style="list-style-type: none"> SAMWU Engagements.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<p>grade 5 while the Councillors and Executive Management are remunerated at a level of grade 6 municipality.</p> <ul style="list-style-type: none"> The municipality has supplemented the EPWP grant by 63% (R4.7 million) in 2023/24 and 86% (R10.25 million) in the 2024/25 financial year despite having financial constraints. The municipality established an EPWP support unit that does not exist on the organisational structure and seven employees were irregularly appointed in the Executive Mayor's office. 	<p>remunerated at a grade 6 Municipal level.</p> <ul style="list-style-type: none"> Co-funding of the EPWP grant by 63% (R4.7 million) in 2023/24 and 86% (R10.25 million) in the 2024/25 financial year. Irregular appointment of seven employees in the Executive Mayor's office (EPWP Support unit) on posts that are not on the organisational structure. 	<p>Inadequate financial planning and prioritisation.</p> <ul style="list-style-type: none"> Maladministration. 	<ul style="list-style-type: none"> MLM Report on EPWP Allegations. Submission from Executive Mayor's Office requesting inclusion of contract workers into the payroll.
Performance Management	<ul style="list-style-type: none"> The 2024/25 performance agreements of the Municipal Manager and 7 section 56 Managers were signed on time (08/07/2024) and 	<ul style="list-style-type: none"> Performance agreements for acting positions have not been finalised. 	<ul style="list-style-type: none"> Inadequate management control. 	<ul style="list-style-type: none"> Municipal website.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<p>posted on the Municipal website, except for acting positions.</p> <ul style="list-style-type: none"> The 2023/24 annual and 2024/25 mid-year performance assessments for Executive Directors were conducted in the first and second week of June 2025 and performance assessments for the MM have not been conducted. 	<ul style="list-style-type: none"> Late annual (2023/24) and mid-year (2024/25) assessment of performance for Executive Directors and no performance assessments for the MM. 	<ul style="list-style-type: none"> Inadequate internal controls. Lack of consequence management. 	<ul style="list-style-type: none"> RFI response.
	<ul style="list-style-type: none"> The municipality has cascaded the performance management system to lower levels up to level 7-6. However, there are high levels of non-compliance where only 8 out of 328 performance agreements were completed and sent to HR. 	<ul style="list-style-type: none"> Non-compliance with the performance management policy, evidenced by only 2 per cent submission rate of performance agreements for lower staff (up to level 7-6). 	<ul style="list-style-type: none"> Resistance from Departments. Lack of financial incentives. Lack of consequence management. No change management strategy and plan for cascading of PMS. Inadequate management by managers/supervisors. 	<ul style="list-style-type: none"> FRP Presentation.
	<ul style="list-style-type: none"> The municipality has an approved Performance Management Policy with an Integrated PMS Framework. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> HR Policy Manual 2023 (Staff Establishment Policy)



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> The municipality did not achieve 35 per cent of the planned key performance indicators. 	<ul style="list-style-type: none"> Only 65 per cent of set key performance indicators were achieved, with the highest non-achievement in Public Participation (77 per cent) and Engineering Services (64 per cent). 	<ul style="list-style-type: none"> High vacancy rate. Inefficient project scoping. Budgetary constraints. 	<ul style="list-style-type: none"> 2023/24 Annual Report.
Filling of Critical Positions	<ul style="list-style-type: none"> The municipality has a vacancy rate of 47 per cent. Most top management posts are filled with the exception of the Municipal Manager and Executive Director: Human Settlements. 67 out of 95 (71 per cent) management posts have been filled. Key senior management positions such as the Chief Audit Executive, Chief Information Officer and SM: Financial Accounting Services are vacant. 	<ul style="list-style-type: none"> High level of vacancies above the acceptable norm of 10 per cent, with the highest vacancies in Infrastructure Management Services (66 per cent) and Human Settlement (61 per cent) and key executive and senior management positions not filled. 	<ul style="list-style-type: none"> Financial constraints. Long turnaround times for filling posts. 	<ul style="list-style-type: none"> Summary of Staff Complements and Financial Implications for Matjhabeng Local Municipality Structure: 2009, 2010, 2010, 2021 & 2022. RFI list of vacancies at levels 2-3.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> The municipality does not have a recruitment strategy and plan to ensure implementation and monitoring of the recruitment process. 	<ul style="list-style-type: none"> No recruitment plan in place. 	<ul style="list-style-type: none"> Lack of accountability. Lack of consequence management. Inadequate workforce planning by management. 	<ul style="list-style-type: none"> RFI response on recruitment plan strategy
	<ul style="list-style-type: none"> The municipality does not comply with the 6-months' timeline for filling posts after advertising. The Recruitment Status Report for posts advertised in 2023 shows that the municipality advertised 33 posts but only filled 13 of those posts. In 2024, 26 out of the 129 advertised posts were not filled. The municipality has advertised 78 posts in 2025 with closing dates of 30 May 2025 and 13 June 2025. The recruitment process is underway. 	<ul style="list-style-type: none"> Slow turnaround times for filling posts. Non-filling of advertised posts. 	<ul style="list-style-type: none"> High volumes of applications. Delays in getting approvals. Unavailability of panel members. Recruitment Plan not developed and presented to the LLF. Non-verification of existence of posts on structure before advertising. Unavailability of panel members. Negative results from the verifications agency. Budget constraints. 	<ul style="list-style-type: none"> RFI response on recruitment status. Recruitment Status Report dated 27 June 2025.
	<ul style="list-style-type: none"> Incumbents appointed outside the approved organisational structure 	<ul style="list-style-type: none"> Unlawful recruitment, and appointment processes. 	<ul style="list-style-type: none"> Weak governance and lack of oversight. 	<ul style="list-style-type: none"> SAMWU Report to the intervention team.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<p>without following municipal prescribed processes.</p> <ul style="list-style-type: none"> Irregular appointments of staff as administrative officials in the Office of the Mayor. 			
	<ul style="list-style-type: none"> LLF agreed to first advertise vacant posts internally, as there are employees who have been acting in those positions. Where employees don't meet the requirements, advertise externally and preference be given to residents of Matjhabeng Local Municipality. 	<ul style="list-style-type: none"> Employees act in positions for more than three years without being recognised for promotion. New employees are appointed and those acting in the positions are expected to train them. 	<ul style="list-style-type: none"> Lack of strategic workforce planning. Inadequate implementation of Promotion, Transfer, Secondment and Acting Policy 	<ul style="list-style-type: none"> SAMWU engagements.
	<ul style="list-style-type: none"> Allegations of maladministration, which include: <ul style="list-style-type: none"> Irregular appointments. Posts not on the organisational structure being filled. 	<ul style="list-style-type: none"> Positions not budgeted for and unauthorised expenditure. 	<ul style="list-style-type: none"> Strained labour relations between management and labour unions. Lack of separation of powers. 	<ul style="list-style-type: none"> SAMWU Report to the intervention team. Anonymous submissions.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
Skills and Competencies	<ul style="list-style-type: none"> The municipality has previously conducted a Skills Audit but the response rate from staff was only 40 per cent. A new Skilled Audit is being conducted with a revised shorter questionnaire. 	<ul style="list-style-type: none"> Low participation by staff in the Skills Audits conducted. 	<ul style="list-style-type: none"> Managers are not taking responsibility for their subordinates. Lack of buy-in into the process by staff. 	<ul style="list-style-type: none"> Skills Audit report, Skills Development Committee Minutes (24 April 2025)
	<ul style="list-style-type: none"> The municipality has an approved Internal Bursary Policy as part of the approved HR Policy Manual 2023. The Policy was reviewed in the 2024/25 financial year into Employee Study Assistance Policy but has not yet been approved. However, there is inadequate monitoring of academic results and implementation of Bursary Policy provisions for unsatisfactory performance. 	<ul style="list-style-type: none"> Inadequate monitoring and implementation of Internal Bursary Policy. 	<ul style="list-style-type: none"> Inadequate controls by managers and monitoring by the training division. 	<ul style="list-style-type: none"> HR Policy Manual 2023 (Internal Bursary Policy)
	<ul style="list-style-type: none"> The municipality submits a Workplace Skills Plan and Annual Training Report to LGSETA based on 	<ul style="list-style-type: none"> Training is not technically focused on improving technical competence. 	<ul style="list-style-type: none"> Inadequate prioritisation of service delivery linked training. 	<ul style="list-style-type: none"> WSP & ATR 2025.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<p>directorates and the Skills Development Committee inputs.</p> <ul style="list-style-type: none"> Municipality and SAICE hosts 7 Engineering Technologist employees within the Infrastructure Directorate as funded by LGSETA to provide technical training courses, support and mentorship up to Professional registration with ECSA. This is a step in professionalising the institution. However, most of the training is academic in nature and less focused on technical skills. 		<ul style="list-style-type: none"> Lack of performance linked to personal development. 	<ul style="list-style-type: none"> Skills Development Committee Minutes (24 April 2025) SAICE host letter to LGSETA.
	<ul style="list-style-type: none"> The municipality submits an annual Minimum Competency Report to the Provincial Treasury. The current status shows that 1 Senior Manager in the Finance Branch does not meet the minimum competency requirement. 	<ul style="list-style-type: none"> Skills and competencies not in line with Municipal needs and minimum competency requirements for Managers. 	<ul style="list-style-type: none"> Inefficient, irregular and inappropriate appointments and recruitment practices. 	<ul style="list-style-type: none"> Minimum Competency Report dated 31 July 2024 to Provincial Treasury.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
Staff Discipline and Disciplinary Board	<ul style="list-style-type: none"> The disciplinary cases activity report shows that some cases (5) take too long to finalise and have been ongoing for more than 3 years without finality to the cases. 	<ul style="list-style-type: none"> The discipline process is prolonged with cases pending for extended periods of more than three years. 	<ul style="list-style-type: none"> Unavailability or unwillingness of Presiding Officers to attend disciplinary hearings. 	<ul style="list-style-type: none"> Labour Relations Activity Report: June 2025.
	<ul style="list-style-type: none"> There are four (4) employees who have not been coming to work for almost 5 years (since 16 Oct. 2020) after being placed on precautionary suspension but could not return to work when it was lifted, due to the bail conditions of their criminal cases. One of these employees has since passed away. Their internal disciplinary process is still ongoing. 	<ul style="list-style-type: none"> Employees with criminal charges have not reported to work for almost 5 years and internal disciplinary process delayed. 	<ul style="list-style-type: none"> Employees review application to the Johannesburg High Court in March 2021 but was subsequently withdrawn in October 2024. 	<ul style="list-style-type: none"> RFI email response dated 20/06/2025.
	<ul style="list-style-type: none"> The municipality completed the process of appointing members of the Financial Disciplinary Board with approval by the Council on 31 January 2023. 	<ul style="list-style-type: none"> Financial Disciplinary Board is not functioning. 	<ul style="list-style-type: none"> Speaker's recommendations not yet implemented. 	<ul style="list-style-type: none"> Appointment letters.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> However, the Board has not started functioning due to the Speaker's reservations on the composition of the Board. 			
Management of Overtime	<ul style="list-style-type: none"> The municipality incurred overtime amounting to R42 million for the 2023/24 financial year, compared to R45 million spent in 2022/23 and R75 million in 2021/22 financial years. The high overtime is attributed to: <ul style="list-style-type: none"> Poor monitoring and management. Exceeding prescribed hours. Officials being paid overtime when they are not eligible for such payment. 	<ul style="list-style-type: none"> There are high levels of overtime. 	<ul style="list-style-type: none"> Inadequate management and supervision. Lack of consequence management. Failing infrastructure. 	<ul style="list-style-type: none"> 2023/24 Annual Financial Statements.
Key HR Policies and Procedures	<ul style="list-style-type: none"> The municipality has an HR Policy Manual approved by Council on 30 August 2023 consisting of 31 Policies. 	<ul style="list-style-type: none"> Policy Manual not reviewed annually as per policy review provision. 	<ul style="list-style-type: none"> Lack of consequence management. Lack of policy awareness and induction for new employees. 	<ul style="list-style-type: none"> Approved HR Policy Manual 2023.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> The Policy Manual review provision requires that the Policy Manual be reviewed annually at the start of each financial year. However, the municipality does not adhere to provisions of approved policies such as Recruitment, Selection and Appointment Policy, Staff Establishment Policy, Overtime Policy and Internal Bursary Policy. 	<ul style="list-style-type: none"> Non-compliance with approved HR policies. 	<ul style="list-style-type: none"> Lack of management and control. Inadequate monitoring of policy implementation. 	
	<ul style="list-style-type: none"> The municipality does not have a Staff Retention Strategy and Policy. 	<ul style="list-style-type: none"> Lack of a Retention Strategy and Policy 	<ul style="list-style-type: none"> Lack of culture of recognition and career progression. Inadequate planning. 	<ul style="list-style-type: none"> Approved HR Policy Manual 2023
Labour Relations	<ul style="list-style-type: none"> LFF has a calendar of meetings in place. However, the calendar is not adhered to as only 1 out of the 5 scheduled meetings for 2025 have been held so far. 	<ul style="list-style-type: none"> Non-adherence to LLF meetings schedule and quorums are not being formed. 	<ul style="list-style-type: none"> Lack of consequence management. Lack of commitment by LLF members Reprioritisation of LLF meeting. Erosion of trust and relationship breakdown. 	<ul style="list-style-type: none"> Matjhabeng Schedule of Meetings for 2025. LLF Minutes (9 April 2025)



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> This is due to the lack of quorum attributed to absence by both employer and Labour representatives. 		<ul style="list-style-type: none"> Inability to address LLF issue. 	
	<ul style="list-style-type: none"> The municipality has experienced labour instability and worker dissatisfaction where labour undertook a protected strike in January 2024. Engagements with labour unions revealed that there are still tensions with a potential for future labour unrest. 	<ul style="list-style-type: none"> There are strained labour relations between the employer and labour unions in the municipality. 	<ul style="list-style-type: none"> Non-implementation of OHS Prohibition Notices by management. Lack of finalisation of the danger allowance and salary adjustments processes/ policies. Alleged and perceived maladministration. Alleged unilateral decision-making by management and political structures. Dysfunctional LLF. 	<ul style="list-style-type: none"> SAMWU Report to the Intervention Team (undated) with Prohibition Notices. Engagement meeting with Labour Unions: 27 June 2025. SAMWU Memorandum to Matjhabeng Municipality (7 September 2023). SAMWU Memorandum to MEC for COGTA (23 February 2024). DCoG report on Matjhabeng LLF



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
				meeting held on 6 March 2024.
Human Resource Strategy	<ul style="list-style-type: none"> The municipality has an HR Strategy approved as an annexure to the Staff Establishment Policy. The implementation of the HR Strategy is inadequate as the HR Plan is not finalised. 	<ul style="list-style-type: none"> Inadequate implementation of the HR Strategy. 	<ul style="list-style-type: none"> Lack of strategic understanding and integration. Lack of oversight and enforcement to ensure that HR policies and the HR strategy are adhered to. Inadequate monitoring of its implementation and no systematic evaluation of its effectiveness or impact on municipal performance 	<ul style="list-style-type: none"> Approved HR Policy Manual 2023 (Staff Establishment Policy).
Physical Verification of Staff and Qualifications	<ul style="list-style-type: none"> The municipality has not conducted a physical verification of staff. 	<ul style="list-style-type: none"> Staff verification is not conducted. 	<ul style="list-style-type: none"> Lack of management control. Lack of accountability. Inadequate planning. 	<ul style="list-style-type: none"> Response to RFI questionnaire
	<ul style="list-style-type: none"> Not all qualifications of staff qualifications are verified during the recruitment process, and there are no 	<ul style="list-style-type: none"> Qualifications verification not conducted for all posts during the recruitment process. 	<ul style="list-style-type: none"> Financial constraints. Lack internal controls. 	<ul style="list-style-type: none"> Response to RFI questionnaire Recruitment, Selection



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<p>set criteria or guidelines on which posts should be prioritised for verification.</p> <ul style="list-style-type: none"> This is non-compliant with the municipality's Recruitment, Selection and Appointment Policy. 		<ul style="list-style-type: none"> Lack of management. Inadequate planning and management. 	and Appointment Policy.
Occupational Health and Safety	<ul style="list-style-type: none"> Workers are working in workshops, plant and offices which are non-compliant with the OHSA. Employees struggle to receive PPE from the employer, when provided turns out be to not in line with the job requirements. Five (05) employees passed away while performing the work of the municipality and their families were no compensated. Employees were required to provide services to communities during the 	<ul style="list-style-type: none"> Lack of PPE for employees. Lack of training for the proper use and maintenance of PPE. No frequent/ regular medical check-ups. No appointed health and safety representatives and health and safety committees in place. Non-compliant with COIDA in relation to levy payment. Employees performed work during COVID-19 were not compensated. 	<ul style="list-style-type: none"> Disregard for labour laws and employee well-being. 	<ul style="list-style-type: none"> SAMWU engagements and Report to the intervention team.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	COVID-19 and were all not remunerated.			
Records Management	<ul style="list-style-type: none"> The municipality has Records Management Policy, Strategy and File Plan. However, the File Plan has not been reviewed in a very long time, and officials are uncertain of when last the File Plan was reviewed and approved by Council as there are no records to that effect. The current Records Management Policy and Strategy were approved on 23 February 2010 while the 2024/25 reviewed Records Management Policy has not yet been approved. 	<ul style="list-style-type: none"> File Plan has not been reviewed over many years, and staff could not confirm the exact date when the File Plan was last reviewed. The reviewed 2024/25 Records Management Policy has not yet been approved, since its 2010 approval. 	<ul style="list-style-type: none"> Inadequate planning and management. Lack of consequence management. Lack of accountability. 	<ul style="list-style-type: none"> Records Management Policy 2010. Old File Plan. Council Resolution dated 23 February 2010 for item A11/2010. 2024/25 Draft Records Management Policy.
	<ul style="list-style-type: none"> The municipality does not have an electronic records management system. 	<ul style="list-style-type: none"> No electronic records management system is in place. 	<ul style="list-style-type: none"> Financial constraints. 	<ul style="list-style-type: none"> RFI response to records management Questionnaire



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> Action plans in the Records Management Strategy such as establishing contacts in each department for better co-ordination of record keeping were not implemented. This is evidenced by the general poor records management in the municipality where departments do not send records to the central registry. 	<ul style="list-style-type: none"> Poor records management and non-compliance with the Records management policy. 	<ul style="list-style-type: none"> Inadequate management and control. Lack of leadership buy-in. Lack of capacity. No inspections from the Provincial Archives for compliance 	<ul style="list-style-type: none"> Records Management Strategy 2010.
Change Management	<ul style="list-style-type: none"> The municipality does not have a Change Management Strategy and Plan to change the organisational culture for improved service delivery. 	<ul style="list-style-type: none"> No Change Management Strategy in place. 	<ul style="list-style-type: none"> Inadequate planning. Lack of internal capacity to drive the change. Underestimating the "People Side" of Change. Lack of understanding or awareness of change management. 	<ul style="list-style-type: none"> RFI response to change management questionnaire



5. FINANCIAL MANAGEMENT

5.1 OVERVIEW

Key issues identified in relation to the financial management are as follows:

Funded Budget Status

The municipality adopted funded budgets for the past 5 years, including the current financial period (2024/25). However, the municipality is incurring annual deficits, demonstrating and providing evidence that the adopted funded budget is for compliance and is unrealistic. The adjusted budget for 2024/25 reflects a surplus of R171 million despite a R274 million deficit in 2023/24 indicating that the adjusted budget is unrealistic.

The chart below shows the trend of MLM's audited revenue versus expenditure from 2021/22 to 2023/24 financial years, along with budgeted revenue and expenditure from 2024/25 to 2027/28 financial years.

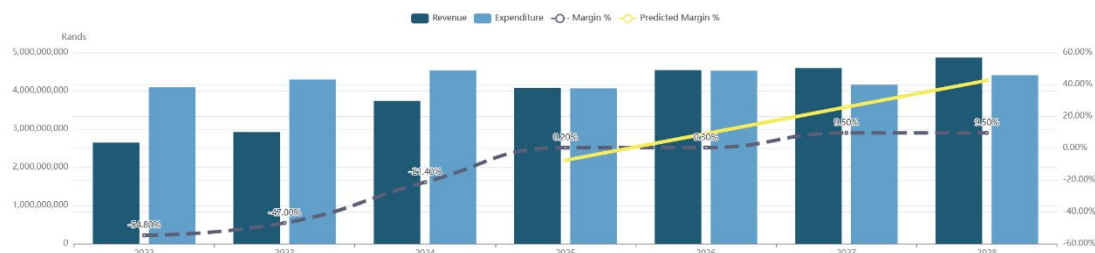


Figure 5: Revenue vs Expenditure

An analysis of the above chart is as follows:

- The audited results signal historical financial struggles, necessitating stringent financial management reforms and enhanced revenue-generating mechanisms.

The optimistic budget projections for 2024/25 to 2027/28 indicate an intention to reverse the deficit trend. MLM is adopting funded budgets only for NT funded budget compliance. A budget funding plan was developed, but implementation has not achieved the anticipated results

Revenue Management: Billing

MLM has approximately 110,000 consumer accounts with 26 of 36 wards supplied by Eskom. This limits MLM's credit control effectiveness as electricity cannot be utilised as a credit control



mechanism by the municipality. Approximately 15 100 water meters are estimated for a number of reasons, as outlined in the table below:

Issues Identified	Number of Meters
Covered with soil	5 772
Damaged meters	454
Flooded water meters	1 310
Leaking meters	648
Inaccessible meters (obstructed by building on top of meter)	1 046
No meters installed	5 611
Readings not clear	259
Total	15 100

Table 11: estimated meters per category

The data provided by the municipality indicates that approximately 78,840 meters are estimated on a monthly basis due to the challenges tabulated above, as well inadequate personnel to perform meter reading functions.

The breakdown per service of estimated meters are as follows:

Service	Total No. of Estimated Meters
Electricity	11 280
Water	67 560
Total	78 840

Table 12: Breakdown per service of estimated meters

There are no go areas in multiple wards and areas that are unmetered, resulting in revenue losses for the municipality.



The last General Valuation Roll was conducted in 2020/21, which is valid through to 2025/26, with annual supplementary valuation rolls being undertaken and effective from 1 July each year.

There is a property zoning challenge at MLM that results in underbilling of property rates. This challenge arises from residential properties being converted into student accommodations or businesses without following proper rezoning processes. The property rates levied on commercial property exceeds that of residential properties and MLM are therefore underbilling and losing out on revenue.

As at 30 May 2025, there were approximately 18,000 registered indigents; however, annual reconciliations of approved indigents and the billing system are not performed adequately, which results in indigents that no longer qualify receiving grants. Further to this, indigents are not restricted to approved limits in accordance with the policy due to unmetered properties. The outcome is that households that do not meet the indigent criteria get the benefit, and qualifying households are not restricted.

Furthermore, an analysis was done on Eskom and municipal supplied areas. The table below depicts the outcomes of the billing versus collection for the last 6 months for the 2024/25 financial year.

Supplier	Billing	Collected	Percentage
Municipality	761 870 913	437 184 410	57%
Eskom	738 568 726	199 006 020	27%
Total	1 500 439 639	636 190 430	42%

Table 13: Collection rate comparative between Eskom and Municipality

High technical and non-technical distribution losses.

Water:

2023/24: R418 million (57 per cent)

2022/23: R240 million (45 per cent)

Electricity:

2023/24: R204 million (28 per cent)



2022/23: R144 million (24 per cent)

Debtors' Management: Gross consumer debtors balance for 2023/24 financial year was R 8 billion, with the allowance for impairment at R 5.9 billion, resulting in 74 per cent of consumer debtors being provided for impairment.

Collection rates are below the norm of 95 per cent at 56.5 per cent (2022/23), 42.3 per cent (2023/24) and 40.95 per cent (2024/25 until May 2025)

MLM is experiencing disruptions in the implementation of credit control in no-go areas (disruptions that cause accessibility challenges). The provision of electricity by Eskom in 26 of 36 wards further limits MLM's credit control effectiveness. The municipality also indicated a lack of human capital and tools to carry out and implement credit control measures in line with the by-law.

There is a general boycott of payment of accounts from residents due to the accounts being based on estimates as a result of readings not being taken, damaged meters and dissatisfaction in the level of service delivery provided by the municipality.

Cost-reflective Tariffs

Tariffs are not cost reflective. The cost of sales of electricity and water exceeds the selling price, which is a direct result of distribution losses. During the 2023/24 financial year, the loss on the sale of electricity amounted to R590 million, and the loss on water and sanitation services amounted to R300 million.

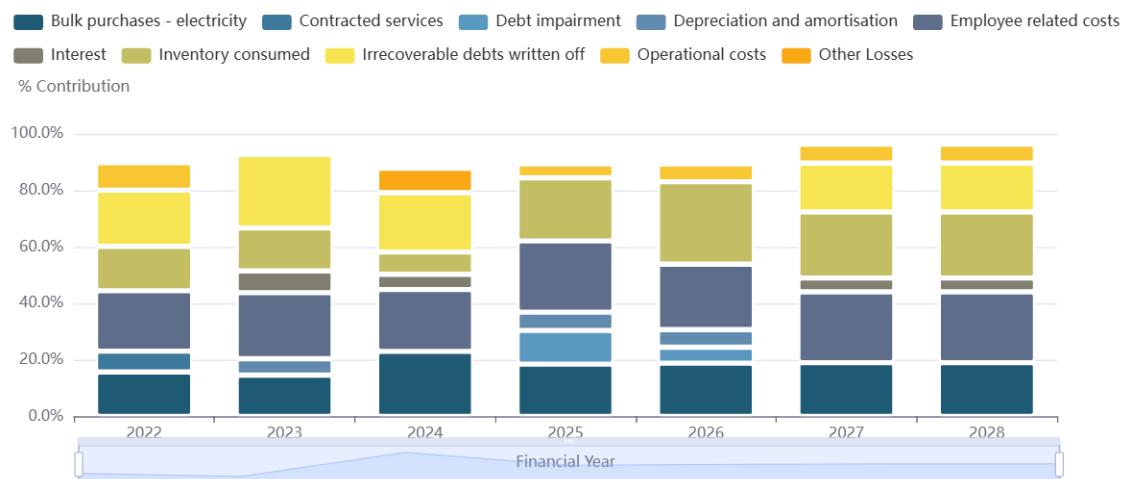
Cost Containment and Expenditure Management

The cost containment measures approved in the funding plan was not implemented. Non-compliance with cost containment measures and inadequate monitoring have led to the initiative not having the desired impact

Illustrated below is a breakdown of MLM's main expense items, namely bulk purchases of electricity, inventory consumed (water bulk purchases), employee related costs, contracted services and debt impairment. Stringent cost containment measures will have to be implemented, especially on bulk purchases, to curb these escalating contributions to their deficits. The inventory consumed expenditure item includes a portion that should be allocated to infrastructure maintenance carried out by Vaal Central in terms of the agreement in place. It was alleged that maintenance has not been carried out in line with the agreement and the matter



is under dispute and arbitration. Expenses incurred for services not received relating to inventory consumed is a key area where costs can be contained



The following areas have been identified where expenditure is insufficiently controlled, and a targeted intervention is required to reduce overspending:

- Professional Services.
- Legal Services.
- Security Services.
- Communication

A review of contracted services expenditure over the last 2 years identified the following main contributors to the expenditure item:

Contracted services	2024		2023	
Professional services	48 060 514	39%	57 359 563	47%
Outsourced services	6 012 583	5%	501 822	0%
Meter reading services	4 446 613	4%	8 230 931	7%
Legal services	21 073 794	17%	15 231 796	13%
Security services	42 152 116	35%	39 520 016	33%



Contracted services	2024	2023
	121 745 620	120 844 128

Table 14: Contracted Services in 2023/24

The main contributors to contracted services are professional services, making up 39 per cent (2022/23: 47 per cent), and security services, making up 35 per cent (2022/23: 33 per cent) of the total amount. It was concerning that security services make up such a large portion of contracted services, as it was raised in the workstream consultation sessions that MLM have recently appointed and placed 100 (one hundred) internal security staff.

Cashflow and Creditor Management

Poor cashflow has led to escalating creditors' balance, especially Eskom and Vaal Central Water, which combined is more than MLM's annual budget at R14.6 billion as at May 2025. MLM entered into numerous payment plans; however, there has been widespread non adherence to agreed upon arrangements, resulting in ongoing litigation by creditors and disputes over unpaid accounts.

There is an ongoing arbitration process underway concerning Vaal Central. MLM's persistent inability to pay current accounts for both water and electricity is driven by inadequate revenue collection and failure to contain operating expenditure. The table below indicates the cash inflow/outflow for electricity and water services after consideration of bulk service charges for 2 months of the 2025 financial year (these are numbers coming from data strings and have not been audited as yet).

The table confirms that the municipality is unable to derive adequate revenue from the services to cover the amounts owed to Eskom and Vaal Central Water, respectively. The expense figures utilised are based on reports submitted to National Treasury and appear to be understated, indicating that the cash under recovery is potentially much worse than presented.

Detail	April 2025	May 2025
Electricity		
Service charges - Electricity	58 981 820	57 432 835
Collection Rate	94.57%	103.20%



Detail	April 2025	May 2025
Cash Collected (Calculated)	55 779 107	59 270 686
Bulk purchases - electricity	(54 935 353)	(2 526 560)
Net Proceeds	843 754	56 744 126
Water		
Service charges - Water	31 248 846	43 952 251
Collection Rate	34.49%	25.82%
Cash Collected (Calculated)	10 777 727	11 348 471
Inventory Consumed	(60 669 696)	(18 772 574)
Net Outflow	(49 891 969)	(7 424 103)

Table 15: Surplus/deficit for trading service

It must be noted that even though the municipality is showing a surplus on electricity service, this does not reflect the full financial picture, as not all creditors have been accounted for. Several direct and indirect costs, such as third-party payments (R10 million pension funds for April and R9.8 million for May 2025), materials and overheads, are still outstanding. Once these costs, along with the amount owed to Eskom, have been factored in, the municipality will incur a loss on this service.

Grant Management

Conditional grants were not fully utilised, and MLM had to repay R20 million to National Treasury during 2023/24. As at the 2023/24 financial year end, unspent conditional grants were not cash backed and MLM underspent on Human Settlements grants. The main reason for underspending on conditional grants is attributable to non-functioning of bid committees, and duplication (Overlap between MIG Grant and Human Settlement Grant) and therefore inability to spend according to conditions (Human Settlement Grant).

Supply Chain Management Compliance and Value for Money Procurement

The analysis identified deficiencies in the SCM processes, including:



- Committee members not available for Bid Committee meetings.
- Lack of alignment and communication between departments and procurement plans, especially with regards to cost containment and prioritisation.
- Consequence management relating to deviation from policies and procedures relating to compliance with laws and regulations was not implemented. The AG (SA) noted material findings in the consequence management processes. MLM did not conduct any investigations in the 2024 financial year relating to the unauthorised and irregular expenditure that was reported in the prior years.
- Irregular expenditure incurred in the 2023/24 year related to travel agency fees, communication services, printing services, tracing agents and debt collection, hiring of fleet, and refurbishment of Thabong WWTW and PSE system at Theronia WWTW.
- The municipality does not run stores to keep stock on hand of the inventory that is required on a daily basis. As a result, the municipality experiences inefficiencies in procurement and incurs higher costs. For example, higher prices are incurred for emergency procurement losses are experienced due to excessive downtime when stock items are not readily available. Without operational stores with accompanying controls in place to track and monitor the use of materials, the municipality is also exposed to an increased risk of fraud and theft.
- Allegations of deviation from SCM processes in awarding of tenders, irregular payments to service providers where services were not provided resulting in the municipality paying for services not rendered, exorbitant spending on daily Imbizos made up of loud hailing services, PA system and generator outsourced to a service provider.
- It is also alleged that a security company was appointed irregularly.

mSCOA Implementation

There is an mSCOA Committee in place, but it is not functioning. The following modules are not implemented: asset module, budget and planning module, customer care module, land use and building control module, valuation management module and real estate and resource management module.

Financial Control Environment



MLM received a qualified audit opinions for the last three financial years with persistent/ repeat audit findings. There is a consequence management policy in place; however, implementation needs to be reinforced. These findings include:

- MLM did not have relevant and reliable evidence to support the estimates billed for water and electricity consumption as confirmed by the billing challenges outlined above.
- MLM incurred unauthorised, irregular, fruitless and wasteful expenditure, overspent against the budget and contravened supply chain management regulations (SCM).
- The AG highlighted that MLM submitted financial statements that were not prepared in accordance with the MFMA and contained material misstatements. This was as a result of management not implementing daily and monthly processing and reconciling of transactions.
- The AG further confirmed MLM's creditor payment challenges. The non implementation of an adequate management, accounting and information system to recognise expenditure when it is incurred/accounted for to creditors was not in place and contributes to exacerbating the issue.
- MLM do not have an effective system of internal control for revenue and debtors in place which contributes to the billing and collection challenges outlined above,
- The municipality's asset management practices are inadequate as confirmed by the AG who indicated that an effective system of managing, controlling and accounting for assets (including an asset register) was not in place.

5.2 SURPLUS / DEFICIT ANALYSIS AS AT 31 MAY 2025

The performance (surplus/ (deficit)) by service comparison for the 2023/24 audited results and 2024/25. Pre-Audit was done to test the overall outcome:

Surplus / (Deficit)	2023/24 Audited. Rand '000's	2024/25 Pre-Audit Rand '000's
Water and Sanitation	-239 096	-209 480
Electricity	-590 123	-207 400



Surplus / (Deficit)	2023/24 Audited. Rand '000's	2024/25 Pre-Audit Rand '000's
Refuse	-41 695	-39 200
General	83 043	174 277
Total	-797 871	-281 803

Table 16 - YTD Performance of MLM per Service Line

The 2024/25 analysis above is based on billings and not actual cash collected.

The analysis confirms that MLM are in a financial crisis and have experienced a deficit for another year, subject to the audit outcome. The above analysis confirms the operation and financial challenges currently being experienced and raised further concerns on the credibility of the tabled budget for 2025/26 which reflects a budgeted surplus of R161 million.

5.3 COLLECTION RATE ANALYSIS

The collection rates and performance on the key ratios for the past 11 months (July 2024 to May 2024) were also analysed and reflected below:

Collection rate for the past 11 months (July 2024 to May 2025).	M01 Jul	M02 Aug	M03 Sep	M04 Oct	M05 Nov	M06 Dec	M07 Jan	M08 Feb	M09 Mar	M10 Apr	M11 May	Ave. %
TOTAL	30.89	41.41	40.65	52.50	44.83	37.06	36.98	36.69	43.67	42.06	43.66	40.95
Property rates	32.44	51.38	48.53	76.36	50.35	43.41	49.81	51.55	43.73	41.77	44.73	48.55



Collection rate for the past 11 months (July 2024 to May 2025).	M01 Jul %	M02 Aug %	M03 Sep %	M04 Oct %	M05 Nov %	M06 Dec %	M07 Jan %	M08 Feb %	M09 Mar %	M10 Apr %	M11 May %	Ave. %
Service charges – Total	40.66	50.63	49.73	62.00	60.59	48.38	46.62	44.85	59.22	60.48	59.17	52.94
Electricity revenue	57.15	70.47	71.33	100.9	95.99	80.94	76.19	62.24	95.82	94.57	103.2	82.61
Water revenue	29.12	24.75	27.43	31.34	32.31	21.67	21.38	24.82	24.28	34.49	25.82	27.04
Sanitation revenue	15.62	32.28	22.53	27.85	23.59	20.91	24.48	24.24	39.71	21.30	24.49	25.18
Refuse revenue	17.82	27.17	25.57	28.77	27.10	24.02	24.48	25.42	29.17	24.07	27.37	25.54

Table 17 - Collection Rates from July 2024 to May 2025

The graph below depicts the collection rate over the 11 months:

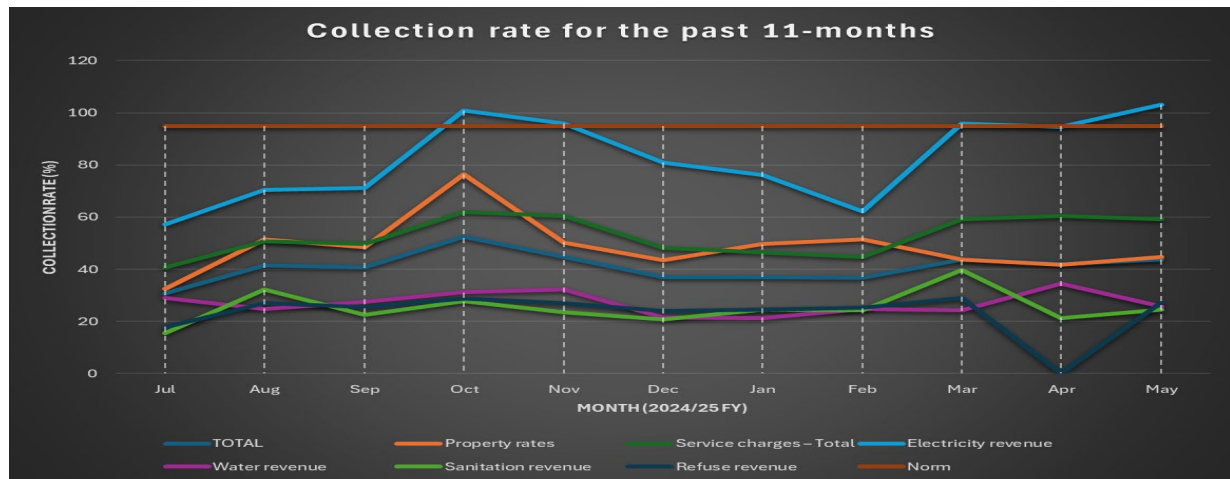


Figure 6: Collection Rate over 11 Months

In total, the service charges (52.9 per cent) outperform property rates (48.6 per cent). The average collection rate over the first 11 months of the 2024/25 financial year of 40.95 per cent means that R1.75 billion of billing for services and rates were not collected in the first 11 months of the year.

The municipality has implemented interventions to improve the collection of revenue by procuring the services of Ntiyiso Consulting to carry out debt collection services since the 2023/24 financial year and introducing Operation Patala in March 2025, a committee tasked with championing revenue collection at the municipality. These interventions have not resulted in an improvement in the collection rate as at May 2025

MLM do not adequately implement control measures and attribute this to capacity constraints, accessibility challenges in townships and the inability to use electricity as a credit control mechanism in the 26 of 36 wards serviced directly by Eskom.

Residents are also having a silent boycott on paying for services due to the imposition of accounts based on estimates. This practice is mainly due to readings not being taken, damaged meters and dissatisfaction in the level of service delivery provided by the Municipality.

Indigent consumption that is not limited to the approved policy further exacerbates the inability of MLM to recover amounts owing. As at 30 June 2025, the indigent population made up R895 million of the outstanding debtors balance, which is not recoverable.



Addressing the above challenges is critical to the success of future interventions. As it stands, MLM is using cash flow from property rates and electricity services and non-payment of the Eskom and Vaal Central Water Board accounts to subsidise other shortfalls.

5.4 FINANCIAL DECLINE IN FOCUS: A DEEPENING LIQUIDITY CRISIS AT MATJHABENG LOCAL MUNICIPALITY

The graph below illustrates the year-on-year rise in debtor and creditor days far above national norms, revealing worsening financial health, poor revenue collection, and escalating non-payment to service providers - threatening service delivery and sustainability.

It also includes annotations of major national events, such as elections and the COVID-19 pandemic.

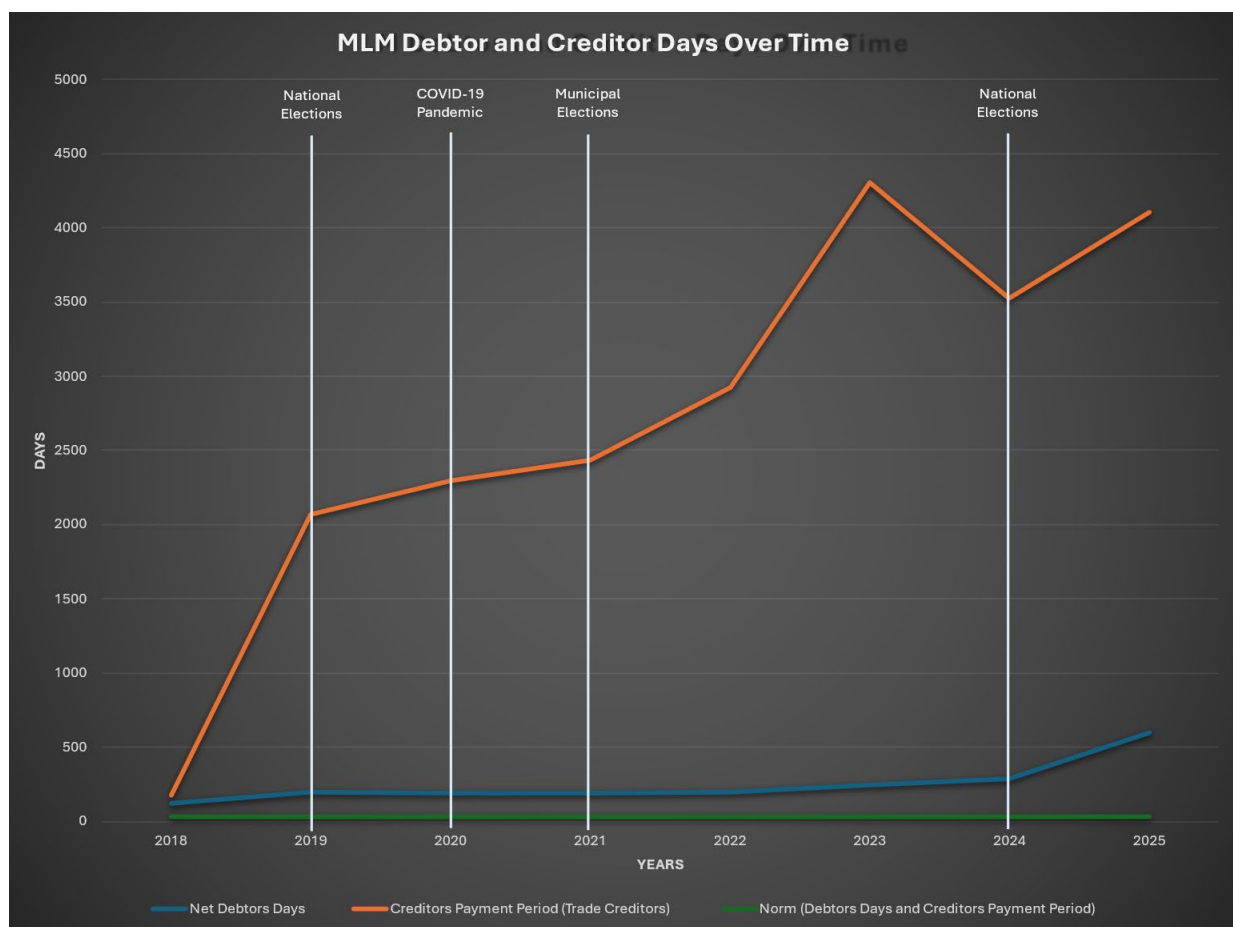


Figure 7: Debtor and Creditor Days Over Time

From the above, the following are confirmed:



- **Liquidity Crisis**

The widening gap between what the municipality owes and what it can collect reflects serious cashflow challenges. MLM cannot service debts as and when they fall due and this will continue for as long as the cash flow challenges persist risking service delivery and fiscal sustainability.

- **Inadequate Financial Governance**

The shortfalls in the internal control environment outlined in the financial control environment assessment above are contributing to the challenges experienced.

- **Audit Impact on Sustainability**

From an audit perspective, MLM's current practices are raising red flags around going concern risks, unauthorised or irregular expenditure and non-payment of creditors.

5.5 KEY RATIO ANALYSIS

Below is an analysis of key ratios for the 2023/24 audited financial year, and YTD figures from July 2024 to May 2025:

RATIO	NORM	2023/24 AUDITED	2024/25 YTD	REMARK
Capital Expenditure to Total Expenditure	10% - 20%	3.7%	7.7%	Capital expenditure to total expenditure improved to 7.7 per cent based on YTD performance but remained below the norm of 10-20 per cent. This figure may be overstated as certain non-cash expenditure items are still to be processed such as amortisation and depreciation, interest expense, electricity bulk purchases (not processed), and bad debt impairments.
Repairs and Maintenance as a % of Property	8%	0.9%	1.2%	Maintenance of key assets is not prioritised. Lack of asset maintenance is leading to infrastructure breakdowns and service delivery limitations. Assets are rapidly deteriorating at an unsustainable rate.



RATIO	NORM	2023/24 AUDITED	2024/25 YTD	REMARK
Cash / Cost Coverage Ratio	1 - 3 months	-0.1 months	0.3 months	<p>The ratio is extremely low, indicating that MLM cannot cover at least one month's operating expenditure without any collections.</p> <p>Poor credit control and lack of debt collection have led to severe cash flow limitations, which in turn inhibit the quality and level of service delivery.</p>
Electricity Distribution Losses (%)	7-10%	28%	26%	<p>The estimated rand value is in excess of R204 million (2023/24) and could be the single most significant contributor to unmitigated increases in the Eskom debt.</p> <p>These losses are over and above the impact of poor debt collection of billed amounts.</p>
Water Distribution Losses (%)	15-30%	57%	64%	<p>The estimated rand value is in excess of R418 million (2023/24). This is attributable to illegal connections, unbilled consumption, unmetered areas, leakages and old ageing infrastructure.</p>
Collection Rate	>95%	42.3%	51.9%	<p>The ratio indicates the inability of the municipality to set affordable tariffs, bill correctly and ensure that what is billed is collected. The debtors book continues to grow without a solution.</p>
Debtor days	30 Days	285.6 days	597.5 days	<p>Debtor days are significantly above the norm and increasing due to billing inaccuracy, ineffective, credit control mechanisms.</p>
Own Source Revenue to Total Operating Revenue	N/A	77.5%	74.5%	<p>The municipality is becoming increasingly more grant dependent as its own source revenue to total operating revenue declines by 3 per cent year on year.</p>
Revenue Growth - Own Revenue (Projected)	CPI	27.9%	-9%	<p>Revenue growth in the 2023/24 year reflects an improvement over 2022/23, with the growth rate of 36.9 per cent above inflation of 4.4 per cent</p>



RATIO	NORM	2023/24 AUDITED	2024/25 YTD	REMARK
				<p>Despite this, MLM were unable to convert the billings into cash through revenue collection.</p> <p>The projected performance for 2024/25 using year to date figures for the first 11 months reflects a decline in revenue.</p> <p>MLM is expected to incur a 0.2 per cent decline in revenue in the 2024/25 financial year 0.2 per cent.</p> <p>MLM is still incurring deficits, indicating that its revenue baseline is insufficient to cover the operating costs.</p>
Operational Transfers and Subsidies Growth	N/A	8.55%	7.08%	The growth rate in operational transfers and subsidies reflects that MLM is increasingly becoming more grant dependent as the revenue generated from its own source revenue declines, but the revenue generation through grants increases above inflation.
UIF&W as % of Total Operating Expenditure	0%	109%	93.6%	<p>UIF&W as at 30 June 2024 is extensive, amounting to R4.7 billion (2022/23 R3.24 billion).</p> <p>This was not previously investigated by MPAC until the current financial year, with an amount of R3.3 billion remaining to be investigated. this indicates non compliance with the SCM policy and budget regulation.</p>
Creditor Payment days	30 Days	3 524 days	4 281.6 days	<p>The creditor payment period is significantly above the norm and has been escalating, mainly attributable to amounts owed to Eskom and Vaal Central Water. There has been an ongoing dispute on amounts owed by MLM to Vaal Central.</p> <p>MLM was part of the Eskom Debt relief program; however, as a result of non-compliance, Eskom have issued the intention to limit services to services paid for in advance, effective 1 August 2025, putting further pressure on MLM.</p>



RATIO	NORM	2023/24 AUDITED	2024/25 YTD	REMARK
Remuneration (Councilor Remuneration and Employee Related Costs) as % of Total Operating Expenditure	25-40%	22.1%	46.4%	<p>The ratio was within the norm at 22.1 per cent in 2023/24 however the YTD actuals for 2024/25 is significantly above the norm at 46.4 per cent.</p> <p>As indicated above, the expenditure line item is understated as non-cash transactions are still to be processed and therefore the final ratio for the year may be lower.</p> <p>For comparative purposes, the 2023/24 ratio was calculated by excluding non cash items and reflected an amount of 30 per cent, which is still within the norm.</p> <p>Stringent cost containment measures will have to implemented.</p>

Table 18 - Key Ratio Analysis May 2025 YTD

The only noteworthy improvement in the ratio analysis is the capital expenditure to total expenditure, which improved to 7.7 per cent, but remained below the norm of 10-20 per cent. It is evident through the decrease in the collection rate and slight improvement in the cash/cost coverage ratio that MLM is funding their operating expenditure through non-payment of creditors, further confirmed by the escalating creditor balance per the creditor analysis below. The rest of the ratios are stagnant and, in most cases, deteriorated even further, which is an indication that there was no noteworthy improvement in the overall performance of MLM.



5.6 CREDITORS ANALYSIS

A review of the creditors as of May 2025 (R '000's):

Description	0-30 Days	%	31-60 Days	%	61-90 Days	%	91-120 Days	%	121-150 Days	%	151- 180 Days	%	181 Days and Above	%	Total	%
Bulk Electricity	177,262	2.6%	1,709		75,948	1.1%	6,434,329	96.2%							6,689,248	44.7%
Bulk Water	127,017	1.6%	127,704	1.6%	138,250	1.8%	115,191	1.5%	148,178	1.9%	88,718	1.1%	7,150,328	90.6%	7,895,386	52.7%
PAYE Deductions	15,134	100.0%													15,134	0.1%
VAT (output less input)			11	100.0%											11	
Pensions / Retirement Deductions	15,134	55.0%	12,389	45.0%											27,522	0.2%
Trade Creditors	17,008	5.1%	12,736	3.8%	7,117	2.1%	294,243	88.9%							331,104	2.2%
Auditor General	933	13.8%	73	1.1%	103	1.5%	229	3.4%	384	5.7%	5,042	74.6%			6,763	
Medical Aid Deductions	11,919	100.0%													11,919	0.1%
Total	364,406	2.4%	154,621	1.0%	221,417	1.5%	6,843,992	45.7%	148,562	1.0%	93,760	0.6%	7,150,328	90.6%	14,977,086	100.0%

Table 19 - Creditors Age Analysis as at 31 May 2025



Inadequate cash flow has resulted in escalating creditors' balance, especially that of Eskom and Vaal Central Water, which combined is more than MLM's annual budget at R14.6 billion as at May 2025. MLM have entered into numerous payment plans; however, there has been widespread non-adherence to agreed-upon arrangements, resulting in ongoing litigation by creditors and disputes over unpaid accounts.

Eskom

MLM was approved for Eskom's debt relief programme. The debt relief compliance has not been met because of an inability to meet Eskom's current account payments monthly. This is mainly attributable to the distribution losses and low collection rate. It also appears that proceeds from electricity sales are being used to cross subsidise other services. The municipality does not have a cross-subsidisation model available to review. The consequence of non-compliance with the conditions of the Eskom debt relief programme is that Eskom may attach the municipality's bank account due to default, creating further pressure for the municipality, considering an already strained financial position.

In September 2020, the municipality agreed to hand over 139 farms to State-owned power utility i.e., Eskom, as security for debt of R3.4-billion owed by the municipality to Eskom. The title deeds of farms valued at about R2.5-billion were endorsed in favour of Eskom until the debt dispute between Eskom and the municipality is finalised. The agreement was made an order of the High Court in the Free State. This step on the part of Eskom was as a result of the repeated failures by the municipality to adhere to its payment obligations to Eskom for the bulk supply of electricity.

Discussions regarding a Distribution Agency Agreement (DAA) offering assistance to the municipality by Eskom are underway; however, the conversations are at an early stage and awaiting feedback from Council to proceed. Eskom raised concerns around the effectiveness of security services and highlighted the need for protection of critical service delivery assets due to theft and vandalism.



Vaal Central Water

The financial statements of Vaal Central Water for the year ending 30 June 2024 show an amount of R6.94 billion owed by MLM to the Water Board. This figure differs from the R6.16 billion stated in MLM's annual financial statements for the same period. As of 30 May 2025, MLM's financial records indicate an amount of R7.9 billion (Unaudited) owed to Vaal Central Water. The discrepancy in the 2024 financial year raises concerns about the accuracy of the more recent figure.

A consultation with Vaal Central Water on the on 8 July 2025 revealed the following:

- Only 31 out of 40 meters are functional. The ongoing arbitration is due to the 9 non-operational meters, leading to disagreements on the actual amounts consumed and billable.
- The current balance includes R1.8 billion in interest (retrospectively charged from March 2024), which was not previously charged due to a 2005 court ruling. The interest continues to be charged on a monthly basis, despite the court order never having been rescinded.
- The interest is not part of the arbitration, and it was mentioned that the Water Board can waive the interest, but not the consumed services.
- MLM is paying R12 million monthly to the Vaal Central Water Board as part of an IGR process while awaiting the arbitration ruling. It is unclear whether this amount is allocated to the long-outstanding or current account. These contributions are insufficient to cover the current account and contributing to the escalating creditors balance. As a result, the amount owing to Vaal Central Water has increased by R960 million from 1 July 2024 to May 2025.
- When MLM's cash flow allows, the municipality makes additional payments. However, collections are insufficient to cover the costs of providing water services, causing MLM's liability to continue increasing.



- There is also a dispute over the portion of the bill attributed to infrastructure maintenance and development by Vaal Central Water, which MLM claims was not done.
- The low collection rate, averaging 27 per cent in 2024/25, and high distribution losses are exacerbating the growing debt and cash flow challenges related to water services.

5.7 DEBTORS ANALYSIS

A review of the debtors as of May 2025 (R'000's):

Description	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days- 1 Year	Over 1 Year	Total	%
Debtors Analysis by Income Source										
Trade and Other Receivables from Exchange Transactions – Water	55,371	78,214	47,979	45,988	44,010	44,226	432,813	2,074,497	2,823,097	30.9%
Trade and Other Receivables from Exchange Transactions – Electricity	68,315	29,274	29,195	23,060	19,403	19,237	171,060	387,086	746,630	8.2%
Receivables from Non-exchange Transactions - Property Rates	38,689	28,030	26,044	24,739	24,119	21,934	137,917	702,394	1,003,866	11.0%
Receivables from Exchange Transactions - Waste Water Management	21,509	19,085	18,692	18,639	18,748	18,259	124,751	1,001,457	1,241,140	13.6%
Receivables from Exchange Transactions - Waste Management	13,333	11,598	11,326	11,204	11,115	11,032	75,334	624,021	768,963	8.4%
Receivables from Exchange Transactions - Property Rental Debtors	1,654	1,648	1,652	1,655	1,644	1,689	11,206	151,711	172,859	1.9%
Interest in Arrear Debtor Accounts	53,079	52,634	52,101	52,378	51,501	50,542	338,348	1,658,397	2,308,979	25.2%



Description	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days- 1 Year	Over 1 Year	Total	%
Other	1,034	366	339	317	490	561	7,924	71,099	82,129	0.9%
Total By Income Source	252,984	220,849	187,328	177,980	171,030	167,479	1,299,352	6,670,661	9,147,663	100.0%
Debtors Analysis by Customer Group										
Organs of State	14,360	12,234	14,882	9,462	8,995	9,028	65,817	119,377	254,155	2.8%
Commercial	71,884	61,447	30,714	28,268	26,302	24,211	171,285	1,179,762	1,593,873	17.4%
Households	166,740	147,168	141,732	140,249	135,733	134,239	1,062,250	5,371,523	7,299,635	79.8%
Total By Customer Group	252,984	220,849	187,328	177,980	171,030	167,479	1,299,352	6,670,661	9,147,663	100.0%

Table 20 - Debtors Age Analysis as at 31 May 2025

Interest on arrear debtors makes up a quarter (25.2 per cent) of the total debtors, which may not be recoverable. The second largest contributor to the outstanding debtors is for services, namely water.

It was noted that there is a significant backlog in the number of queries raised by customers on outstanding accounts (approximately 200), and if addressed efficiently, could result in the settlement of several of these accounts. One of the main contributors to the non-payment for water services by consumers is the billing of estimates rather than actuals.



The services of the contractor previously appointed to carry out the meter readings were cancelled with no internal plan or resource allocation to take on these duties. The result is that meters are not being read, and customers are being billed estimates that they do not agree with. In many instances, this is reflected in the non-payment for the service, which is confirmed by the low collection rate and escalating debtor balance.

Collection practices and findings are outlined in more detail under section 5.3.

5.8 KEY ISSUES

Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
Funded Budget and Budget Spending Limits	<p>Unfunded budget, however, a budget funding plan was developed.</p> <p>Budget surplus</p> <ul style="list-style-type: none"> 2022/23: R 7.6 million 2023/24: R321 million <p>Audited actual deficits</p> <ul style="list-style-type: none"> 2022/23: (R1.08 billion) 2023/24: (R273.7 million) <p>Main variances</p> <p>Service Charges: (R390 million)</p>	<ul style="list-style-type: none"> Budget for surpluses for NT funded budget compliance. (Section 18(1)(a) of the MFMA). The revenue baseline of the MLM is insufficient to cover the operating costs. Budget is unfunded, unrealistic and not cash backed. The municipality underbudget on non-cash items like debt impairment 	<ul style="list-style-type: none"> High water and electricity distribution losses. Water: 2023/24: R418 million (57 per cent) Electricity: 2023/24: R204 million (28 per cent) Inaccurate or no metering (Large unmetered areas). 	<ul style="list-style-type: none"> Annual report. 2023/24 Audited AFS. 2024/25 MTREF Budget.



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
	<p>Other Income: (R522.6 million)</p> <p>Finance costs: (R60 million)</p> <p>Debt Impairment: (R288 million)</p> <p>Budget funding committee no longer sitting, as required.</p>	<p>to submit a funded budget for NT compliance.</p> <ul style="list-style-type: none"> The unfunded budget contributes to the financial challenge - leads to the inability of the Municipality to provide quality services and a deterioration in service delivery. 	<ul style="list-style-type: none"> High debts to Eskom and Vaal Central Water Board. Budget funding plan developed and approved but not implemented. Lack of integration/alignment between departments. Prioritisation and cost containment not linked to procurement plan as the procurement plan is prepared solely for compliance purposes. Tariffs are not cost reflective. The Budget Steering Committee only meets 	



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
			during budget preparation and not for monitoring as a result of officials not being available to sit in at meetings.	
Revenue Management: Billing and Collection	<ul style="list-style-type: none"> Collection rates are below the norm, and it should be noted that these rates are only on the supply of services after distribution losses of water (57 per cent) and electricity (28 per cent), which means for each R1 spent on bulk water, only 43 cents can be billed and only 42.3 per cent on average are collected (18.19 cents) which is unsustainable. <p>Collection rates:</p> <ul style="list-style-type: none"> 2023/24: 42.3 pe cent 2022/23: 56.5 per cent 	<ul style="list-style-type: none"> Loss/ forgone of revenue. Inability to collect outstanding debt. Consumer meters not read on a monthly basis but billed on estimates. Inadequate credit control measures. 	<ul style="list-style-type: none"> Unsustainable distribution losses. Unmetered households. No-go areas resulting in non-collection of revenue. Budget constraints to install smart meters in unmetered areas. Illegal connections. Inadequate team to perform meter reading (2 permanent staff and 6 EPWP to assist with 	<ul style="list-style-type: none"> Circular 71 Ratios. Section 71 Reports. Annual Report.



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> • Non-billing of large areas. • Low collection rate, especially on water and sanitation and refuse removal. The community has stopped paying as the services are not performed adequately. • The collection rate in MLM's electricity supplied areas is currently 82.6 per cent, mainly attributable to prepaid meters. • There is a property zoning challenge that results in underbilling of property rates as a result of residential properties being converted into student accommodations or businesses. • The municipality has implemented interventions to improve the collection of revenue by procuring the services of Ntiyiso Consulting to carry out debt collection services 		<p>meter readings of 75 814 water meters and 18 218 conventual electricity meters).</p> <ul style="list-style-type: none"> • Approved rezoning processes not undertaken. 	



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
	since the 2023/24 financial year and introducing Operation Patala in March 2025, a committee tasked with championing revenue collection at the municipality. These interventions have not resulted in an improvement in the collection rate as at May 2025The			
Revenue Management	<ul style="list-style-type: none"> High technical and non-technical distribution losses due to illegal connections and unmetered properties, with budget constraints for the installation of bulk and smart meters. <p>Water distribution losses:</p> <ul style="list-style-type: none"> 2023/24: R418 million (57 per cent). 2022/23: R240 million (45 per cent). <p>Electricity distribution losses:</p> <ul style="list-style-type: none"> 2023/24: R204 million (28 per cent). 	<ul style="list-style-type: none"> Loss of revenue. Inconsistent, interrupted, and low quality of supply of water and electricity services. 	<ul style="list-style-type: none"> Un-metered water and electricity consumption. Aged and inefficient infrastructure. Inability to procure and replace malfunctioning meters due to budget constraints. Tariffs are not cost reflective. 	<ul style="list-style-type: none"> 2023/24 Audited AFS. Annual Report.



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> 2022/23: R144 million (24 per cent). 			
Debtors Management	<ul style="list-style-type: none"> Inefficient and ineffective internal controls. Disruptions on implementation of credit control in no-go areas. <p>2023/24</p> <p>Gross consumer debtors:</p> <ul style="list-style-type: none"> R 8 billion <p>Allowance for impairment:</p> <ul style="list-style-type: none"> R 5.9 billion 74 per cent of consumer debtors are provided for impairment meaning only around R2.1 billion is collectable. Breakdown of Debtors as at 30 May 2025 of R 9.2 billion: <p>Total By Customer Group</p>	<ul style="list-style-type: none"> Low collection rate results in cash flow challenges for the Municipality. Growing debtors' book and a culture of non-payment by consumers. 	<ul style="list-style-type: none"> Credit control is not fully implemented in Eskom supplied areas. Not leveraging electricity as a collection mechanism in Eskom supplied areas (Electrical team not disconnecting as instructed) Lack of engagement (for collection of outstanding amounts and making payment plans) with debtors that have the capacity to pay, such as organs of the state and businesses. 	<ul style="list-style-type: none"> 2023/24 Audited AFS. AG Report.



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> • Organs of State: R 254 million. • Commercial: R 1.6 billion. • Households: R 7.3 billion. 		<ul style="list-style-type: none"> • Cashiers' offices were closed and are no longer a contact point for queries and payments. • Significant no. of disputes (approx. 200) due to estimated billings. 	
Cost-reflective Tariffs	<ul style="list-style-type: none"> • Tariffs are not cost reflective. <p>2023/24: Electricity</p> <ul style="list-style-type: none"> • The cost of sales of electricity exceeds the selling price, which results in losses. • Sales: R 817 million. • Cash Expenditure: R1.4 billion. • Loss on electricity: R 590 million • The loss on electricity services is attributable to the bulk purchases 	<ul style="list-style-type: none"> • Electricity and water are provided at a loss. • Inability to charge more due to inconsistent service delivery. • The tariff increase required to address the funding gap on services is significant and it is not realistic for it to be implemented over a single cycle. 	<ul style="list-style-type: none"> • Unsustainable electricity (2023/24: 28 per cent) and water (2023/24: 57 per cent) distribution losses. • Tariffs are not forecasted and aligned with the rate of growth of tariffs forecasted by ESKOM and Vaal Central Water. 	<ul style="list-style-type: none"> • 2023/24 Audited AFS. • 2023/24 Audit Report. • Sections 71 Reports. • Circular 71 ratios. • Approved tariffs 2024/25 financial year.



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
	<p>being more than the sales revenue, a contributing factor being the high distribution losses.</p> <p>2023/24: Water and Sanitation</p> <ul style="list-style-type: none"> • Sales: R1 billion. • Expenditure: R1.3 billion. • Loss on water and sanitation: R 300 million • The loss on water and sanitation services is largely due to a debt write-off of R417 million. • The performance of unfunded mandates undertaken by the Municipality requires further analysis to determine the cost implications for the Municipality i.e. fire services. 	<ul style="list-style-type: none"> • Lack of profitability analysis for each revenue stream. • Cross subsidisation model for non-revenue generating departments is outdated. 	<ul style="list-style-type: none"> • Lack of accurate data on consumption patterns due to the high number of unmetered areas and no-go areas. • Affordability of the tariffs. • Regulatory constraints on the annual increases. • Historic practice of not increasing tariffs followed by incremental increases below CPI due to affordability constraints. • Setting tariffs that do not at least consider break-even point. 	



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
			<ul style="list-style-type: none"> Operational inefficiencies and practices that increase the cost of delivery. Outdated and ageing infrastructure leading to higher operational costs. 	
Indigent Management	<p>There is an approved 2024/25 indigent policy with the following grants:</p> <ul style="list-style-type: none"> Water: 6 kilolitres pm. Electricity: 50 kWh pm. Sewer: 100 per cent. Refuse: 100 per cent. As of 30 May 2025, there were approximately 18 000 registered Indigents. 	<ul style="list-style-type: none"> Annual reconciliation of approved indigents and billing system is not performed adequately which results in indigents no longer qualifying receiving grants. Revenue loss. 	<ul style="list-style-type: none"> Not restricting water and electricity grants to policy limits. Due to unmetered properties, the unqualifying households are getting the benefit and qualifying households are not restricted. 	<ul style="list-style-type: none"> Indigent policy.



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> Unemployment in MLM is high which contributes to the large number of indigent households. 			
Cost Containment and Expenditure Management	<ul style="list-style-type: none"> Cost containment policy (budget funding plan) not fully implemented. Cost containment targets not included in performance contracts. The municipality intends to progressively reduce non-core expenditure as follows: <ul style="list-style-type: none"> Year 1 – 10 per cent Year 2 – 20 per cent Year 3 – 30 per cent Areas for reduction include use of consultants for: <ul style="list-style-type: none"> Professional Services Legal Services 	<ul style="list-style-type: none"> Council adopted Cost Containment Policy and Budget Funding Plan in May 2024 with the adoption of the MTREF Budget. Despite monitoring and regular meetings being held by the committee, MLM is failing to comply with the budget funding plan. Non compliance with the funding plan. 	<ul style="list-style-type: none"> Inadequate planning and communication. Lack of accountability and clear roles and responsibilities by the budget funding committee. Cost containment targets not included in performance contracts. 	<ul style="list-style-type: none"> 2023/24 Audited AFS. 2024/25 financial year funding plan



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> Security Services Communication 			
Cashflow Management	<ul style="list-style-type: none"> Inadequate cash flow management. The cash/ cost coverage is substantially below the norm of 1 – 3 months: <ul style="list-style-type: none"> 2022/23: 0 2023/24: -0.1 2024/25 YTD: 0.3 	<ul style="list-style-type: none"> Poor debtor management and escalating creditor balances especially Eskom and Vall Central Water. Escalating bulk purchases due to unsustainable distribution losses. 	<ul style="list-style-type: none"> Tariffs are not cost reflective. Court orders and attachments. Inability to collect outstanding debt. 	<ul style="list-style-type: none"> 2023/24 Audited AFS. Section 71 Reports Circular 71 Ratios
Creditor Management and debt restructuring	Creditors as 30 May 2025 (Unaudited): <ul style="list-style-type: none"> Total: R 15 billion Eskom: R 6.7 billion (45 per cent) Vaal Central Water: R 7.9 billion (53 per cent) 	<ul style="list-style-type: none"> MLM defaulted on the payment of suppliers within 30 days. Loss of grants due to non-adherence to the debt relief program. Interest for late payments is significant (R69 million a 	<ul style="list-style-type: none"> Inadequate debtors' collection rate resulting in cash flow constraints. Increasing bulk purchases due to high distribution losses with non-payment of Eskom and Vaal Central Water. 	<ul style="list-style-type: none"> Section 71 Reports – April and May 2025. 2024/25 Audited AFS.



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> Increased by 12.8 per cent from R13.3 billion in June 2024. MLM did not meet the requirements of the debt relief application. This could result in increased future pressure on the financial resources of the Municipality. The cause is the inadequate revenue recovery, which prevents the municipality from paying the current monthly debt. It was noted that the municipality experienced garnishments in the current financial year, which resulted in money from the Free State Provincial Department of Human Settlements grant being used to settle outstanding suppliers' debt. 	<p>month to Vaal Central Water on average)</p> <ul style="list-style-type: none"> MLM are currently paying Vaal Central Water an amount of R12 million a month in terms of a Court Order, and while the ongoing dispute is under arbitration. This amount is insufficient to cover the current account, thereby resulting in an ongoing increase in the balance owing. 	<ul style="list-style-type: none"> Non-adherence to payment arrangements due to cash flow constraints. 	



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
Conditional Grants	<p>Unspent conditional grant balances:</p> <p>2023/24: R 74.6 million.</p> <ul style="list-style-type: none"> • MIG grant: R0.3 million. • INEP: R2.5 million. • MWSIG: R4.8 million. <p>Free State Department of Human Settlements: R66.9 million.</p> <p>2022/23: R118.96 million</p> <ul style="list-style-type: none"> • MIG grant: R33.7 million. • INEP: R1.3 million. • MWSIG: R16.9 million. • Free State Department of Human Settlements: R66.9 million. <p>Bank Balances:</p> <ul style="list-style-type: none"> • 2023/24: R 44.2 million. • 2022/23: R 125.7 million. 	<ul style="list-style-type: none"> • Unspent conditional grants are not cash backed. • Underspending on Human Settlements is the main contributor to unspent grants. 	<ul style="list-style-type: none"> • Non-functioning of bid committees. • Duplication (Overlap between MIG Grant and Human Settlement Grant) and therefore inability to spend according to conditions (Human Settlement Grant). • Ring fenced investment bank account was attached and therefore no longer cash backed. 	<ul style="list-style-type: none"> • 2023/24 Audited AFS.



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
	Repayment to NT (withheld from Equitable Share): <ul style="list-style-type: none"> • 2023/24: R20 million. • 2022/23: R100.1 million. 			
Supply Chain Management Compliance and Value for Money Procurement	<ul style="list-style-type: none"> • Accumulative UIF&W expenditure as of 30 June 2024 was R4.7 billion (2022/23 R3.24 billion). • An amount of R1.4 billion has been investigated by MPAC and the following recommendations made: <ul style="list-style-type: none"> ○ R1 billion was authorised through an adjustment budget. ○ R362 million was recommend for write-off to Council. ○ The remaining balance is R3.2 billion. ○ Irregular payments to service providers for services not 	<ul style="list-style-type: none"> • Deficiencies in the SCM processes. • Committee members not available for Bid Committee meetings. • Lack of alignment and communication between departments and procurement plans, especially with regards to cost containment and prioritisation. • Consequence management relating to deviation from policies and procedures relating to 	<ul style="list-style-type: none"> • Lack of understanding of SCM regulations. • Lack of consequence management. • Procurement is made outside of the SCM regulations, especially on legal services. • Contract management resides with the users of the service department. • Stores were left neglected, which led to vandalism. 	<ul style="list-style-type: none"> • 2023/24 Audited AFS. • 2023/24 AG Report.



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
	<p>provided resulting in the municipality spending budgets without any service being delivered,</p> <ul style="list-style-type: none"> Exorbitant spending on daily Imbizos (daily combined costs are R90 000, R2 million monthly and R24 million annually, costs made up of loud-hailing services, PA system and generator outsourced to a service provider) It is also alleged that a security company was appointed irregularly. 	<p>compliance with laws and regulations were not implemented. The AG (SA) noted material findings in the consequence management processes. MLM did not conduct any investigations in the 2024 financial year relating to the unauthorised and irregular expenditure that was reported in the prior years.</p> <ul style="list-style-type: none"> Irregular expenditure incurred in the 2023/24 year related to travel agency fees, communication services, printing services, tracing agents and debt collection, hiring of fleet and Refurbishment of Thabong 	<ul style="list-style-type: none"> Budget constraints due to cashflow challenges. 	



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
		<p>WWTW and PSE system at Theronia WWTW.</p> <ul style="list-style-type: none"> The Municipality does not run stores for keep inventory that is required on daily bases. Possible source of leakage (Stores burnt down). 		
Financial Control Environment	<p>Qualified audit opinions during the last 3 financial years. With repeat audit findings in relation to:</p> <ul style="list-style-type: none"> Expenditure Management. Procurement and Contract Management. Consequence Management. Asset Management. Revenue Management. 	<ul style="list-style-type: none"> Data gaps and inconsistencies, especially within the revenue value chain. <p>Of concern are controls around asset management practices with specific reference to:</p> <ul style="list-style-type: none"> Impairment due to vandalism or inadequate maintenance. 	<ul style="list-style-type: none"> Non-compliance with the MFMA, not paying creditors within 30 days. Increase in litigation against MLM due to non-payment of creditors. No asset management system (including fleet management). Process and system gaps (i.e. un-metered 	<ul style="list-style-type: none"> 2023/24 Audited AFS. Workstream meetings. 2023/24 AG Report.



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> Annual Financial Statements, performance reports and annual reports. <p>2023/24 AG Report:</p> <ul style="list-style-type: none"> Material misstatements not corrected for service charges in relation to estimates of water and electricity found not to be reliable. The AG (SA) management report for 2024 indicated that a recommendation was made to management to replace the unmetered or damaged meters so that customers are charged actual consumption in 2018/19, with limited progress having been made. <p>Material distribution losses:</p> <ul style="list-style-type: none"> Electricity: R 204 million. Water: R 418 million. 	<ul style="list-style-type: none"> Personal usage i.e. vehicles. Theft of assets. Increase in UIF&W expenditure, especially on interest accrued on overdue creditors accounts. 	<ul style="list-style-type: none"> properties and/ or damaged meters) leading to inconsistent and unreliable data to inform reporting and decision making. High distribution losses due to old and ageing infrastructure. 	



Focus Area	Brief Diagnostic Analysis	Key Issue	Root Causes	Source of Information
	<ul style="list-style-type: none"> MLM is in financial distress as the total liabilities exceed its total assets by R4.7 billion (2023: R4 billion). 			
mSCOA	<ul style="list-style-type: none"> mSCOA committee is in place but not functioning. <p>The following modules are not implemented:</p> <ul style="list-style-type: none"> Asset lifecycle management. Budget and planning. Customer care. Land use and building control. Valuation management. Real estate and resource management. 	<ul style="list-style-type: none"> mSCOA committee not functioning. ERP system not fully integrated. 	<ul style="list-style-type: none"> Lack of capacity. Non-effective Steering Committee. Budget constraints due to cash flow challenges. Systemic challenges in this environment that need to be reviewed (seamless integration). 	<ul style="list-style-type: none"> Workshop presentation by finance. mSCOA roadmap



6. SERVICE DELIVERY

The service delivery business unit of the municipality is critical to the provision of community and technical services to the communities within MLM. Numerous factors and challenges are negatively affecting the ability of the Municipality to meet its service delivery obligations and mandate (Annual Report 23/24)

The challenges faced by the municipality include:

- Ageing infrastructure, the average age of which is over 80 years old for electricity and over 40 years for water, resulting in high losses.
- High water and electricity losses, i.e., 57 per cent and 28 per cent respectively.
- Lack of infrastructure asset management plans and operations and maintenance plans.
- Absence of Water Conservation and Water Demand Management Strategy and Plan.
- Outdated master plans: water and sanitation, electricity and roads and stormwater.
- Illegal connections, theft and vandalism of infrastructure.
- Unavailability of material and tools of trade to respond to maintenance requests and implement maintenance schedules.
- Inadequate number of qualified and appropriately experienced staff in critical areas leading to underspending of grant funding, inappropriate project planning, incorrect scoping of projects, inefficient execution of projects and ineffective management of external service providers.
- Insufficient budget for maintaining, rehabilitating, upgrading, replacing and extending infrastructure.
- Unavailability of residential sites for housing projects.

(Source: 2023/24 Annual Report)

The inability of the municipality to collect revenue from its operations results in its heavy reliance on grant funding and subsidies to fund capital programme. For both 2022/2023 and 2023/2024 financial years, the capital programme was almost fully funded by grants and subsidies.



It is concerning that the municipality is underspending on its grant allocation by R74,6 million in 2023/24, whilst heavily dependent on it to upgrade and refurbish its infrastructure. The Municipality identified this concern as the third highest risk amongst the top 10 strategic risks.

Sanitation provision is one of the biggest challenges facing the municipality. Due to constant sewer overflows and spillages caused by the age of infrastructure and demand, consequently declared the sanitation situation a disaster and proactively sought the Ministerial Intervention through DWS.

The Department of Water and Sanitation has expressed grave concerns on the substandard state of sanitation services, and which continues to pollute the scarce water resources and compromise service delivery to communities. To this end, the Department is assisting with refurbishing all wastewater treatment works, sewer lines and sewer pump stations.

The municipality is experiencing high electricity and water losses. The magnitude of these losses has profound implications for the municipality's electricity and water service operation, affecting its financial sustainability and operational efficiency. Revenue that could have been used for maintenance, infrastructure upgrades, or expansion is instead lost, perpetuating a cycle of inefficiency and limiting the municipality's ability to invest in improvements.

The solid waste management service is showing signs of improvement attributed to the recent acquisition of a new fleet, which includes refuse compactors, front end loaders and tipper trucks. The municipality is, however, facing challenges of theft and vandalism of the infrastructure, critical staff shortage, particularly general workers and illegal dumping.

6.1 WATER

The water infrastructure consists of both bulk pipelines and reticulation network, whose age is on average around 40 years, which is beyond design life. Bulk infrastructure consists of 99 km of pipeline, 3 reservoirs, 2 water pressure towers and 2 pump stations. Reticulation network on the hand is made up of 1 700 km of various types of pipelines, 5 052 hydrants, 7 059 valves and approximately 85 000 meters.

The minimum service standard with regards to water provision in the municipality is access within 200m from dwelling, as shown in the table below.

Detail	2020/21 FY	2021/22 FY	2022/23 FY	2023/24 FY
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Water – access within 200m from dwelling	99%	99%	100%	100%
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(Source: 2022 Census Data)

During the 2023/24 financial year, the municipality overspent by 15 per cent on employee benefits, whilst underspending by 122 per cent and 34 per cent on repairs and maintenance, and capital projects, respectively (Source: 2023/24 Annual Report). This is indicative of inefficient human resource utilisation and is symptomatic of lack of management capability and capacity.

The municipality has shown a drastic decline in its Blue Drop over a period of 10 years, as shown below.

Detail	2010/11	2011/12	2013/14	2022/23
Blue Drop Score	79,91%	94,72%	93,60%	55,63%

The highest contributors to the decline of the Blue Drop scores were inadequate technical management, insufficient financial management and low rate of drinking water quality compliance. The latter was the fact that there was no compliance monitoring undertaken during the audit period by the Department of Water and Sanitation, which is critical to verify the safety of the drinking water, due to non-payment of the service provider (Source: Blue Drop Report – 2023). The compliance motoring service had to be outsourced after the internal laboratory was vandalised.

The water losses were 45 per cent (R239 million) and 57 per cent (R 418 million) for the respective financial years of 2022/23 and 2023/24.

Causes of Losses

The losses predominantly originate from three interlinked categories, which occur as a result of lack of a concerted and well-planned Water Conservation and Water Demand Management Strategy and Plan:

1. Illegal Connections



Unauthorised access to the water distribution system leads to unbilled usage and direct revenue losses. Illegal connections not only deprive the Municipality of rightful income but also disrupt the accuracy of demand forecasting and network planning.

2. Physical Losses Due to Network Operations

These include leaks and bursts in ageing or poorly maintained infrastructure. The age of the infrastructure is on average over 40 years, which is beyond the design life. The physical state of the water distribution networks, including pipes, joints, and valves, often deteriorates over time, resulting in significant water leakage and loss. The replacement of asbestos pipes needs specific attention. The Municipality is replacing 6,4 km of AC pipelines in Virginia and Welkom; a project is approximately 60 per cent completed.

3. Economic Losses Due to Faulty Meters

Inaccurate meter readings due to malfunctioning or outdated meters and un-metered areas contribute to economic losses by under-reporting on actual usage. This leads to billing inaccuracies where consumers are charged less than they should for their water consumption, further straining the financial resources available for maintaining and improving water infrastructure. An example is Kuthlwanong, which has approximately 34,000 non-functional meters. Another example is the area of Stilte, whose 2,000 meters cannot be read due to dysfunctionality, and consumption in this area is thus estimated.

4. Shortage of Water Meters

Even though the meter replacement program is in place, the insufficient number of meters to replace dysfunctional meters and to be installed in areas without meters deprive the municipality of the much-needed revenue. The municipality ought to recognise and appreciate that proper recording of consumption will not only improve its revenue but will also minimise customer complaints.

5. Shortage of Tools of Trade

The municipality has insufficient tools of trade due cash flow challenges.

6. Vandalism and Theft of Infrastructure

Due to high unemployment rate and general illegality in the municipal area, criminals have targeted water infrastructure, which is vandalised and removed to be sold as scrap. The municipality has to fully exploit the relationship built with other law enforcement officials



such as SAPS and private security companies, in an effort to curb the vandalism and theft of municipal infrastructure. When infrastructure is stolen, it is removed from operation resulting in the loss of high volumes of water and reduction in service delivery.

7. Inefficient Billing Philosophy

The municipality is receiving a lot of meter related complaints from the consumers. At one point in time there were numerous unresolved complaints. The service department, in some cases, would remove the meter and connect the customer directly to the reticulation network.

8. Inadequate Number of Staff Members

There is a high vacancy rate in the water department, which compromises the ability of the department to respond to customer complaints timeously and to affect the needed maintenance. These factors contribute significantly to high rate of water losses experienced by the Municipality.

Implications

The distribution losses for MLM water service underscore critical issues of infrastructure integrity, system management, and revenue assurance. To effectively address these challenges, a comprehensive approach involving infrastructure audits, investment in network rehabilitation, adoption of advanced metering infrastructure, and rigorous enforcement against illegal connections is essential.

Additionally, increasing community awareness about the value of water and the implications of unauthorised use can play a pivotal role in reducing losses. The Municipal Manager alluded to the fact that the Executive Mayor is very strong on public participation and engagement, so the community awareness must cover aspects of electricity and water losses in his community engagements. Implementing these strategies requires a collaborative effort among municipal authorities, service providers, and the community to ensure the sustainability and reliability of water services in MLM.

6.2 SANITATION

The sanitation infrastructure consists of 1 543 km of pipeline; 27 265 manholes; 57 pump stations and 11 Wastewater Treatment Works. Of the 11-Wastewater Treatment Works, 1 has



been decommissioned and only 2 are fully operational, namely Theronia and Witpan. Only 9 of the 37 pump stations are fully functional (Source: 2023/24 Annual Report).

The sanitation minimum service standard is a ventilated pit latrine. The access within the Municipality is as shown in the table below.

Detail	2020/21	2021/22	2022/23	2023/24
Sanitation services provision	89.1%	89.1%	88.4%	88.5%

(Source: 2022 Census Data)

There is still a significant number of residents who are using the bucket system, a service that falls below the minimum level of service.

The municipality is facing a serious challenge in operating and maintaining its sanitation infrastructure, which is characterised by frequent overflows and pipe bursts caused mainly by aged infrastructure and increased demand. One of the areas which is greatly affected is the Thabong area. For this reason, the Municipality had intended to declare the situation a national disaster; however, it does not have the authority to do so while CoGTA and the Department of Water and Sanitation are already intervening.. The type of piping material used, which is vitrified clay and AC, is also posing a serious challenge to the efficient operation of sanitation infrastructure. Whilst the former is prone to root penetration and joint dislocation, the latter is susceptible to bursting due to compromised integrity, which deteriorates over time and with less maintenance.

Ministerial Intervention of R3.2 billion over 5 years which is being implemented through Vaal Central Water, as the implementing agent. A total of 79 projects have been identified, including the rehabilitation of 9 WWTWs, 48 pump stations, and approximately 1,543 km of sewer networks. To date R1,3 billion has already been spent. The Ministerial Intervention, budgeted R3.2 billion which has delivered the following:

- **Wastewater Treatment Works**

- 2 Wastewater Treatment Works have been refurbished and are now fully operational.
- Another 2 Wastewater Treatment Works will be fully operational before the end of the 2025/26 financial year.

- **Pump stations**



- 23 pump stations are currently being refurbished.
- There are seven pipe replacement projects which are being implemented, targeting areas that are seriously impacted. The pace of implementation of these projects is compromised by servitude challenges.

The municipality appreciates the support it is receiving from the Department of Water and Sanitation, which is assisting with refurbishing all Wastewater Treatment Works, sewer lines and sewer pump stations.

The municipality has appointed emergency contractors on some critical sections of the bulk collector sewer systems in parts of Welkom Central areas and in the East region of Virginia. These emergency contractors are called upon as and when they are required to deal with emergency situations such as collapsed sewer lines and in instances where sewer overflows have the potential to compromise human health.

Evidence of the deteriorating condition of sanitation service provision was the 2020/21 Green Drop assessment outcome, which deemed the state of services to be critical and gave a score of 26 per cent. This score was a decline from 2012/13 Green Drop score of 58 per cent. Eight of the eleven (11) systems were out of operation at the time of the 2020/21 audit, with most systems severely vandalised and abandoned. The laboratory, which is critical for monitoring compliance and informing operational decisions, was de-operationalised in 2020/21.

The municipality was instructed by the Department of Water and Sanitation to produce a Corrective Action Plan (CAP) to address the issues identified in the assessment.

During the 2023/24 financial year, the Municipality underspent its repairs and maintenance and capex budgets by 7,5 per cent and 49 per cent, respectively. The underspending can be attributed to lack of planning and ineffective management of projects. This trend is concerning, especially since the municipal infrastructure is severely strained, over capacitated and aged.

Even though the Municipality's Water Services Bylaws make provision for the levying of Industrial Effluent, the Municipality has not developed the required tariff. The funds received from this tariff are important in sustaining the sanitation service, thus the Municipality is urged to develop the tariff as a matter of urgency.



6.3 ELECTRICITY

The service providers within the municipal area are Eskom (26 wards) and the municipality (10 wards). Eskom provides electricity to all mines and townships in the municipal area, and the rest of the customers are serviced by the municipality.

The electricity infrastructure consists of 367 high mast lights, 18 722 streetlights, 18 738 prepaid meters, 14 260 conventional meters and 780 substations (132kV/11kV/6.6kV).

The table below indicates the electricity service supply backlogs, which is a service below minimum level.

Detail	2020/21	2021/22	2022/23	2023/24
Electricity services provision	93.3%	92.1%	93.4%	93.5%

(Source: 2023/24 Annual Report)

The informal settlements constitute the majority of the backlogs, with the formal settlements only contributing 4 per cent to the total backlogs.

The municipality used to experience a high rate of ghost vending. This challenge was addressed by converting prepaid meters and installing a more temper proof system. Most prepaid meters (80 per cent of 18,738 meters) were converted before the initial due date of 30 November 2024, which has been extended for an additional six months. Eskom is unable to support any new developments in the municipal area due to debt owed,

Due to ageing infrastructure and high losses, Eskom is unable to support any new developments in the municipal area, which negatively affects the revenue stream and is counter to efforts to develop the area.

The municipality is not managing the load, an action which is critical for the avoidance of penalties in cases where the actual demand per supply point exceeds the NMD.

The municipality implemented remote geyser project a while ago. The system managing these geysers is no longer operational and is outdated, i.e. ripple relay system.

Eskom has begun the process of engaging the municipality with the view of finalising the DAA.

The municipality bulk electricity users (> 100 kVA) are supposed to be on an automatic meter reading system (AMR), as best practice. It was ascertained that these customers are not on



AMR. Since the municipality is experiencing challenges with meter reading due to absence of meter readers, the absence of AMR is contributing immensely to the negative financial position that the municipality is experiencing.

Whilst the electricity supply infrastructure is over 80 years old on average and requires significant investments to rehabilitate it, the Municipality underspent by 51 per cent and 36 per cent on repairs and maintenance and capex respectively during the 2023/24 financial year. This state is concerning and is emblematic of lack of management and supervisory oversight. During the same reporting period, the municipality overspent by 11 per cent on employee remunerations and benefits.

The electricity losses were 24 per cent (R144 million) and 28 per cent (R204 million) for the 2022/23 and 2023/24 financial years, respectively. To mitigate these losses, a comprehensive approach involving technology upgrades (e.g. smart meters), infrastructure investment, stricter enforcement against illegal connections, efficient coordination of law enforcement programs to curb theft and vandalism and improving customer education programs is required. Reducing these losses not only has the potential to improve the financial standing of the municipality's electricity service but also ensures a more reliable and efficient energy supply to its legitimate customers.

Causes of Losses

The major causes of the electricity losses have been grouped into the following interlinked categories:

1. **Illegal Connections:** Unauthorised access to the electricity distribution system leads to unbilled usage and direct revenue losses. Illegal connections not only deprive the municipality of rightful income but also disrupt the accuracy of demand forecasting and network planning.
2. **Technical Losses Due to Network Operations:** These are losses that occur in the transmission and distribution lines. They occur as a result of poor maintenance, distribution lines heat, transformer heat, inefficient transformers and inefficient transmission lines. The ultimate result is that energy degenerates in the conductors and transmission lines. Proper maintenance and replacement of aged infrastructure are key to addressing these losses.
3. **Vandalism and Theft:** The municipality is not maximising cost control, which can be easily achieved through employment of managing the load. During the consultation with Eskom,



the officials raised concerns around the effectiveness of security services and highlighted the need for protection of critical service delivery assets due to theft and vandalism.

4. **Hot water load Management:** The municipality has to ensure that the load control system is fully functional as it has not been maintained for a while. The following are the potential savings that accrue to the municipality. The more geysers that that can be remotely controlled by the municipality, the greater the savings. For an example, on a muniflex tariff, 1 000 geysers can save the municipality approximately R3.2 million per year if the load management system is working. Up to R30 million can be saved by the municipality If there are 10 000 units.
5. **Economic Losses Due to Faulty Meters:** Inaccurate meter readings due to malfunctioning or outdated meters and un-metered areas contribute to economic losses by under-reporting on actual usage. This leads to billing inaccuracies where consumers are charged less than they should be for their electricity consumption, further straining the financial resources available for maintaining and improving the electricity infrastructure.
6. **Shortage of Electricity Meters:** The insufficient number of meters to replace dysfunctional meters and to be installed in areas without meters deprive the municipality of the much-needed revenue. An estimated number of 4 300 bypassed meters must be replaced. The municipality ought to recognise and appreciate that proper recording of consumption will not only improve its revenue but will also minimise customer complaints.
7. **Inefficient reading of meters:** The inability and/or inefficiencies around the reading of meters has a negative bearing on the extent of losses. The municipality, if unable to provide the service, ought to appoint a service provider that will read both AMR and conventional meters.
8. **Shortage of Tools of Trade:** The municipality has inadequate number of vehicles, spares, material and equipment, which affects the turnaround times of repairs. The longer it takes for the municipality to repair the infrastructure or replace a meter, the higher are the losses. The municipality has to investigate the option of buying in bulk the spares that are frequently used.
9. **Vandalism and Theft of Infrastructure:** Due to high unemployment rate and general illegality in the municipal area, criminals have targeted the electricity infrastructure which is vandalised and removed to be sold as scrap. To address this challenge, the municipality



has fostered close relationships with all stakeholders, such as SAPS, Neighbourhood Watches, CPFS and Private Security Companies.

10. **Inadequate Number of Staff Members:** There is a high vacancy rate in the Electricity Department, which is about 60 per cent. This situation compromises the ability of the department to respond to customer complaints timeously and to affect the needed maintenance. These factors contribute significantly to high rate of losses experienced by the municipality.

6.4 WASTE MANAGEMENT

The waste management infrastructure consists of four (4) landfill sites and 1 transfer station.

Welkom landfill site is licensed for operation in terms of Environment Conservation Act, 1989 (Act 73 of 1989) under the ownership of St Helena before the establishment of Matjhabeng Municipality in 2000. The landfill permit B33/2/340/32/P85 was issued by the Department of Water Affairs and Forestry on the 5th of November in 1995. It is left with airspace of approximately 5 years.

Allanridge landfill is licensed for operation in terms of Environment Conservation Act, 1989 (Act 73 of 1989) under the ownership of Allanridge TLC before the establishment of Matjhabeng Municipality in 2000. The landfill permit 16/2/7/C25/12/P289 was issued by the Department of Water Affairs and Forestry on the 22nd of December in 1997. It is left with an estimated airspace of one year as at 2023.

Land disputes are forcing closure of the Henneman landfill. It is licensed for operation in terms of Environment Conservation Act, 1989 (Act 73 of 1989) under the ownership of Phomolong Dorpsrand before the establishment of Matjhabeng Municipality in 2000. The landfill permit B33/2/350/122/P30 was issued by the Department of Water Affairs and Forestry on the 14 September in 1992.

The population increased from the previous year (2023) by an estimated 1 per cent hence the remaining useful life has decreased by a year from last year (2023) to four (4) years.

Odendaalsrus landfill is left with an estimated airspace of 16 years as of 2023 due to population growth. This landfill is licensed for operation in terms of the Environment Conservation Act, 1989 (Act 73 of 1989) under the ownership of the then Odendaalsrus Municipality, which was later merged with other municipalities to form Matjhabeng Municipality in 2000. The landfill permit



B33/2/325/6/P108 was issued by the Department of Water Affairs and Forestry on the 3 March in 1994. A service provider was appointed by the National Department for Environmental Affairs to operate and manage the landfill site for a period of 24 months. The contract came to an end in April 2024. The municipality operated and managed the site until October 2024. A tender has been advertised for the operations and management of the landfill site.

The Virginia Transfer Station is licensed for operation in terms of Environment Conservation Act, 1989 (Act 73 of 1989) under the ownership of H.J. Joel Gold Mining Company before the establishment of Matjhabeng Municipality in 2000. The Transfer Station permit B33/2/340/116/P35 was issued by the Department of Water Affairs and Forestry on the 14th of September in 1992.

The Transfer Station is not fenced and there is no entrance gate, so technically there is no controlled access to the transfer station leading to haphazard dumping. The transfer station is operational and receiving general domestic waste from Virginia and surrounding areas. There is no weighbridge installed at the transfer station to measure and record the mass of incoming waste, as such, the quantity of waste at the transfer station is unknown.

The minimum service level standard within the municipality is solid waste removal at once a week. The following table depicts the extent of provision that meets the minimum standard.

Detail	2020/21	2021/22	2022/23	2023/24
Solid waste services provision	72.7%	72.7%	72.74%	64.5%

(Source: 2022 Census)

The waste management infrastructure is poor, inadequate and outdated. This situation compounded with redundant and obsolete fleet as well as shortage of critical skills, such as drivers, operators and hydraulic specialists, hampers the ability of the municipality to offer consistent service as reflected in the Customer Charter. In an effort to provide a consistent service and extend coverage, the municipality has revised its refuse collection schedule, reorganised collection areas and reallocate refuse collection vehicles.

The municipality has recently bought a new fleet of more than ninety-six (96) vehicles worth approximately R210 million, which includes twenty seven (27) x refuse collection trucks; thirteen (13) x translation look-aside buffer (tlbs); eleven (11) x tipper trucks; four (4) x front-end loaders; nine (9) x sewerage trailer units; twenty five (25) x bakkies; Fifteen (15) x tractors; one



(1) x fire truck; three (3) x graders; four (4) x water tankers; two (2) x cherry pickers and one (1) x jet patcher truck. Even though this has led to drastic improvement in the delivery of services to the customers, the sheer volume of infrastructural backlog makes it difficult for a consistent service to be offered.

Out of a total of forty one (41) compactor trucks, only twenty three (23) trucks are operational. The operational trucks include the recently bought fleet.

The municipality is experiencing critical challenges in servicing its fleet and ensuring that it is ready for use. There are long turnaround times for repairs and there are constant fuel shortages.

There is also no revenue collected on the landfill sites due to weighbridges, which are not operational.

As is with all infrastructure within the municipal area, waste management infrastructure is experiencing an increase in cases of theft and vandalism of its infrastructure particularly at solid waste disposal facilities.

The municipality is seeking to contribute towards cleaner environment, extending landfill sites' life span and reducing climate change effects by implementing two waste recycling projects. One project, which is at pilot phase, is the production of marketable compost from reclaimed organic waste. The second project is the separation at source, which aims to raise awareness and educate residents about appreciating the value of waste as a potential source of employment and income generation.

Illegal dumping continues to be a challenge for the municipality especially in areas which are not frequently serviced. These communities have now been identified and are now receiving the same level of service as other communities. The other contributory factor to illegal dumping has been irregular collection schedules.

There was a huge reduction in repairs and maintenance budget from 2022/23 to 2023/24 financial year. The budget reduced from R1.7 million to R150,000.00. This is a real cause for concern as the municipality is not meeting its minimum service standards to most communities. The concern is exacerbated by the fact that the Municipality once again failed to spend this budgeted amount by 72 per cent.



6.5 ROADS AND STORMWATER

The roads infrastructure consists of 1,183 km of tarred road; 75 km of paved roads; 288 km of gravel roads and 323 km of dirt roads.

The municipality does not have a Roads and Stormwater Masterplan, a critical document that will inform the prioritisation of projects and budgeting requirements. The municipality has applied to MISA for funding and assistance in developing the masterplan.

The state of the roads infrastructure within the municipality can be characterised as poor to critical. Due to low rates of repairs and maintenance, the roads predominantly consist of potholes. This state compromises efficient service delivery and results in general unhappiness by the general public due to increased traveling times and damage to vehicles, injuries and loss of lives of motorists and passengers as a result of poor road conditions. Business Plan for resealing of tarred roads was submitted to Infrastructure SA. This entity was unfortunately unable to support the project. The municipality is planning to apply to DBSA for project preparation.

Faded and non-existent road markings are prevalent in most towns in the municipal area especially Welkom, Thabong, Virginia, Meloding, Odendaalsrus, Kutlwanong, Ventersburg, Mmamahabane, Hennenman, Phomolong, Allanridge and Nyakallong. This situation, including the lack of traffic signages in the same areas, pose a serious accident risk to motorists and road users alike.

The municipality has upgraded 15km of gravel roads to paved roads in the Thabong area. The upgraded roads also have a stormwater management system through MIG allocation.

Due to the extent of the backlog of surface roads, the municipality prepared a Business Plan for surfacing of gravel roads to tar and paved roads. The Business Plan was submitted to Infrastructure SA. It was, however, not approved. The municipality is planning to apply to DBSA for project preparation.

Leaking water and sanitation infrastructure also contributes heavily to the rate of deterioration of the roads infrastructure.

Stormwater infrastructure consists of 644 km of stormwater pipelines (98 per cent, 631 km is functional); 88,250 km of lined channels; 9,08km of unlined channels; 1 814 stormwater



manholes (95 per cent, 1 723 manholes are functional); 10,819 catch pits; 4 natural stormwater ponds; and 3,89 km of culverts.

Stormwater systems within the municipality experience frequent blockages due to silting and vegetation growth on channels.

The unavailability of tools of trade and high vacancy rates hampers the ability of the municipality to execute planned maintenance schedules.

6.6 HUMAN SETTLEMENTS AND PLANNING

The Free State Department of Human Settlements has the mandate of developing and implementing human settlements projects within the municipal area. The municipality's task is coordinating, facilitating and ensuring that the projects are implemented successfully. Moreover, the municipality provides land, services and manages beneficiaries.

The Human Settlement Masterplan was approved in 2021 and is due for review.

The households on the waiting list were 40 637 in 2020. There is a total of 103,109 proclaimed stands within the municipal area, and 93 per cent of these are assigned to residential use. Most of the proclaimed stands are in Thabong (28 983), Kutlwanong (11 974) and Meloding (10 525).

There are 4 221 units of municipal rental stock, which consists of flats, personnel houses, Old Age Home and family units (previously hostels). The municipal rental stock is in a very poor state and need urgent rehabilitation.

All the municipal rental stock is managed by 3 municipality personnel. The rentals for family units are in the region of R290 per unit per month. Council 2- and 3-bedroom flats are charged a rental of approximately R2 000 per month. There is inconsistency in billing tenants as some are billed only for accommodation, whilst others are billed for both services consumed as well as accommodation. This situation has created a lot of frustrations and unhappiness amongst the tenants.

The rental recovery is low at approximately 11% of expected income. The municipality is recovering about R211 000 per month out of a possible R1 852 000.

Most of the meters servicing the municipal rental stock are bypassed.

The human settlements projects are compromised by land invasions and the sale of plots by criminal elements which sometimes make it impossible for the municipality to implement



strategic projects. The lack of bylaw enforcement and inadequate security arrangements coupled with insufficient fleet availability is counterproductive to dealing with this problem effectively. The municipality is facing a serious challenge of illegal occupation of its rental stock, which includes houses, hostels and flats resulting in revenue loss and inability to maintain them to an acceptable level. and non-payment of rentals by all including legal occupants. It was found that the only paying tenants are municipal employees whose rentals are deducted from the municipal officials' salaries. resulting in revenue loss and inability to maintain them to an acceptable level. A Legal Advisor must be appointed, who will be mandated to assist with human settlement issues and must be empowered to take any and all necessary steps to prevent the illegal occupation and land invasions including seeking assistance from law enforcement agencies.

There are also township establishments that are yet to be completed. There is limited consultations and coordination within the municipality when townships are established. The result is that accounts are not opened on time and billing is compromised. A Finance Clerk must be seconded to the Department of Human Settlements to assist in updating the billing information, ensuring that the properties are billed correctly and on time, and implementing credit control. Prepaid meters will greatly assist in managing and controlling the consumption in these properties as most of them are not paying for services and meters are bypassed.

Most of the challenges facing the department can be resolved through the appointment of critical staff as the department has over 60 per cent vacancy rate and by improving its planning to cater for population growth. The high vacancy rate will be resolved, in part, through the appointment of the external services provider which will be tasked, inter alia, with the management of the rental stock.

An audit needs to be undertaken to determine land and properties belonging to the Municipality, and subsequently to update the asset register. Unregistered properties have to be registered. The Municipality is in the process of appointing an external service provider to undertake this audit.

The municipal area has 33 (thirty three) informal settlements.



6.7 FRESH PRODUCE MARKET

The municipality owns a Fresh Produce Market which is operated on a good building, but which lacks maintenance. The low maintenance regime has the potential of driving tenants away because of concerns of public health and consequent reduced customer base.

The annual revenue of Fresh Produce Market is R266,000 against annual expenditure of R3 million. The difference is too high between income and expenditure thus rendering efforts of rehabilitating the Fresh Produce Market difficult. The business is not a going concern.

The critical vacancy rate of over 90 per cent has the potential to derail the implementation of progressive strategies by the municipality, which are aimed at resuscitating and improving the performance and the conditions at the Fresh Produce Market.

The operating area also needs proper cleaning, fumigation and pest control and fire extinguishers have not been serviced for some time and the water supply is intermittent.

The Fresh Produce Market can provide a sustainable and substantial revenue to the municipality if the persistent challenges it faces can be quickly addressed. Other challenges include access road which is in a bad state resulting in pallets falling off with fresh produce when transported.

The cold rooms are not working and there is a proliferation of illegal dumping due to unavailability of skips to collect waste and ripening rooms were built by the agents. There is no clear timeline of when these assets will be transferred back to the municipality.

The municipality is trying hard to provide access to the facility to small farmers, a sector that is heavily underrepresented at the moment.

The municipality will have to increase awareness and marketing efforts in order to attract more players and suppliers for purposes of widening its offering and improving the revenue base.

6.8 TRAFFIC AND SECURITY MANAGEMENT

There is a very low traffic officer to vehicle population ratio in the Municipality. There are currently 28 Traffic Officers overseeing a vehicle population of over 400,000. Advertisements for 12 Traffic Officers and 13 Traffic Wardens was placed; closing date is 11 July 2025.

The municipality has an accredited training college for traffic officials, which can offer up to 106 learners per academic year. Unfortunately, the college lacks equipment and resources, and is currently underutilised.



Even though there is lack of accommodation for students, the college was able to offer courses to accommodate sixty (60) and twenty-four (24) learners for the respective financial years of 2024 and 2025. The municipality must investigate the feasibility of establishing a residence for students, which will aid in revenue enhancement.

Delays in calibration of speed cameras (3 x Pro Laser) and alcohol breath analysers (1 x Draeger) have had a huge negative impact in both the reduction of traffic offences and the ability to grow revenue.

The Traffic Officers experience shortages of equipment and basic supplies.

There is also a challenge of Traffic Officers not being able to write traffic infringement offences correctly. This had led to most of the offences being thrown out of Court. Traffic Officers who are not compliant with the Firearm Control Act are not issued with firearms as per the legislation. Consequently, these Traffic Officers face grave danger when they have to apprehend dangerous offenders.

The absence of a dedicated Municipal Court is a hindrance in expediting the adjudication of bylaw infringements and finalisation of cases. The municipality relies on the normal court processes where delays in the finalisation of matters is constantly experienced leading to most of the cases being struck off the roll. The municipality has already benchmarked with Nelson Mandela Bay on the establishment of a Municipal Branch Court. The development of a business plan is in progress, and a site has already identified.

There is high crime rate within the municipal area due to high unemployment rates, which has breached the 50 per cent mark.

The technology used is obsolete, and the infrastructure is inadequate.

Through the appointed service provider, the municipality was able to install sensors on the electricity cables in an effort to curb cable theft.

CCTV cameras and alarms have been installed at most substations.

The municipality is piloting the patenting of streetlights, which will have a unique visual marker making them easily identifiable and traceable. This pilot will commence before end of July 2025. The project is aimed at making streetlight infrastructure easily identifiable when stolen or in possession of unauthorised personnel. Furthermore, the municipality is exploring the possibility of installing CCTV cameras across all the towns, with Welkom used as a pilot.



6.9 FIRE AND RESCUE SERVICES AND DISASTER MANAGEMENT

In terms of the prescribed standards of fire protection coverage, the municipality fails to meet the essential national standards and established minimum standards, which include SANS 10090:2003, for the rendering of a service.

In the township and informal settlement areas of Thabong, Meloding, Kutlwanong, Phomolong, Mmamahabane and Nyakalong, there are no fire hydrants, and none in some areas.

The Municipality has five Fire Stations. Only one out of the five is currently operational; the other four are not operational. Welkom and Virginia Fire Stations are not operational due to the disaster that occurred during January 2025.

Mmamahabane Fire Station is not operational due to theft and vandalism during a strike. Hennenman Fire Station is also not operational due to vandalism. Fire Engines have to respond from Virginia, which will affect the response times as per SANS requirements. There is a significant risk of litigation against the Municipality due to its failure to respond in a timely manner in cases of fire incidents.

Out of five Fire Engines, only two are operational due to mechanical problems. Moreover, these two Fire Engines are now serving the entire Lejweleputswa District.

Fire extinguishers not serviced due to budget constraints.

There is a shortage of staff members, which renders the municipality to be non-compliant with the general guideline of 1(one) firefighter for every 1 000 to 1 500 residents. Due to a shortage of staff, overtime is increasing and becoming unmanageable.

The current state of firefighting services means that at least 70 per cent of the municipal service area and an almost comparable per centage of the community do not have adequate access to fire and emergency services.

Staff members do not have the necessary tools of trade to facilitate the execution of their duties.

There is also an absence of robust infrastructure, including a communications centre. There are outdated control rooms. Upgrading of control rooms will form part of the renovations of the stations affected in the disaster. The municipality has received a grant for the refurbishment.

There is a general lack of awareness about fire incidents and the causes of fire amongst the community, especially communities living in informal settlements.



There is no capacity to offer volunteer brigade services that will train the community to be the first line of defence. To address this gap, the municipality developed a Fire Services Reservists Policy, which is in the process of public consultation, after which it will be approved by Council.

Organogram makes provision for only one employee under Disaster Management, which is an untenable situation. There is also no Disaster Management Centre, which is a requirement as per the Disaster Management Act. The municipality has access to the resources of the District Disaster Management Centre. Challenges with the District Disaster Management Centre is that there is no provision for early warning signs system.

6.10 FLEET MANAGEMENT

The municipality has recently bought a new fleet of more than ninety-six (96) vehicles worth approximately R210 million, which includes twenty seven (27) x refuse collection trucks; thirteen (13) x translation look-aside buffer (tlbs); eleven (11) x tipper trucks; four (4) x front-end loaders; nine (9) x sewerage trailer units; twenty five (25) x bakkies; Fifteen (15) x tractors; one (1) x fire truck; three (3) x graders; four (4) x water tankers; two (2) x cherry pickers and one (1) x jet patcher truck.

Even though the Municipality bought the above-mentioned fleet, there is still a number of redundant and obsolete fleet which is uneconomical to maintain.

There is high fuel usage, which is approximately R3,5 million per month. Compounding this challenge is the absence of internal control to monitor and manage fuel usage including consumables such as tyres.

The fuel depot has been centralised in one place. All the municipal fleet is expected to come and source petrol and diesel from this central place. The consequence of this is that the municipal employees spend too much time on the road going to and coming from the central fuel depot thus negatively affecting their response times and productivity.

1 out of the 6 mechanical workshops functioning. This workshop is in Welkom. The other 5 workshops which are based in Virginia, Alanridge, Odendalrus, Ventersburg and Henneman are not operational.

There are only 2 mechanics servicing the entire municipal fleet. The shortage of staff members coupled with absence of necessary tools of trade and equipment results in low fleet availability due to the long turnaround times for fleet that is being serviced.



There is ineffective and inefficient management of the mechanical workshop.

There is absence of comprehensive fleet management system. The Municipality indicated that the process of purchasing this system is at Municipal Bid Committees, and it is expected that the appointment will be made soon.

6.11 LOCAL ECONOMIC DEVELOPMENT

LED strategy is widely recognised as a tool to enhance and grow local economy and revenue base. The municipality has an LED strategy that was developed in 2019, which now require updating to reflect the current status quo and take into consideration the interventions required to improve municipal growth trajectory.

The economy at the country level, and by extension, within the municipal area is not growing at the requisite rate to counter the high levels of unemployment.

The unemployment rate within the municipal area has breached the 50 per cent owing to the sluggish economic growth and the closure of most of companies that were providing employment opportunities especially in the mining sector. Out of 54 (fifty four) mining shafts, only 4 (four) are still operational, resulting in the reduction of employment opportunities and decline of secondary economies which were directly dependent on mining. The Municipality is developing a small-scale mining by-law to resuscitate the mining sector.

Matjhabeng, a region that produces significant amounts of maize and sunflower, the beneficiation process involves adding value to these primary agricultural products instead of just distributing them as raw materials. The aim is to develop industrial-scale agro-processing activities, which are seen as an essential step to broaden the region's industrial base and move away from its heavy reliance on the declining mining sector. This focus should find expression in the LED strategy.

When updating the LED strategy, particular attention should be paid to the role SMMEs can play in growing the economy and the identification of catalytic projects which serve as an anchor and springboard to greater economic development and kick-starting of downstream economic activities.

The LED strategy will also have to address the challenge of vandalised facilities, which therefore cannot be utilised by SMMEs. The municipality has requested Sibanye Stillwater to fund the renovations, rehabilitation and maintenance of these facilities.



One of the major cornerstones for the revival of the Matjhabeng Local Municipality economy, as identified in the LED strategy, is the township economy. The same strategies were included in the municipal planning documents and are aimed at regulating and assisting the SMMEs in the operation of their business. They include:

- The economic recovery plan, which was approved by Council.
- Matjhabeng Guidelines for Local Economic Development Forum (MLEDF), which was approved by Council.
- Small, Micro & Medium Trading By-law, which was approved by Council. It is yet to be promulgated.
- By-law on township economy, which served at Council and was referred for public participation.

The LED strategy will have to address the problem of businesses shutting down by establishing mechanisms to counter this phenomenon.

The LED strategy will also have to investigate the feasibility and promotion of township economy.

There is a billing challenge within the municipality in relation stalls. The municipality is not collecting 100 per cent of the revenue.

The municipality will have to find a way of increasing capacity of economic services such as water, sewer, roads and electricity as the infrastructure capacity constraints are posing a challenge with attracting investments. As a result, the municipality is unable to approve some of the development projects planned and applied for.

About R17 million is required to finalise the comprehensive feasibility study and a bankable business case which are key pre-requisites for the SEZ designation process by Department of Trade Industry and Competition, and which will pave way for the development an SEZ with a gas mine as an anchor project, development of LNG and helium, and establishment of a chip industry.

An application for the R17 million has been made to Infrastructure South Africa in this regard.



6.12 LAND USE AND BUILDING CONTROL

The SDF, a strategy that guides the growth trajectory of the municipality and to which all other plans should align was approved by Council on 30 May 2023. It covers the period 2022/23 to 2027/28 financial years.

The economy within the municipal area is relatively diversified with three key production sectors, mining (37.9 per cent); government (15.9 per cent); and trade (14.7 per cent). These sectors support output in other industries including construction (2.4 per cent), manufacturing (8 per cent) and transportation (6.2 per cent).

The buildings in main urban centres are in a very poor state and require urgent refurbishment. The CBD area of Welkom is in a state of decay, and this situation drives away investors and businesses.

There is a proliferation of illegal buildings (without approved building plans) and land use transgressions where the use is contrary to the approved zoning of the area.

There is poor enforcement of land use regulations, municipal policies and by-laws, resulting in widespread illegal land use practices.

Municipal rental stock has been illegally occupied, and rentals are not being paid.

The challenge of not being able to enforce by-laws will hasten the rate of decay of the municipality.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
Planning Protocols and Frameworks	<ul style="list-style-type: none"> The Master Plans / CMIP, Asset Management Plans, and Operations and Maintenance Plans for all services are either non-existent or outdated. MLM is unable to predict infrastructure failure and therefore to proactively conduct maintenance. Consequently, MLM's focus is on dealing with emergency repairs. There is no mechanism for project prioritisation. 	<ul style="list-style-type: none"> Outdated master plans and unavailability of asset management plans and O&M plans. 	<ul style="list-style-type: none"> Maintenance expenditure is below the recommended 8 per cent. 	<ul style="list-style-type: none"> Annual Report 2023/24. AFS 2023/24.
Electricity Distribution Losses	<ul style="list-style-type: none"> Electricity losses are higher than the norm of 7-10 per cent at 28 per cent in the 2023/24 FY. 	<ul style="list-style-type: none"> Major contributors are the technical and non-technical losses. There is a shortage of funds to rehabilitate the infrastructure, 	<ul style="list-style-type: none"> Financial constraints to purchase necessary material, such as meters and meter 	<ul style="list-style-type: none"> Annual Report 2023/24. AFS 2023/24.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
		<p>reduce illegal connections and buy, replace and install meters, and meter boxes (to prevent the bridging of meters)</p> <ul style="list-style-type: none"> • Load management is not working thus depriving the municipality to ability make substantial cost savings. • Remote geyser control system is not working 	<p>boxes, to reduce losses due to low collection rates and ineffective revenue collection interventions.</p>	
Water Distribution Losses	<ul style="list-style-type: none"> • Water losses were at 57 per cent in the 2023/24 financial year. 	<ul style="list-style-type: none"> • The biggest contributors are technical and non-technical losses arising from failing infrastructure, pipe bursts and leakages, illegal connections, unmetered areas and dysfunctional meters. 	<ul style="list-style-type: none"> • The municipality does not have a well thought out plan to address the losses, which could be done through developing and implementing a WC/WDM Plan. 	<ul style="list-style-type: none"> • Annual Report 2023/24. • AFS 2023/24.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
Deteriorating Sanitation Infrastructure	<ul style="list-style-type: none"> The sanitation infrastructure is in a dire state leading to constant sewer spillages which pollute the environment and scarce water resources. 	<ul style="list-style-type: none"> Nine (9) of the eleven (11) Wastewater Treatment and thirty four (34) of fifty seven (57) pump stations are not working as evidenced in the municipality's very low Green Drop Score due to lack of investment in the upkeep of sanitation infrastructure. Vandalism and theft are two other factors contributing to the poor state of the sanitation infrastructure. 	<ul style="list-style-type: none"> Lack of planning. Budget constraints. High staff vacancy rate. Absence of tools of trade and vehicles. Theft and vandalism of infrastructure. 	<ul style="list-style-type: none"> Annual Report 2023/24.
Waste Management	<ul style="list-style-type: none"> Whilst service provision has improved, the municipality still does not meet minimum service standards to communities. Landfill sites are not compliant with NEMA, Waste Act and Regulations. Collection of waste both domestic and industrial is done on a weekly basis. 	<ul style="list-style-type: none"> Inadequate number of yellow plants due to breakages. Obsolete and redundant fleet. Lack of infrastructure, especially in remote areas and informal settlements. Depreciating landfill air space. 	<ul style="list-style-type: none"> Staff shortages of critical members. Lack of proper planning. Budget constraints. Theft and vandalism of infrastructure. 	<ul style="list-style-type: none"> Breakaway session and meeting with management, 11 June 2025 at Matjhabeng offices. Draft Environmental Management Plan. IWMP. Fleet Management Report.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> Out of a total of forty one (41) compactor trucks, twenty three (23) trucks are operational, and eighteen (18) trucks are non-operational. No revenue is collected on the landfill sites due to lack of weigh bridges. 	<ul style="list-style-type: none"> Absence of weighbridges at landfills. 		
Roads and Stormwater	<ul style="list-style-type: none"> The status of the road's infrastructure can be deemed to be in a poor to critical state. Road's infrastructure is characterised by potholes. Negatively affects the delivery of services such as waste management. The municipality also has an agreement with local mining to use the road infrastructure to upgrade our specific road networks. 	<ul style="list-style-type: none"> Heavy traffic impacts on the state of the road's infrastructure. Leaking water and sewer pipelines exacerbate the deterioration of infrastructure and reduce its lifespan. Stormwater systems experience frequent blockages due to silting and vegetation growth on channels. Unmaintained tar and gravel roads. 	<ul style="list-style-type: none"> Absence of a Roads and Stormwater Masterplan – the municipality has applied to DBSA for funding. Inadequate maintenance. Inadequate budget. Unavailability of tools of trade. 	<ul style="list-style-type: none"> Breakaway session and meetings with management. Annual Report 2023/24.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> The stormwater infrastructure is in a poor state. 	<ul style="list-style-type: none"> Poor road conditions hasten the deterioration of fleet. 		
Human Settlements and Planning	<ul style="list-style-type: none"> Provision of housing is a Provincial competency; the municipality is providing a facilitation and coordination role. Unavailability of residential sites for low- and high-income housing. Thirty three (33) informal settlements. Rampant land invasion which hampers the municipality to implement strategic projects as envisioned in the IDP and strategic plans. Illegal occupation of municipal rental stock, which includes houses, hostels and flats. 	<ul style="list-style-type: none"> Cripplingly high vacancy rate. 60 per cent vacancy rate (28 of 42 posts filled). Of the unfilled positions, twenty nine (29) are deemed to be critical posts. Human Settlements must be empowered to get assistance from law enforcement, in cases of land invasions and illegal occupation of property. Limitations due to conflicting priorities and fleet limitations within the 24 to 48 hours window. Department to have the capacity of legal advisor and finance clerks. Accounts of municipal properties to be properly accounted for. 	<ul style="list-style-type: none"> Inability to proactively plan for population growth. Inability or unwillingness to fill operational vacancies. Lack of coordination between municipal departments. Budget constraints. Inadequate implementation of by-laws. 	<ul style="list-style-type: none"> Breakaway session and meeting with management, 11 June 2025 at Matjhabeng offices. Annual Report 2023/24.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> Sites being sold by the community illegally. Lack of maintenance of municipal housing stock. Most meters are bypassed in the housing projects. Township establishments that are not yet completed. General plan opened but register not opened to register title deeds. Land and properties audit including infills. 	<ul style="list-style-type: none"> Insufficient consultation between departments on township establishment and on opening of accounts and billing. 		
Local Economic Development	<ul style="list-style-type: none"> LED strategy has been recognised as a tool to enhance and grow local economy and revenue base. Facilitate implementation of catalytic projects that will accelerate investment. 	<ul style="list-style-type: none"> The economy is not growing at the requisite rate and high unemployment rate (> 50 per cent) in the municipal area. Poor maintenance of facilities driving lessees away. Businesses shutting down. 	<ul style="list-style-type: none"> The challenge with attracting investment is infrastructure capacity constraints on basic services such as water, sewer, roads and electricity. 	<ul style="list-style-type: none"> Breakaway session and meeting with management, 11 June 2025 at Matjhabeng offices. Annual Report 2023/24.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> Promote small scale mining, agricultural development and agro-processing. Need strong emphasis on SMMEs. LED strategy was developed in 2019 and requires updating to reflect the current status quo and the updated interventions required to improve Municipal growth trajectory. Projects identification will form part of the LED strategy review process. Stalls - municipality not collecting 100 per cent of the revenue. Water supply is intermittent in the whole municipality. 	<ul style="list-style-type: none"> Out of 54 mining shafts, only 4 are still operational resulting in a reduction in employment opportunities. No strategy on promoting township economy. SDF approach require nodal/ focus areas prioritisation because there are no resources to support them. R17m required to finalise prefeasibility study that will look into, inter alia. <ul style="list-style-type: none"> SEZ, gas mine, as an anchor project. LNG and Helium project. Chip industry. 	<ul style="list-style-type: none"> Due to the above, the municipality cannot process and approve land development applications. 	
Fresh Produce Market	<ul style="list-style-type: none"> Good building but lacks maintenance. Over 90 per cent vacancy rate. 	<ul style="list-style-type: none"> Insufficient marketing of the market. 	<ul style="list-style-type: none"> Insufficient budget. Insufficient number of staff members. 	<ul style="list-style-type: none"> Breakaway session and meetings with management. Annual Report 2023/24.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> Operating area needs proper cleaning. No fumigation and pest control. Fire extinguishers need service. There is no signage. Cold rooms are not working. No water supply for extended period of over two weeks at a time. Insufficient roads maintenance – proliferation of potholes resulting in pallets falling off with fresh produce causing financial losses for the agents and the municipality. Ripening rooms built by agents but not clear when the assets will be transferred back to the municipality. Insufficient number of small holder farmers utilising the market. 	<ul style="list-style-type: none"> Inaccessibility of market to other players such as small-scale farmers. Market has the potential to be a source of constant and reliable revenue for the municipality. Lack of maintenance will drive tenants and buyers away leading to a further deterioration of the ability of the market to generate revenue. Illegal dumping of waste done at the fresh produce market. The Fresh Produce Market does not have skips. 		



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
Fire, Rescue Services and Disaster Management	<ul style="list-style-type: none"> The municipality has five (5) Fire Stations. Only one (1) out of the five (5) are currently operational. Welkom and Virginia Fire Station were affected by the disaster that occurred in January 2025. Mmamahabane Fire Station is not operational due to theft and vandalism during a strike. Hennenman Fire Station is also not operational due to vandalism. The engine must respond from Virginia. Staff members do not have the necessary tools of trade to facilitate the execution of their duties. Specialised fleet inadequate as a mechanism to affect service delivery. Lack of the basic specialised PPE for Fire Fighters. 	<ul style="list-style-type: none"> Not compliant with the general guideline of one (1) firefighter for every 1 000 to 1 500 residents. Litigation against municipality for delayed response to fires. Due to the shortage of staff overtime is increasing and it becomes a problem due to budget constraints. Lack of reservist or volunteer policy. Lack of robust infrastructure including communications center. Lack of credible fire risk assessment. Lack of resources and equipment. The low number of vehicles affects productivity levels of staff members and teams that could be deployed 	<ul style="list-style-type: none"> Skills and capacity gaps. Vacancy rate of over 90 per cent. Insufficient funding for fire services. Department is reactive and not proactive in dealing with safety issues. Low revenue generating capacity of the function serves as a disincentive for decision makers to provide adequate funding for the function. 	<ul style="list-style-type: none"> Breakaway session and meetings with management. Annual Report 2023/24.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> Shortage of Fire Engines impact on the response time as per SANS. Out of five Fire Engines only two are operational due to mechanical problems. Municipality also services the District Municipal area with a limited fleet. Fire extinguishers are not serviced due to budget constraints. Municipality developed a Fire Preparedness Plan. Inadequate access to reliable supply of water. In the township and informal settlement areas of Thabong, Meloding, Kutlwanong, Phomolong, Mmamahabane and Nyakalong, there are only few fire hydrants, and none in some areas. 	<p>to simultaneously deal with service delivery challenges.</p> <ul style="list-style-type: none"> Outdated control rooms. No early warning system for disasters. The section has an occupancy rate of only fifty seven (57) Firefighters for a population of just below 500 000. Lack of awareness amongst community, especially communities living in informal settlements. 		



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
Traffic Management	<ul style="list-style-type: none"> • Low traffic officer to vehicle population ratio. • Organogram caters for 42 traffic officers (28 filled) vs approx. 400,000 vehicle population. • The municipality has a training college for traffic officials, which is accredited and can offer up to 106 learners per academic year. • Lack of accommodation for students (Revenue stream) – 60 and 24 learners for 2023 and 2024 FY. • Delays in calibration of speed cameras and alcohol breath analysers. • Lack of own Municipal Branch Court as traffic cases are not prioritised at Court. 	<ul style="list-style-type: none"> • No dedicated Municipal Court. • College is under-utilised, has potential to generate revenue for the municipality. • Shortage of resources at the college. • General lack of resources and equipment such vehicles and basic supplies. • Lack of firearms poses a grave risk to officers especially when they have to apprehend dangerous offenders. • Charges and traffic fines are not cost reflective. • Challenges with court processes, which sometimes delay the enrollment of cases. 	<ul style="list-style-type: none"> • Budget constraints. • Non devolution of powers to municipal Traffic Officers as Transport Officers. • Performance affected by matters outside their control such as the court processes. 	<ul style="list-style-type: none"> • Breakaway session and meetings with management. • Annual Report 2023/24.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
		<ul style="list-style-type: none"> Cases removed from the roll - approximately 15 per month. Inaccurate writing of traffic infringement tickets. 		
Security Management	<ul style="list-style-type: none"> High vacancy rate. The municipality appointed a service provider in 2024 for installation of electronic equipment and for safeguarding critical municipal infrastructure. Refresher training for enforcement officers – need to be trained on PAIA, firearm competency. Installed sensors on the electricity cables, CCTV in substations. Patenting the streetlights – system to be installed before end of July 2025. 	<ul style="list-style-type: none"> Inadequate infrastructure. Ageing / obsolete technology. High rate of theft and vandalism of critical infrastructure. 	<ul style="list-style-type: none"> Budget constraints which lead to shortage of personnel, equipment and resources. Poorly maintained buildings and infrastructure hinder the ability of security departments to perform their duties effectively. High unemployment rate in the municipal area. 	<ul style="list-style-type: none"> Breakaway session and meetings with management. Annual Report 2023/24.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
Repairs and Maintenance	<ul style="list-style-type: none"> Infrastructure failure due to lack of or insufficient level of infrastructure renewal, which is below the norm of 8 per cent of the carrying value of PPE. The municipality underspends allocated budget on R&M. 	<ul style="list-style-type: none"> The high water and electricity losses are indicative of low levels of maintenance. No asset management plans. No O&M plans. Road's infrastructure is characterised by potholes. Storm water infrastructure is poor. Faded or non-existent road marking and signage. Insufficient number of staff members. 	<ul style="list-style-type: none"> Lack of planning to reduce the losses. Management oversight lacks in ensuring that R&M budget is fully spent. Unavailability of operations and maintenance plans. Insufficient budget allocated to repairs and maintenance. 	<ul style="list-style-type: none"> Annual Report 2023/24. AFS 2023/24.
Tools of Trade - Fleet Management	<ul style="list-style-type: none"> No fleet management plan in place. Vacancy rate is over 80 per cent. Staff members do not have the necessary tools of trade to facilitate the execution of their duties. 	<ul style="list-style-type: none"> Ineffective and inefficient management of the mechanical workshop. Only two mechanics to deal with the entire fleet of MLM. 	<ul style="list-style-type: none"> No proper fleet management SOPs and plans. Workshops do not have adequate tools of trade. Budget constraints. 	<ul style="list-style-type: none"> Break-away sessions with management. May 2025 Fleet Report.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> Fleet inadequate as a mechanism to affect service delivery. Example TLB sometimes used to prepare for burial whilst service departments also need it urgently. No warranties on the new fleet as it is fixed by municipal workshops when broken. 1 out of the 6 mechanical workshops functioning (Welkom, Virginia, Alanridge, Odendalrus, Ventersburg and Henneman) Poor road conditions. Full fleet management solution tender is at adjudication stage. Fuel distribution centralised in Welkom. All vehicles have to travel from the other areas. 	<ul style="list-style-type: none"> Lack of comprehensive fleet management system. Fleet availability is very low at any point in time. Inadequate number of technical staff members such as mechanics and hydraulic specialists. Turnaround time, with available fleet, is beyond 48 hours. Poor vehicular maintenance. Obsolete and redundant fleet (Dept prepared a report on all redundant and obsolete fleet. Finance to finalise the asset register against the physical verification of existing fleet) Lack of resources and equipment. The low number of vehicles affects productivity levels of staff members and teams that could be deployed 	<ul style="list-style-type: none"> Unavailability of spares. Vehicles are uneconomical to operate and maintain or suitable for service delivery. Delays in SCM process increase turnaround times for repairs. Delays in payment for repairs and fuel reduce the number of available fleet. Poor supervision. No spares in the mechanical workshop. 	



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none"> During travelling, there is a loss of productive hours and consumption of fuel to travel back and forth. Fleet Manager not working in the Fleet Department. Fleet Officer seconded in the Political Office. 	<ul style="list-style-type: none"> to simultaneously deal with service delivery challenges. Obsolete and redundant fleet. 		
Stock / Inventory Management	<ul style="list-style-type: none"> There are no stores. The service departments have no control over stores. Stores items turnaround time are too long and not aligned with day-to-day requirements. Bulk buying of especially frequently used stock which might attract discounts is not adequately happening within the municipality. 	<ul style="list-style-type: none"> Stores do not keep items that the electricity department requires for their day-to-day operational requirements. Stock items required by the water services department are not available most of the time. Stock availability - staff cannot do work resulting in procuring an external service provider. Roads and Stormwater Department - no equipment to unblock 	<ul style="list-style-type: none"> Inadequate and inefficient demand management processes. Budget constraints. 	<ul style="list-style-type: none"> Breakaway session and meetings with management. Annual Report 2023/24.



Focus Area	Brief Diagnostic Analysis	Key Issues	Root Causes	Source of Information
	<ul style="list-style-type: none">Due to absence and / or inappropriate stock such as PPE, there have been many fatalities.	stormwater and undertake road infrastructure repairs.		



7. CONCLUSION

MLM faces an existential crisis rooted in deep-seated structural, economic, institutional, and governance failures. The SQA confirms that MLM is facing significant operational challenges and is also financially distressed, with systemic breakdowns across all municipal pillars.

The core issue is the deterioration of the local economic base, historically dependent on gold mining, which has triggered a vicious cycle of mass unemployment, poverty, service delivery failure, and revenue erosion. This economic decline is compounded by weak governance, inadequate contract management and consequence management, and an organisational structure with a 47 per cent vacancy rate and capacity gaps in key skill areas.

As declared by the Free State High Court in the quoted matter, MLM, as a result of a crisis in its financial affairs, is in serious or persistent material breach of its obligations to provide basic services and to meet its financial commitments. From the analysis conducted, it is evident that all four pillars of sustainability are under significant strain, undermining MLM's overall institutional and service delivery performance.

The Matjhabeng Municipality has breached section 152(2) of the Constitution, in failing to act, within its financial and administrative capacity to:

1. Ensure the provision of services to its community in a sustainable manner.
2. Promote social and economic development.
3. Promote a safe and healthy environment, and its conduct is declared invalid to the extent of these inconsistencies.

The municipality operates with budget credibility challenges, with the operating deficit of R525 million in 2023/24, a low collection rate averaging 41 per cent, and escalating debt, most notably over R14.6 billion owed to Eskom and Vaal Central Water Board.

As at June 2024, the municipality recorded unauthorised, irregular, fruitless, and wasteful expenditure amounting to R4.7 billion. This figure, alongside repeat audit findings spanning five consecutive years, demonstrates persistent weaknesses in the municipality's control environment. However, the Auditor-General's 2023/24 reports reflect some progress, indicating that certain remedial measures may be starting to yield results.

Infrastructure sustainability remains a concern, with maintenance investment at 0.9 per cent of the total asset value. This limited spending has contributed to elevated levels of water and



electricity losses, recorded at 57 per cent and 28 per cent, respectively, in the 2023/24 financial year.

Institutionally, the municipality suffers from outdated operating models and a lack of change management capacity. Governance structures are in place but continue to face implementation challenges, with the Disciplinary Board reported as underutilised and oversight mechanisms requiring strengthening. Litigation liabilities have risen to over R9.3 billion, driven in part by continued non-compliance with procurement procedures. This trend underscores the need for strengthened legal oversight and improved adherence to regulatory frameworks to mitigate future financial exposure.

In conclusion, the municipality's current state is concerning, with the SQA revealing substantial risks to its going-concern status and overall financial viability. The assessment identifies systematic challenges in revenue management and expenditure control, driven by under-recovery from tariffs, persistently inadequate collection rates, and expenditure levels that exceed available cash resources. These challenges are further compounded by significantly high water and electricity distribution losses.

In light of the seriousness of these challenges, the SQA will form the foundation for the development of a mandatory FRP and an associated implementation plan. The FRP will outline a targeted and systematic intervention framework aimed at addressing the root causes of the municipality's financial and operational instability. It will serve as a critical instrument to guide the municipality towards financial recovery, improved service delivery, and long-term sustainability.



8. ANNEXTURE A: FINANCIAL RATIO ANALYSIS

Ratio Analysis Report			Restated		Audited	YTD and M12 Adjusted Budget	Budget		
		Norm	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
FINANCIAL POSITION									
Asset Management/ Utilisation									
1	Capital Expenditure to Total Expenditure	10% - 20%	2.7	5.6	3.7	7.4	3	5.2	5.2
2	Impairment of Property, Plant and Equipment, Investment Property, and Intangible assets (Carrying Value)	0%	0	0	0				



Ratio Analysis Report			Restated		Audited	YTD and M12 Adjusted Budget	Budget		
		Norm	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%	0.5	0.7	0.9	1.4	4.9	7.6	7.6
Debtors Management									
1	Collection Rate	95%	83	56.5	42.3	57.2	90.1	84.5	84.5
2	Bad Debts Written off as % of Provision for Bad Debt	100%	0	0	50	0	0	0	0
3	Net Debtors Days	30 Days	198.7	245.6	285.6	599.2	129.9	1 305.3	1 305.3
Liquidity Management									
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months	0	0	-0.1	1.8	10.9	0.1	0.1



Ratio Analysis Report			Restated		Audited	YTD and M12 Adjusted Budget	Budget		
		Norm	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
2	Current Ratio	1.5 - 2:1	0.3	0.3	0.3	0.7	1.7	1.4	1.4
Liability Management									
1	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6%-8%	4.2	7.7	5.4	0.6	4.6	4.9	4.9
2	Debt (Total Borrowings) / Revenue	45%	0	0	0	0	0	0	0
FINANCIAL PERFORMANCE									
Efficiency									
1	Net Operating Surplus Margin	>=0%	-54.8	-47	-21.4	35.6	0.3	9.5	9.5
2	Net Surplus /Deficit Water	>=0%	-55.5	-65.4	-72.2	39.5	-13.5	25.2	25.2



Ratio Analysis Report			Restated		Audited	YTD and M12 Adjusted Budget	Budget		
		Norm	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
3	Net Surplus/ Deficit Electricity	>=0%	-71.8	-41.1	-46.3	32.4	-61.1	-66.4	-66.4
4	Net Surplus/ Deficit Refuse	>=0%	-98.6	-32.1	-20.8	49.7	-20.1	29.1	29.1
5	Net Surplus/ Deficit Sanitation and Wastewater	>=0%	-60.5	-17.8	32.2	61.6	1.3	26.2	26.2
Distribution Losses									
1	Electricity Distribution Losses (Percentage)	7-10%	24	24	28				
2	Water Distribution Losses (Percentage)	15-30%	55	45	57				
Revenue Management									



Ratio Analysis Report			Restated		Audited	YTD and M12 Adjusted Budget	Budget		
		Norm	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
1	Growth in Number of Active Consumer Accounts	None							
2	Revenue Growth (%)	CPI	0	9.4	28.7	-0.4	19.8	2.1	6
3	Revenue Growth (%) - Excluding capital grants	CPI	0	10.4	27.9	-0.2	21.8	1.2	6
Expenditure Management									
1	Creditors Payment Period (Trade Creditors)	30	2 924.3	4 302.2	3 524	4 106.1	956.8	2 991.8	2 991.8
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%	103	107	109				



Ratio Analysis Report			Restated		Audited	YTD and M12 Adjusted Budget	Budget		
		Norm	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
3	Remuneration as % of Total Operating Expenditure	25% - 40%	21.8	23.7	22.1	43.5	24.2	26.1	26.1
4	Contracted Services % of Total Operating Expenditure	2% - 5%	7.4	3.6	3.6	5.8	2.9	2.6	2.6
Grant Dependency									
1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None	21.8	52.2	15.9	10.2	20.4	4.6	4.6
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None	21.8	52.2	15.9	10.2	20.4	4.6	4.6



Ratio Analysis Report			Restated		Audited	YTD and M12 Adjusted Budget	Budget		
		Norm	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
3	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	None	74.4	74.8	77.5	74.8	80.2	79.8	79.8



9. ANNEXURE B: KEY AUDIT FINDINGS

Auditor General Findings	2021/22	2022/23	2023/24
Audit Outcome	Qualified	Qualified	Qualified
Basis of qualification	<ul style="list-style-type: none"> Inadequate processes to bill service charges, consumers billed for extended periods based on estimates. 	<ul style="list-style-type: none"> Inadequate processes to bill service charges, unable to obtain sufficient appropriate audit evidence for the sale of electricity and water included in the service charges. 	<ul style="list-style-type: none"> Inadequate processes to bill service charges, unable to obtain sufficient appropriate audit evidence for the sale of electricity and water in the service charges. Consumers billed for extended periods based on estimates.
	<ul style="list-style-type: none"> The municipality did not correctly account for trade payables in terms of GRAP 1 Presentation of Financial Statements. Resulted in overstatement of trade payables by R284.4 million. 	<ul style="list-style-type: none"> Incorrect accounting for trade payables due to the municipality not recording the supplier's invoices in the account of the municipality for the corresponding period, resulting in understatement by R 49.1 million. 	<ul style="list-style-type: none"> No finding made.
	<ul style="list-style-type: none"> Incorrect accounting for general expenses resulting in general expenses and payables from exchange transactions understated by R42 	<ul style="list-style-type: none"> No finding made. 	<ul style="list-style-type: none"> No finding made.



Auditor General Findings	2021/22	2022/23	2023/24
	779 622.		
	<ul style="list-style-type: none"> Incorrect accounting for contracted services resulting in understatement by R 42 233 348. 	<ul style="list-style-type: none"> No finding made. 	<ul style="list-style-type: none"> No finding made.
Key Issues	<ul style="list-style-type: none"> Material uncertainty regarding going concern. Owing Eskom R4 763 944 657 and owing Water Board R4 897 035 157. Total liabilities exceed total assets by R8 488 199 916. 	<ul style="list-style-type: none"> Material uncertainty relating to going concern. Municipality incurred a net loss of R1 115 679 647. Total liabilities exceed total assets by R4 763 669 846. 	<ul style="list-style-type: none"> Material uncertainty regarding going concern. Accumulated deficit of R4 589 616 857. Total Liabilities exceeds assets by R 4 589 616 857.
	<ul style="list-style-type: none"> Receivables from exchange transactions and receivables from non-exchange transactions impaired by R4 307 324 970. 	<ul style="list-style-type: none"> Receivables from exchange transactions and receivables from non-exchange transactions were impaired by R4 495 08 681. 	<ul style="list-style-type: none"> Receivables from exchange transactions and receivables from non-exchange transactions were impaired by R5 128 242 232.
	<ul style="list-style-type: none"> AFS not prepared in material aspects of section 122(1) the MFMA. 	<ul style="list-style-type: none"> AFS not prepared in material aspects in terms of section 122(1) of the MFMA. 	<ul style="list-style-type: none"> AFS not prepared in material aspects in terms if section122(1) of the MFMA.
	<ul style="list-style-type: none"> Unauthorised expenditure of R1 474 880.00 due to overspending of the budget. Not 	<ul style="list-style-type: none"> Unauthorised expenditure of R1 067 576.615 due to overspending of the budget. Not investigated. 	<ul style="list-style-type: none"> Unauthorised expenditure of R1,049,514,055 due to overspending of the budget. Not investigated.



Auditor General Findings	2021/22	2022/23	2023/24
	<ul style="list-style-type: none"> investigated. Irregular Expenditure of R 307 922 701 due to non-compliance to SCM regulations. Not investigated. Fruitless and Wasteful Expenditure of R180 736 297 due to interest and penalties charged. Not investigated. 	<ul style="list-style-type: none"> Irregular Expenditure of R 146 754 378 due to non-compliance to SCM regulations. Not investigated. Fruitless and Wasteful Expenditure of R 339 841 917 due to interest and penalties charged. Not investigated. 	<ul style="list-style-type: none"> Irregular Expenditure of R 61,112,599. Not investigated. Fruitless and Wasteful Expenditure of R 578,865,947 due to interest and penalties charged.
	<ul style="list-style-type: none"> Underspending of conditional grant by R191 001 126. 	<ul style="list-style-type: none"> Underspending of conditional grant by R 118 957 275. NT withholding R75 100 000 arrangement for repayment unspent conditional grant. 	<ul style="list-style-type: none"> Underspending of conditional grant by R75 896 091. NT withholding R20 007 000 equitable share. Arrangement for repayment of unspent conditional grant.
Distribution losses - Water	<ul style="list-style-type: none"> R 324 million (55 per cent) 	<ul style="list-style-type: none"> R 240 million (45 per cent) 	<ul style="list-style-type: none"> R 418 million (57 per cent)
Distribution losses - Electricity	<ul style="list-style-type: none"> R 128 million (24 per cent) 	<ul style="list-style-type: none"> R 89.4 million (24 per cent) 	<ul style="list-style-type: none"> R 204 million (28 per cent)