

ITEM: A31/2026

**OVERSIGHT REPORT BY THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
(MPAC) ON THE 2024/2025 ANNUAL REPORT OF MATJHABENG LOCAL**

Portfolio Comm: MPAC
File Ref:

Demarcation: All Ward
Delegation: Council

Attachments

Item A31 – AC report to MPAC on 24/25 Annual report
Item A31 – Interrogation Minutes
Item A31 - Public Participation Minutes

Report from:

Speaker

Author:

Chairperson of MPAC

Date:

31st March 2026

PURPOSE OF THE REPORT

To submit to Council the Municipal Public Accounts Committee's (MPAC) Oversight Report on the **2024/2025 Annual Report** of Matjhabeng Local Municipality, in compliance with the requirements of the Municipal Finance Management Act (MFMA).

INTRODUCTION

The Municipal Finance Management Act, 2003 (Act No. 56 of 2003) assigns specific oversight responsibilities to municipal councils regarding the consideration of annual reports and the adoption of oversight reports.

In terms of section 129 of the MFMA, the Council is required to consider the Annual Report of the municipality and any municipal entity under its sole or shared control. The Council must, within two (2) months from the date on which the Annual Report was tabled in terms of section 127 of the MFMA, adopt an Oversight Report containing Council's comments on the Annual Report.

The Municipal Public Accounts Committee (MPAC) performs a critical oversight function on behalf of Council by considering the Annual Report, receiving representations from relevant stakeholders, and preparing a draft Oversight Report for consideration and adoption by Council.

BACKGROUND

Council oversight is a fundamental component of the broader public financial management reform agenda aimed at strengthening accountability, transparency, and good governance within municipalities. Effective oversight is achieved through a clear separation of roles and

responsibilities between the legislative (Council), executive, and administrative arms of the municipality.

Non-executive councillors are responsible for maintaining oversight over the exercise of powers and performance of functions delegated to the Executive. Through this oversight responsibility, Council ensures accountability for both performance and non-performance in relation to service delivery, financial management, and governance obligations of the municipality.

The MPAC serves as a key mechanism through which Council exercises its oversight responsibility by interrogating the Annual Report and assessing the extent to which the municipality has achieved its strategic objectives, complied with legislative requirements, and utilised public resources in an economical, efficient, and effective manner.

FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The core functions of MPAC in relation to the Annual Report process include the following:

- Undertaking a detailed review and analysis of the Annual Report.
- Inviting, receiving, and considering inputs and comments from Councillors and Portfolio Committees regarding the Annual Report.
- Considering written submissions received from the public participation process in respect of the Annual Report.
- Conducting public hearings to provide the local community, interested stakeholders, and organs of state with an opportunity to make representations on the Annual Report.
- Receiving and considering the views and recommendations of Council's Audit Committee regarding the Annual Report.
- Preparing the Draft Oversight Report, taking into account inputs from the Auditor-General of South Africa, organs of state, Council's Audit Committee, Councillors, and members of the public.

MPAC FINDINGS

Having considered the **2024/2025 Annual Report** of Matjhabeng Local Municipality, together with inputs from the Auditor-General of South Africa, Council's Audit Committee, management, stakeholders and the public participation process, the Municipal Public Accounts Committee (MPAC) makes the following findings:

1. Legislative Compliance

The Annual Report was prepared and tabled in accordance with sections **121 and 127 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)**. The report provides

information relating to performance against predetermined objectives, financial performance and governance matters for the 2024/2025 financial year.

2. Integrated Development Plan (IDP) Process

MPAC confirms that the Integrated Development Plan (IDP) processes followed by the municipality complied with statutory requirements. The draft IDP was tabled before Council on 26 March 2024 and subsequently published for public comment on 28 March 2024. The final IDP was adopted by Council on 31 May 2024 and publicised on 7 June 2024.

3. Budgetary Processes

The municipal budgeting process was conducted in accordance with the provisions of the MFMA, including stakeholder consultation processes. Public consultations were undertaken between 17 April 2024 and 17 May 2024, and the final budget was adopted by Council on 31 May 2024.

4. Service Delivery and Budget Implementation Plan (SDBIP)

MPAC is satisfied that the Service Delivery and Budget Implementation Plan (SDBIP) processes were followed in compliance with legislative requirements. The adjusted SDBIP was tabled before Council and adopted on **27 February 2024**.

5. Annual Report Process

The Annual Report for the 2024/2025 financial year was initially tabled before Council on 30 January 2026, where Council noted the report. The report was subsequently tabled and adopted by Council on 26 February 2026 and referred to MPAC for oversight consideration.

The Annual Report was made public through placement at municipal offices, libraries within the jurisdiction of the municipality, and publication on the municipal website. MPAC confirms that public notice requirements were complied with.

MPAC adopted the programme for departmental interrogations and public participation at its meeting held on 27 February 2026.

6. Departmental Oversight Interrogations

MPAC conducted departmental oversight interrogations on performance information contained in the Annual Report on the following dates:

DEPARTMENT	DAY	DATE	TIME
Strategic Support Dept.	Tuesday	03 March 2026	10h00
Finance Department	Wednesday	04 March 2026	09h00
Corporate Department	Wednesday	04 March 2026	14h00
Infrastructure Department	Thursday	05 March 2026	09h00
Human Settlement Dept.	Thursday	05 March 2026	14h00
LED Department	Friday	06 March 2026	09h00
Corporate Department	Friday	06 March 2026	11h00
Community Services	Friday	06 March 2026	14h00

Minutes of the proceedings are attached as Annexure A.

The actual interrogations took place as follows.

DEPARTMENTAL INTERROGATIONS

1. Strategic Support Department (03 March 2026)
2. Finance Department (04 March 2026)
3. Local Economic Development (05 March 2026)
4. Infrastructure Department (05 March 2026)
2. Human Settlement Department (05 March 2026)
6. Corporate Department (06 March 2026)
7. Community Services (06 March 2026)

Final schedule for the public participation by MPAC in preparation of the OVERSIGHT report for the financial year 2024/2025

TOWN	DAY	DATE	TIME
ALLANRIDGE/NYAKALLONG	MONDAY	09 March 2026	16h30
ODENDAALSRUS/KUTLWANONG	MONDAY	09 March 2026	16h30
HENNENMAN/PHOMOLONG	TUESDAY	10 March 2026	16h30
VENTERSBURG/MMAMAHABANE	TUESDAY	10 March 2026	16h30
VIRGINIA/MELODING	WEDNESDAY	11 March 2026	16h30
WELKOM/THABONG	WEDNESDAY	11 March 2026	16h30

KEY FINDINGS BY MPAC

1. Financial Management and Audit Findings

The Committee noted recurring audit findings relating to:

- Material misstatements in financial statements
- Weak internal controls in:
 - Asset management
 - Revenue management, particularly reliance on estimated billing
 - Cash flow management and reporting
- Continued non-compliance with MFMA requirements, including:
 - Late payment of creditors beyond 30 days
 - Weak implementation of consequence management

2. Revenue Management and Billing Challenges

The Committee observed significant weaknesses in revenue management systems, including:

- Heavy reliance on estimated billing, negatively affecting revenue accuracy
- Outdated and non-functional metering infrastructure
- Significant water and electricity distribution losses

- Low revenue collection rate of approximately **41%**

3. Irregular, Fruitless and Wasteful Expenditure

Recurring irregular expenditure remains a concern, mainly due to:

- Non-compliant procurement processes
- Weak Supply Chain Management controls
- Continued use of problematic contracts without corrective action

4. Governance and Institutional Capacity

The Committee noted governance weaknesses, including:

- Poor implementation of Council resolutions (estimated implementation rate of approximately 22%)
- High vacancy levels in critical senior management positions
- Overreliance on acting appointments
- Weak performance accountability mechanisms

5. Infrastructure and Service Delivery Challenges

Persistent service delivery challenges were identified, including:

- Water leakages and sewer spillages
- Electricity supply interruptions
- Deteriorating waste management infrastructure
- Poor maintenance of municipal infrastructure
- Increased incidents of vandalism and theft of municipal assets

6. Audit Readiness and Information Management

The Committee observed shortcomings relating to:

- Failure to provide complete and credible information to the Auditor-General
- Weak internal audit capacity
- Inadequate compliance monitoring mechanisms

7. Material Irregularities Identified by the Auditor-General

Material irregularities identified include:

- Water distribution losses estimated at approximately **R1.8 billion**
- Attenuation dam project referred for investigation
- Wastewater treatment plant compliance challenges
- Debt collection contract commissions estimated at approximately **R253 million**

KEY RISKS IDENTIFIED

The Committee identified the following strategic risks:

- Continued regression in audit outcomes
- Financial instability due to weak revenue collection
- Deterioration of critical infrastructure
- Increased legal exposure arising from non-compliance
- Institutional instability due to governance weaknesses

MPAC RECOMMENDATIONS

Having considered the Annual Report and all inputs received, MPAC recommends that Council **RESOLVES** as follows:

1. Financial Management and Compliance

1. The Municipal Manager must submit a comprehensive Audit Action Plan addressing all Auditor-General findings within 60 days of adoption of this report.
2. Management must implement strengthened financial controls to prevent recurring material misstatements.
3. The Municipality must ensure compliance with the 30-day payment requirement in terms of MFMA.

2. Revenue Enhancement

4. The Municipality must develop and implement a Metering and Billing Improvement Plan within 90 days, including:
 - Replacement of dysfunctional meters
 - Reduction of estimated billing practices
5. The Municipality must implement strategies to increase the revenue collection rate from 41% to at least 70% within 12 months.

3. Irregular Expenditure and Supply Chain Management

6. All contracts contributing to irregular expenditure must be reviewed and corrective action implemented within **90 days**.
7. Supply Chain Management controls must be strengthened to ensure compliance with legislative requirements.
8. Deviations from procurement processes must be properly justified, documented and not recurring.

4. Governance and Accountability

9. All senior managers must sign performance agreements within **30 days**, failing which disciplinary action must be considered.
10. Quarterly reports must be submitted to MPAC on progress made in implementing Council resolutions.
11. Consequence management must be strengthened to address repeat audit findings and non-performance.

5. Infrastructure and Service Delivery

12. Management must develop a Service Delivery Recovery Plan within 60 days, addressing:

- Water leaks and sewer spillages
- Electricity supply interruptions
- Road maintenance backlog

13. A centralised complaints management system must be established within 30 days.

6. Infrastructure Protection

14. Measures must be implemented to reduce vandalism and theft of municipal infrastructure within 12 months, including:

- Deployment of security services
- Improved monitoring systems
- Timely payment of security service providers

7. Human Settlements and Land Management

15. A municipal land audit must be conducted within **6 months**.

16. The Municipality must accelerate the allocation and development of serviced stands.

17. The Municipality must promote local economic participation in municipal projects.

8. Institutional Capacity

18. Critical vacancies must be filled within **90 days**.

19. Employee wellness programmes must be strengthened to address absenteeism and organisational productivity.

20. Internal audit and compliance monitoring functions must be strengthened.

9. Monitoring and Oversight

21. MPAC must conduct quarterly oversight reviews on the implementation of Council resolutions.

22. The Municipal Manager must submit monthly progress reports to MPAC.

CONCLUSION

The municipality is currently operating in a constrained governance and financial environment requiring urgent and decisive corrective action. Effective implementation of the above recommendations will contribute to:

- Improved governance and accountability
- Strengthened financial management
- Enhanced service delivery performance
- Improved audit outcomes

FURTHER RECOMMENDATION TO COUNCIL

Council is requested to:

1. **ADOPT** the **2024/2025 Annual Report** of Matjhabeng Local Municipality.
2. **ADOPT** the **MPAC Oversight Report** in terms of section 129 of the MFMA.
3. **APPROVE** the recommendations contained in this report.
4. **MANDATE** the Accounting Officer to ensure immediate implementation and reporting on progress.