

LETSEMENG LOCAL MUNICIPALITY: OVERSIGHT REPORT 2024/2025

INTRODUCTION

1.1 Background

Oversight report is prepared in accordance with MFMA Section 129

1.2 Purpose

To consider the Letsemeng Local Municipality's annual report for the 2024-2025 financial year and to compile an Oversight Report containing Council comments on the Annual Report in terms of section 129(1) of the local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (hereafter referred to as the MFMA).

1.3 Regulatory Requirements

1.3.1 Section 121(1) of the MFMA stipulates the following:

Every Municipality must for each financial year, prepare an Annual Report. The Council must within nine months after the end of a financial year deal with the annual report of a municipality in accordance with section 129 of the MFMA.

1.3.2 Section 121(2) of the MFMA states that the purpose of an annual report is:

- (a) To provide a record of the activities of the municipality during the financial year to which the report relates.
- (b) To provide a report on performance against the budget of the municipality for the financial year, end
- (c) To promote accountability to the local community for the decision

1.3.3 Section 121(3) of the MFMA state that the annual report of the municipality must include:

- (a) The annual financial statement of the municipality, and in addition, if section 122(2) applies consolidation annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(3);
- (b) The Auditor-General audit report in terms of section 126(3) on those financial statements
- (c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the municipal System Act;

- (d) The Auditor-General's audit report in terms of section 45(b) of the Municipality System Act, Act 32 of 2000,
- (e) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and services charges;
- (f) An assessment by the Municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section 17(3) for revenue from each source and each vote in the municipality's approved budget financial year;
- (g) Particulars of any corrective action taken or to be taken in response to issues raised in the Audit reports referred to in paragraphs (b) and (d);
- (h) Any explanations that may be necessary to clarify issues in connection with the financial Statements;
- (i) Any information as determined by the municipality
- j) Any recommendation of the municipality's audit committee; and
- (k) Any other information as may be prescribed.

1.3.3 In terms of section 127(5) of the MFMA:

The Accounting Officer must immediately after the Annual Report is tabled, make public the Annual Report, invite the local community to submit the representations in connection with the Annual Report and submit the Annual Report to the Auditor-General, the relevant Provincial Treasury and the Provincial Department responsible for Local Government in the Province.

1.3.4 According to section 129(1) of the MPMA:

The Council must consider the annual report by no later than two months from the date on which the Annual Report was tabled, adopt an oversight report containing the Council's comments on the annual report which must include the statement whether-

- The Council has approved the annual report with or without reservations
- Has rejected the annual report or
- Has referred the annual report back for revision of those components that can be Revised.

1.4 Submission and tabling of the annual report

The Annual Report of the municipality for the year **2024-25** financial year was tabled in the Council meeting held on **29 January 2026** in terms of section 127/ (2) of the Local Government municipal Finance Management Act 2003.

Council resolved during that meeting held on 29 January 2026

1. That Council took note of the draft Annual Report
2. The annual Report be made public in line with the Municipal Finance Management Act (MFMA) section 127 (5) (a) and Municipal Systems Act 32 of 2000 (MSA) section 21 (A)
3. That MPAC deal with the Annual Report in line with section 129 of the MFMA and make recommendation to Council on the latest the **31st of March 2026** on whether to approve the annual report, reject the annual report or refer the annual report to amend certain components in the annual report

Municipal Public Accounts Committee Members

The committee consists of the following members

Initial and Surname	Designation	Position
Cllr. Vuyani Stuurman	Councillor	Chairperson
Cllr. Nikiwe November	Councillor	Member
Cllr. Daleen Terblanche	Councillor	Member

2. THE APPROACH, OBSERVATION AND CONCLUSION OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

2.1 The Approach

The MPAC committee inspected the Annual Report of Letsemeng Local Municipality. Items reported on the Annual report and issues raised by the Auditor-General were thoroughly studied.

2.2 Observations

The committee noted that there is an improvement from the previous audit outcome.

2.3 Comments/objections received

The committee noted that the draft Annual report was published through public notices as well as on the municipal website, to ensure that it reaches a huge majority of its community members

The period allowed for comments and/or objections was from **2nd February 2026** to **20th March 2026**. However, no comments were received to date, the committee accepts that the local community was informed and did not accept

3. Inputs

- The committee considered all contents of the draft annual report and the Auditor-General's views and conclusion on the report
- The Committee requests that all municipal statistics pertaining to the number of households, vacant sites and households billed for services must be consistent, reliable and accurate. The billing system of the municipality must be upgraded for accurate billing.
- That public hearings at all constituencies of Letsemeng Local Municipality must be conducted on the Annual report in terms of the Public Participation Policy

4. Conclusion

Based on the results of the review stated above, MPAC is of the view that community members might not understand the report as the report is more technical for ordinary members with no background of business language hence no comments received from community members.

Recommendations to the Council

MPAC recommends that Council adopt the Annual Report subject to the following reservations:

MPAC concludes that Letsemeng Local Municipality continues to experience systemic **governance** failure characterised by:

1. recurring audit findings
2. ineffective financial management
3. weak internal controls
4. poor record management
5. unreliable financial reporting
6. unreliable performance reporting
7. ineffective oversight
8. failure to investigate financial misconduct
9. failure to implement consequence management
10. deterioration of basic service delivery.

1. Recurring audit findings

The Committee is concerned that many findings have remained substantially unchanged over successive audit cycles, demonstrating that previous Council resolutions have not translated into sustainable institutional improvement.

The Annual Report contains financial statements that received a **Qualified Audit Opinion**. The qualification affected numerous material balances, including:

- creditors;
- debtors;
- employee benefits;
- assets;
- VAT;

- grants;
- service charges;
- property rates;
- expenditure; and
- cash flows.

MPAC considers these qualifications indicative of significant deficiencies in financial management rather than isolated accounting errors.

Impact of Acting Appointments

MPAC finds that the prolonged absence of permanently appointed senior management likely contributed to:

- limited continuity in implementing long-term strategies;
- inconsistent implementation of Auditor-General recommendations;
- weakened institutional memory;
- delays in decision-making;
- uncertainty regarding accountability;
- ineffective performance management due to the absence of signed performance agreements;
- reduced ownership of corrective action plans.

While these factors help explain some of the governance challenges experienced by the municipality, they **cannot be accepted as a justification for recurring non-compliance or weak financial management.**

The MFMA places responsibility on the Accounting Officer, whether appointed permanently or in an acting capacity, to ensure sound financial administration, effective internal controls, and compliance with applicable legislation.

Department	Governance	Financial Management	Internal Controls	Service Delivery	Overall Assessment
Office of the Municipal Manager	Needs Significant Improvement	Needs Significant Improvement	Weak	Needs Significant Improvement	Unsatisfactory
Budget and Treasury	Needs Significant Improvement	Weak	Weak	N/A	Unsatisfactory
Technical Services	Fair	Needs Improvement	Needs Improvement	Needs Improvement	Fair
Corporate Services	Needs Improvement	N/A	Needs Improvement	Fair	Needs Improvement
Community Services	Fair	N/A	Fair	Fair	Fair

Ineffective financial management

Large portions of reported performance information could not be verified.

Service delivery indicators remain poorly designed and measure expenditure instead of outcomes. Governance structures have failed to ensure implementation of previous audit recommendations. There is insufficient evidence that effective consequence management exists. Internal control systems remain ineffective.

MPAC notes that during the 2024/25 financial year, Letsemeng Local Municipality did not have permanently appointed Section 56 senior managers. The positions of the Municipal Manager and other senior managers were occupied by officials serving in an acting capacity through secondments from the Department of Cooperative Governance and Traditional Affairs (COGTA). The Annual Report further indicates that these acting senior managers had not concluded the required performance agreements. The Committee recognises that prolonged reliance on acting appointments creates institutional instability and may weaken strategic leadership, accountability, continuity, and long-term planning.

However, acting appointments do not remove the statutory responsibilities of the Accounting Officer and senior managers under the MFMA, Municipal Systems Act, and other applicable legislation.

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The MFMA places responsibility on the Accounting Officer, whether appointed permanently or in an acting capacity, to ensure sound financial administration, effective internal controls, and compliance with applicable legislation. The municipality's financial sustainability remains under significant threat.

Internal Controls MPAC considers internal control to be one of the Municipality's greatest institutional weaknesses.

Without reliable internal controls, Council cannot have confidence in financial reporting or reported performance.

- Strengthen monthly reconciliations, record keeping and document management.
- Conduct quarterly internal quality reviews of financial reporting.
- Update the asset register and debtor systems.

Performance Management

- Redesign KPIs to measure service delivery outputs rather than budget expenditure.
- Ensure all reported performance is supported by verifiable evidence.
- Link the performance agreements of the Municipal Manager and section 56 managers directly to the implementation of audit action plans.

Consequence Management

- Institute disciplinary proceedings where negligence or misconduct is identified.
- Consider financial misconduct proceedings where applicable under Chapter 15 of the MFMA.
- Report all progress publicly to Council every quarter.

Public participation

MPAC recognises that compliance with statutory consultation requirements is essential. However, the Committee notes that effective public participation should be assessed not only by the number of meetings held, but also by:

- timely public notice;
- accessibility of venues;
- language inclusivity;
- attendance levels;
- meaningful consideration of community inputs; and
- evidence that public comments influenced municipal decisions.

Where MPAC receives credible evidence of shortcomings in these areas through Council records, attendance registers or public submissions, such matters should be investigated further and corrective measures implemented.

MPAC recommends that Council resolves as follows:

Governance

1. Adopt the Annual Report with reservations.
2. Accept the Auditor-General's findings in full.
3. Direct the Municipal Manager to implement all AG recommendations within 90 days.
4. Require quarterly progress reports to Council and MPAC.

Financial Management

5. Refer the R185 million unauthorised expenditure to MPAC for investigation in terms of section 32 of the MFMA.
6. Institute investigations into all irregular, fruitless and wasteful expenditure.
7. Recover losses where officials are found liable.

MPAC recommends that Council:

1. Require each Section 56 Manager to submit a departmental Audit Improvement Plan within 30 days.
2. Introduce quarterly departmental accountability sessions before MPAC to report on progress against Auditor-General findings.
3. Link the performance assessments of senior managers directly to the implementation of audit action plans and achievement of verifiable service delivery outcomes.
4. Strengthen preventative maintenance programmes and long-term infrastructure planning, with particular emphasis on water security and electricity distribution.
5. Require the Municipal Manager to submit quarterly consolidated reports on governance improvements, financial management, compliance, and service delivery performance.
6. Review the organisational structure to ensure that critical vacancies are filled and that acting appointments do not undermine accountability.

MPAC Conclusion

MPAC concludes that Letsemeng Local Municipality possesses committed officials and established governance structures; however, these have not consistently translated into effective institutional performance. The Committee believes that sustained improvement is achievable if Council strengthens oversight, management enforces accountability, and departments implement corrective actions within defined timeframes.

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CLLR. V STUURMAN

MPAC Chairperson

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DATE: Signed

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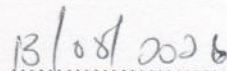
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CLLR. V STUURMAN

MPAC Chairperson



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