

REPORT OF THE JOINT PORTFOLIO COMMITTEE ON PUBLIC ACCOUNTS AND FINANCE AND COOPERATIVE GOVERNANCE AND OFFICE OF THE PREMIER REGARDING THE CONSIDERATION OF THE ANNUAL FINANCIAL STATEMENT FOR THE 2025/26 FINANCIAL YEAR FOR MATJHABENG LOCAL MUNICIPALITY, NALA LOCAL MUNICIPALITY AND LEJWELEPUTSWA DISTRICT MUNICIPALITY

26 November 2026

Report Profile

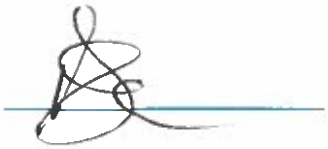
Title of the Report:	Report of the Joint Portfolio Committee on Public Accounts and Finance and Cooperative Governance and the Office of the Premier regarding the consideration of the Annual Financial Statements for the 2025/26 financial year for Matjhabeng Local Municipality, Nala Local Municipality and Lejweleputswa District Municipality.
Status of Report:	For submission to the Office of the Speaker and tabling in the Free State Legislature
Responsible Committees:	Joint Committee on Public Accounts and Finance, and Cooperative Governance and

Chairpersons and Members of the Portfolio Committees.



CLOETE, AB

CHAIRPERSON



KHOABANE, MD

CHAIRPERSON



GAREKOE, NJ



FOKO, MJ

LEECH, D



MEEKO, TP



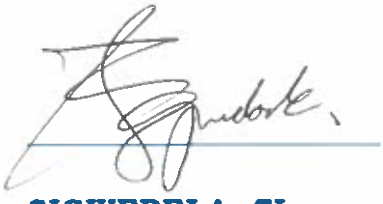
MKHABELA, S

MSIMANGA, MJ



NDUNGANE, NL

PRETORIUS, W



SIGWEBELA, ZL

MCKAY, D

NANYANE, L

Report compiled by:	T. Mokati, Z. Mkhiwane and N. Tamane
Report edited by:	P. Khunou
Report for tabling in the House on:	

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1. Introduction

The Joint Portfolio Committee on Public Accounts and Finance and Cooperative Governance and Office of the Premier convened a joint sitting on 13th of August 2026 to receive overview presentations from Provincial Treasury and the Department of Cooperative Governance and Traditional Affairs on the Annual Financial Statement for the 2025/26 financial year of the municipalities in the Free State Province. This is in line with Section 122(1)(a) of the Municipal Finance Management Act, with a specific focus on Lejweleputswa District Municipality, Matjhabeng Local Municipality and Nala Local Municipality.

This report reflects the observations and/or findings and recommendations of the Joint Committees arising from the presentations and the subsequent engagement with Provincial Treasury, COGTA, AGSA, Human Rights Commission and SALGA.

2. Members of the Joint Committees

The Joint Portfolio Committee on Public Accounts and Finance, and Cooperative Governance and the Office of the Premier, a component of the Joint Committees, comprises the following members:

Hon: Khoabane, MD	**(Chairperson)**
Hon: Cloete, A	**(Chairperson)**
Hon: Foko, MJ	(Member)
Hon: Garekoe, NJ	(Member)
Hon: Leech, D	(Member)
Hon: Meeko, TP	(Member)
Hon: Mkhabela, SL	(Member)
Hon: Msimanga, MJ	(Member)
Hon: Ndungane, NL	(Member)
Hon: Pretorius, W	(Member)
Hon: Sigwebela, ZL	(Member)
Hon: McKay, D	(Member)
Hon: Nanyane, L	(Member)

2. 2. ATTENDANCE AND REPRESENTATION BY MUNICIPALITIES

During the engagement, the Committee noted concerns about attendance and the level of representation by the municipalities scheduled to participate in the proceedings.

The Committee noted that Nala Local Municipality did not attend the meeting and therefore failed to avail itself of the opportunity to account to the Committee on matters relating to its financial management, governance and service delivery performance.

The Committee further noted that Lejweleputswa District was represented by only one official, namely the Chief Financial Officer (CFO). The Committee expressed concern that the municipality had failed to ensure adequate representation by its senior management and other relevant officials to respond comprehensively to the matters requiring the Committee's attention.

3. PROCEDURE OF THE JOINT PORTFOLIO COMMITTEES

The Joint Committees met with only Matjhabeng Local Municipality to consider the audited financial statements for the 2025/27 financial year. The Portfolio Committee on Public Accounts and Finance and, Cooperative Governance and Office of the Premier convened a joint sitting on 13th August 2026 to receive overview presentations from Provincial Treasury and the Department of Cooperative Governance and Traditional Affairs on the Annual Financial Statement of the Municipalities according to Section 122(1)(a) of the Municipal Finance Management Act of municipalities in the Free State Province, with specific focus on Matjhabeng, Nala and Lejweleputswa District Municipalities.

4. OVERVIEW OF PRESENTATIONS BY INSTITUTIONS

4.1 Auditor-General South Africa (AGSA)

AGSA presented audit-related concerns regarding municipal financial management, governance and accountability. The presentation highlighted the persistence of audit findings and the limited implementation of recommendations made in previous audit cycles. The Committee noted that recurring findings demonstrate weaknesses in internal controls, financial administration and the effectiveness of municipal corrective measures.

The presentation further emphasized the importance of:

- Implementing audit action plans and addressing recurring findings.
- Strengthening internal audit units and audit committees.

- Improving the quality and credibility of financial statements.
- Enhancing procurement and contract management controls.
- Ensuring accountability for irregular, fruitless and wasteful expenditure.
- Strengthening consequence management where financial misconduct or non-compliance is established.

4.2 Provincial Treasury

Provincial Treasury raised concerns regarding the financial sustainability of municipalities, particularly the credibility of municipal budgets, revenue collection, expenditure management and financial recovery arrangements.

The presentation highlighted the following areas:

Budget credibility and financial sustainability

Municipalities were encouraged to prepare realistic budgets that are supported by credible revenue projections and expenditure priorities.

Revenue and debt management

Weak revenue collection, outstanding municipal debt and inadequate debt management strategies were identified as factors contributing to financial distress. Provincial Treasury emphasized the importance of strengthening billing systems, collection processes and indigent register management.

Employee-related expenditure

Concerns were raised regarding high employee costs and the need to ensure that expenditure on personnel is aligned with approved municipal establishments and available financial resources.

Consultants and skills transfer

The use of consultants was raised as an area requiring closer monitoring, particularly where consultants are appointed without adequate skills transfer or sustainable capacity development within municipalities.

Infrastructure maintenance

Provincial Treasury emphasizes the importance of allocating adequate resources to infrastructure maintenance and ensuring that expenditure results in improved functionality and service delivery.

mSCOA implementation

The implementation of the Municipal Standard Chart of Accounts (mSCOA) was highlighted as an important mechanism for improving financial reporting, transparency and consistency in municipal financial management.

4.3 Department of Cooperative Governance and Traditional Affairs (COGTA)

COGTA's presentation focused on municipal governance, institutional capacity, financial recovery and service delivery interventions.

The presentation highlighted the importance of:

- Strengthening municipal governance and administrative stability.
- Improving the capacity of municipal officials and political leadership.
- Monitoring the implementation of municipal financial recovery plans.
- Strengthening of municipal infrastructure and service delivery programmes.
- Supporting municipalities experiencing financial and institutional distress.
- Improving coordination between provincial departments and municipalities.
- Ensuring that interventions produce measurable and sustainable results.

4.4 South African Local Government Association (SALGA)

SALGA highlighted issues affecting municipal performance and the need to strengthen support to municipalities.

The presentation highlighted the following:

Revenue enhancement and payment culture

Municipalities were encouraged to strengthen revenue collection and promote a culture of payment among consumers, businesses and government institutions.

Indigent register management

The importance of maintaining accurate and verified indigent registers was highlighted to ensure that assistance is provided to qualifying households and that municipal resources are appropriately managed.

Water and sanitation services

The discussion emphasized the need to strengthen municipal water and sanitation services, improve infrastructure management and address service delivery challenges affecting communities.

Councillor induction and capacity development

SALGA's role in councilor induction, governance training and capacity development was highlighted as important in strengthening municipal oversight and decision-making.

4.5 South African Human Rights Commission (SAHRC)

Municipal Compliance with Human Rights Obligations and Service Delivery

The South African Human Rights Commission (SAHRC) highlighted the relationship between municipal service delivery and the realization of constitutional rights, noting that failures in the provision of basic municipal services, including water, sanitation and other essential services, may adversely affect the rights of communities.

The presentation emphasized the importance of municipalities responding to findings and recommendations issued by the Commission and taking appropriate measures to address human rights-related complaints. It further underscored the need to incorporate human rights considerations into municipal planning, service delivery programmes and monitoring mechanisms. They also highlighted the importance of strengthening cooperation between municipalities and relevant government institutions to address persistent service delivery challenges that have implications for human rights. The Commission further emphasised the need for municipalities to provide progress reports on outstanding recommendations and demonstrate compliance with measures aimed at addressing identified human rights concerns.

Key Issues Highlighted The impact of municipal service delivery failures on constitutional rights and human dignity.

- Municipal compliance with SAHRC findings and recommendations.
- Access to basic services, including water, sanitation and other essential municipal services.
- Integration of human rights considerations into municipal planning and service delivery monitoring.

- Progress in addressing human rights-related complaints and recommendations.
- Strengthening intergovernmental cooperation to resolve persistent municipal service delivery challenges.

5. MUNICIPAL PRESENTATIONS AND FINANCIAL PERFORMANCE

PRESENTATION BY MATJHABENG LOCAL MUNICIPALITY

Matjhabeng Local Municipality presented its financial and governance challenges, highlighting five consecutive qualified audit opinions (2020/21–2024/25) and 112 audit findings, of which only 31 had been completed, while 81 remained outstanding. The Municipality also reported significant financial management and infrastructure challenges, including high unauthorized, irregular and fruitless and wasteful expenditure, ageing sewer infrastructure, water losses of 49.1%, deteriorating electricity infrastructure and inadequate refuse collection capacity. The Municipality further indicated that it remained under a mandatory Financial Recovery Plan in terms of section 139(5) of the Constitution.

The presentation further highlighted the following key areas:

- Audit and financial management: 112 audit findings, with 31 completed, 48 in progress and 33 not started.
- Governance and accountability: Delays in implementing audit action plans, weak accountability and vacancies in key senior management positions.
- Infrastructure challenges: Ageing sewer networks, water supply deficits, electricity infrastructure deterioration and road maintenance backlogs.
- Water and sanitation: Water demand of 182 ML per day against a supply of 160 ML per day, resulting in a 22 ML daily deficit.
- Electricity: More than 90% of the electricity infrastructure is over 20 years old, with challenges affecting reliable service delivery.
- Waste management: Only 13 of the Municipality's 38 refuse collection trucks were operational.
- Support required: Strengthening institutional capacity, improving infrastructure investment, addressing fleet shortages and enhancing support from Provincial and National Government.

6. COMMITTEE OBSERVATIONS

Following the presentations and deliberations, the Committee made the following observations:

1. The recurring audit findings across municipalities demonstrate that corrective measures and audit recommendations are not being implemented consistently.
2. Municipal financial management weaknesses continue to undermine financial sustainability and the ability of municipalities to deliver services effectively.
3. There is a need to strengthen the relationship between municipal expenditure, planned outputs, and actual service delivery outcomes.
4. Municipalities should improve revenue collection, billing accuracy, debt management, and indigent register verification.
5. Weak procurement and contract management controls contribute to irregular expenditure and undermine accountability.
6. Municipal payroll systems and employee records require effective verification and controls to ensure that salaries are paid only to duly appointed employees.
7. Infrastructure maintenance and project implementation require stronger monitoring to ensure that expenditure translates into functional infrastructure and improved services.
8. Municipal financial recovery plans should be realistic, measurable and supported by clear implementation responsibilities and reporting arrangements.
9. The continued weaknesses in consequence management undermine efforts to improve municipal accountability and prevent financial misconduct.
10. The Human Rights Commission should ensure that community rights are integrated into municipal oversight, particularly where service delivery failures affect access to basic services and the dignity of communities.
11. The Committee noted that Provincial Treasury's monitoring and support should be accompanied by measurable improvements in municipal financial performance and accountability.

7. COMMITTEE RECOMMENDATIONS

The Committee recommends that the Matjhabeng Local Municipality undertake the following actions:

1. The Municipality must submit the completed forensic investigation report on payroll administration and related allegations, including findings, recommendations, and proposed consequence-management measures, and report back 30 days after the tabling of the report.
2. Pertaining to the multiple payroll numbers, the Municipality must provide the Committee with the complete audit trail for every official linked to more than one salary number, showing when each number was created, the reason for its creation, the payroll/system on which it originated, when it became active and inactive, whether any two numbers were active simultaneously, every payment processed against each number, and whether all numbers are linked to the same ID number, bank account, tax reference, and physical signature (not digital) as proof of payment received.
3. The Municipality must provide the Committee with a written response on the payroll concerning the ghost workers matter that was raised during the meeting. This report must be supported by relevant employee establishment records, payroll verification report, payment controls, and report back 30 days after the tabling of the report.
4. The Municipality must provide progress reports on the implementation of its financial recovery arrangements, including revenue collection, expenditure management and financial sustainability, and report back 30 days after the tabling of the report.
5. The Municipality must submit a report and provide evidence of action taken against officials where financial misconduct or irregularities have been established, and report back 30 days after the tabling of the report.
6. On consequence management, the Municipality must provide the Committee with a list of every official disciplined, suspended, charged or dismissed during the past financial year for financial misconduct, irregular expenditure, unauthorized expenditure or gross negligence.
7. The Municipality must submit updated audit action plans with clearly identified findings, corrective actions, responsible officials and implementation deadlines and report back 30 days after the tabling of the report.
8. The Municipality must report on service delivery achievements against planned targets and expenditure and report back 30 days after the tabling of the report.
9. The Municipality must provide a report on Infrastructure Major Projects which must include the following: bBudget allocated, amount spent, percentage completed, completion date and the reasons for delays, and report back to the Committee 30 days after the tabling of the report.

10. Municipality must submit a comprehensive report detailing fire-related fatalities over the past five financial years (2021/2022–2025/2026), broken down per year, indicating whether operational challenges such as unavailable fire engines, delayed responses, defective vehicles, insufficient water, inadequate personnel or non-functional fire hydrants contributed to the incidents, together with supporting evidence and corrective measures implemented.

2.1 DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

The Committee recommends that GOGTA undertake the following actions:

1. That the Department must provide regular reports on municipal governance and institutional support interventions and report back 30 days after the tabling of the report.
2. That the Department must submit the report on the implementation of the municipal financial recovery report in collaboration with Provincial Treasury and report back 30 days after the tabling of the report.
3. That the Department must provide progress reports on measures taken to address governance instability and capacity constraints and report back 30 days after the tabling of the report.

7.3 THE SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

The Committee recommends SALGA:

1. That SALGA must provide a report on municipal support programmes they provide to municipalities to improve governance and service delivery and report back 7 days after the tabling of the report.
2. That SALGA must be invited to make presentations on support programmes to improve governance and service delivery to the joint committee within six months of the tabling of the report.

7.4 SOUTH AFRICAN HUMAN RIGHTS COMMISSION (SAHRC)

The Committee recommends that:

1. That the governance and accountability recommendations made by the SAHRC to all municipalities, including Matjhabeng Local Municipality, be formally adopted as Committee resolutions for implementation and

monitoring. As a result, the Committee should engage with the Department of COGTA and SAHRC to receive feedback on compliance with the recommendations made within six months after the tabling of the report.

2. That the report of the Committee be adopted by the House.