

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR ORAL REPLY

QUESTION NUMBER: 130 [CO744E]

DATE OF PUBLICATION: 24 OCTOBER 2012

★130. Mr C J de Beer (ANC-NC) to ask the Minister of Finance:

Whether the National Treasury has taken any steps to ensure compliance with measures stipulated in section 216(1) of the Constitution of the Republic of South Africa as a result of the alleged persistent breach of financial management prescripts and mismanagement of public funds by the Nala Local Municipality in the Free State and the constitutional imperative and obligation on the National Treasury in terms of section 216(2) of the Constitution to enforce compliance with such measures; if not, (a) why not and (b) what steps will be taken in this regard; if so, (i) what was the outcome of such steps and (ii) what are the further relevant details?

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REPLY:

Yes, prior to implementing Section 216(2) of the Constitution, the National Treasury wrote to the Nala Local Municipality on 30 July 2012 informing them of the intention to proceed with Section 216(2).

The acting Municipal Manager at the time who has subsequently been appointed Municipal Manager at the Nala Municipality requested an urgent meeting with the National Treasury. This meeting took place on the 22nd of August 2012. At this meeting, the municipality motivated why Section 216(2) of the Constitution should not be invoked by the National Treasury and relayed some of the challenges it currently faced. Having considered the issues raised, National Treasury pledged further technical support to the Nala Municipality to prevent further deterioration in the financial management and service delivery functions. However, such support was

contingent on the municipality providing National Treasury with written assurances that measures would be instituted to ensure that:

- (i) all municipal officials and councillors implicated in alleged fraud and corruption by the KPMG report are subjected to the same disciplinary measures that the former Municipal Manager of Nala Municipality was subjected to;
- (ii) all monies paid to contractors for projects that were never completed are recovered from those contractors;
- (iii) all conditional grants that, over the years, were used by the municipality to finance its operational expenses would be repaid to the National Revenue Fund;
- (iv) a list of achievements by the municipality as a result of it implementing the recommendations of the KPMG report would be provided to the National Treasury as a matter of urgency;
- (v) an action plan with respect to the implementation of all outstanding recommendations in the KPMG report would be provided to the National Treasury as a matter of urgency;
- (vi) a thorough assessment of the strengths and weaknesses of the technical advisor currently placed at the municipality by the National Treasury will be conducted and a report thereon shared with the National Treasury;
- (vii) the National Treasury is provided, as a matter of urgency, with indicative timelines by when all vacant senior management positions at the municipality will be filled;
- (viii) the National Treasury is provided with details of the strategic planning workshop the municipality was planning to conduct;
- (ix) the National Treasury is provided with concrete documentary evidence that the municipality was now fully billing its customers after almost two years of failing to do so; and
- (x) the National Treasury is provided with both hard and electronic copies of the municipalities' 2012/13 MTREF tabled and adopted budgets.

While Nala Municipality undertook to provide the National Treasury with the requested written guarantees and documents within a few days, several reminders were issued before the following documents were submitted:

- (i) a list of achievements as a result of it implementing the recommendations of the KPMG report;
- (ii) dubious evidence of customer billings; and
- (iii) a hard copy of its 2012/13 adopted budget.

The remaining guarantees and documentation requested by National Treasury are still outstanding. Until such stage as this Nala Municipality provides all the outstanding information, the National Treasury intention is to proceed with the invocation of S216(2) of the Constitution.