REPUBLIC OF SOUTH AFRICA

DRAFT

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT AMENDMENT BILL

PUBLISHED FOR PUBLIC COMMENT – 21 OCTOBER 2026

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(As introduced in the National Assembly (proposed section 76); explanatory summary of Bill and prior notice of its introduction published in Government Gazette…)
(The English text is the official text of the Bill)

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(MINISTER OF FINANCE)

[B —2026]

GENERAL EXPLANATORY NOTE:

[ ]	Words in bold type in square brackets indicate omissions from existing enactments.
_____	Words underlined with a solid line indicate insertions in existing enactments.

BILL

To amend the Local Government: Municipal Finance Management Act, 2003, so as to—

- **insert, and amend certain definitions; to expand National Treasury's investigative, oversight, and enforcement powers; to empower the MEC for finance to sub-delegate a delegated power to the head of provincial treasury and treasury staff; to provide for the assignment of functions or powers by an organ of state to municipalities; to require the municipality to submit bank account details to National Treasury; to provide for control of municipal accounts and withdrawals from municipal accounts during a national or a provincial intervention; to require municipalities to develop policies regulating relief or charitable, trusts and other funds; to provide for the termination of trusts; to remove the requirement for the Minister to act with the concurrence of the Cabinet member responsible for local government when prescribing cash management frameworks; to require the annual budget to not be funded from current cash or investment committed for certain purposes; to require a municipality to develop a tariff policy; to empower municipalities to recover fees; to require a municipality to develop customer care systems; to require a municipal council to adopt by-laws for tariff implementation; to require a municipal council to adopt and implement an indigent management policy; to require a municipality to commit money on capital projects only in certain circumstances; to remove the requirement for the Minister to act with the concurrence of the Cabinet member responsible for local government when prescribing municipal budget forms; to require reviews of previous financial year budgets by the mayor and accounting officer; to specify the manner of annual budget publication; to require the municipal council to consider any views on the annual budget; to provide for assessment of municipal budgets before approval; to regulate the timing and conditions for adjustment budgets and tax or tariff changes; to require a municipality to shift funds in line with its virement policy; to clarify unauthorised, irregular or fruitless, and wasteful expenditure; to provide for projects or arrangements with future municipal budget implications; to require the MEC for finance notification before the National Treasury stops municipal funds; to clarify the National Treasury's role in dispute resolution in a municipality's financial disputes; to require municipalities to inform the National Treasury before**

incurring short-term debt; to regulate municipal borrowing from international lenders; to enhance the mayor's role in financial guidance and reporting; to include the MEC for finance as one of the functionaries performance agreements must be submitted to; to require the mayor to notify the MEC for finance of serious municipal financial issues; to provide for the MEC for finance's role in addressing municipal financial issues; to update general financial management functions to remove references to the Municipal Systems Act; to insert provisions with credit control, debt collection policies, related by-laws powers of the supervisory authority, powers of the implementing authority, the municipality's right of access to premises, municipal accounts and agreements with employers; to require financial statements from entities receiving municipal funds and to develop a fund transfer policy; to add provincial treasuries for reporting and notification purposes; to include accruals and provisions in monthly budget statements and disclose outstanding debtors; to require additional information on municipal websites and comply with the Protection of Personal Information Act; to protect municipal and municipal entity officials against unfair actions; to add information technology and risk management to municipal officials' responsibilities and strengthen disciplinary measures of officials who are responsible for losses; to expand the chief financial officer's responsibilities; to provide for the National Treasury's and the provincial treasury's oversight role in the appointment of chief financial officers; to require municipalities to explain their response to provincial treasury recommendations; to adjust timelines for municipal entity budget approvals; to require the Auditor General to audit and report on the accounts of municipal entities and for municipal entities to submit audit reports to parent municipalities and relevant treasuries; to provide for recovery of irregular or wasteful expenditure from responsible parties; to improve revenue collection systems for municipal entities; to specify reporting deadlines for financial irregularities and losses; to reduce timeframes for preparing annual reports and standardise report formats; to broaden debt disclosure requirements in financial statements; to mandate inclusion of unauthorised expenditures of municipal entities in financial statements; to ensure submission of audit-related documents to the relevant treasuries; to update submission timelines for annual reports and related documents; to provide for oversight report submission timelines and address findings; to include a request for the preparation of a financial recovery plan; to require consultation with Municipal Financial Recovery Services when preparing a financial recovery plan; to provide for the period within which to submit the recovery plan and recommendations; to suspend the powers and functions of accounting officers and chief financial officers during an intervention; to extend the criteria for determining serious financial problems; to enhance procedures for provincial interventions in financially distressed

municipalities; to include relevant treasuries during municipal financial recovery processes; to extend the criteria for determining serious or persistent material breach of financial commitments; to provide for a period within which the provincial executive may take steps to ensure implementation of the financial recovery plan; to provide for the inclusion of the Municipal Financial Recovery Service in the implementation and the reporting of a financial recovery plan; to provide for matters to be prescribed; to provide for an internal audit unit; to provide for information that must be submitted to the council by the municipality or municipal entity on the appointment or dismissal of an official of the internal audit unit; to provide for the implementation of a risk management system; to provide for regulations and guidelines; to provide for the publishing of draft regulations; to provide for the establishment of Municipal Financial Misconduct Investigation Committee, composition of the Committee, power to obtain information for investigations and the referral of matters to the Committee; to strengthen the provisions for offences; to provide for the imposition of personal administrative monetary penalties; to provide for an interpretation ruling by the Minister;

- **insert, amend and repeal certain provisions of the Municipal Systems Act;**
- **amend certain provisions of the Local Government: Municipal Property Rates Act, 2004** (**Act No. 6 of 2004);**

and to provide for matters connected therewith.

BE IT ENACTED by the Parliament of the Republic of South Africa, as follows:—

Amendment of section 1 of Act 56 of 2003

1. Section 1 of the Municipal Finance Management Act, 2003 (herein referred to as the principal Act), is hereby amended—

(a) by the substitution for the definition of "Auditor-General" of the following definition:

"**'Auditor-General'** has the meaning assigned to it in section 1 of the Public Audit Act, 2004 (Act No. 25 of 2004);";

(b) by the substitution for the definition of "budget-related policy" of the following definition:

"**'budget-related policy'** means a policy of a municipality affecting or affected by the annual budget of the municipality, including—

(a) the tariffs policy referred to in section 18A;

(b) the indigent management policy referred to in section 18E;

(c) the credit control and debt collection policy referred to section 64A;

(d) the allocation and transfer of funds to an organisation or body outside any sphere of government referred to in section 67;

(e) the investment policy which the municipality must adopt in terms of regulations made in terms of this Act;

(f) cost containment policy which the municipality must adopt in terms of regulations made in terms of this Act; or

(g) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates;";

(c) by the insertion after the definition of "budget year" of the following definition:

"**'by-law'** has the meaning assigned to it in section 1 of the Municipal Systems Act;";

(d) by the insertion after the definition of "district municipality" of the following definition:

"**'effective control'** has the meaning assigned to it in section 1 of the Municipal Systems Act;";

(e) by the substitution for the definition of "irregular expenditure" of the following definition:

"**'irregular expenditure'**, in relation to a municipality or municipal entity, means—

(a) any financial loss suffered as a result of expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act;

(b) any financial loss suffered as a result of expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act;

(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998);

(d) any financial loss suffered as a result of expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or municipal entity**;** or

(e) any financial loss suffered as a result of expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of any other legislation, as may be determined by the Minister by notice in the Government *Gazette*, other than unauthorised expenditure;";

(f) by the substitution for the definition of "prescribe" of the following definition:

"**'prescribe'** means prescribe by regulation in terms of section 20, 168 or 175;";

(g) by the substitution for the definition of "this Act" of the following definition:

"**'this Act'** includes any regulations made in term of **[section]** sections 20, 168 or 175;";

(h) by the substitution in the definition of "unauthorised expenditure" for the words preceding paragraph *(a),* of the following words:

"**'unauthorised expenditure' [, in relation to a municipality,]** means any expenditure incurred by a municipality otherwise than in accordance

with section 15 or 11(3), or section 87 in the case of a municipal entity and includes—";

(i) by the substitution in the definition of "unauthorised expenditure for paragraph *(a)* of the following paragraph:

"*(a)* overspending of the total amount appropriated in the municipality's or municipal entity's approved budget;";

(j) by the substitution for paragraph *(f)* in the definition of "unauthorised expenditure", of the following paragraph:

"*(f)* a grant by the municipality or a municipal entity otherwise than in accordance with this Act;" and

(k) by the substitution for the full stop at end of the definition of "vote" of the expression "; and"; and by the addition after that definition of the following definition:

"**'working day'** means any day, other than a Saturday, Sunday or public holiday.".

Amendment of section 5 of Act 56 of 2003

2. Section 5 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(d)* of subsection (2) of the following paragraph:

"*(d)* investigate any system of financial management, information technology and internal control in any municipality or municipal entity and recommend improvements;";

(b) by the deletion of the word "and" at the end of paragraph *(e)* of subsection (2);

(c) by the insertion after paragraph *(e)* of subsection (2) of the following paragraphs:

"*(e*A*)* prescribe uniform treasury norms and standards;

*(e*B*)* perform oversight and enforce improvements in audit outcomes; and";

(d) by the substitution for the full stop at the end of paragraph *(f)* of subsection (2) of the expression "; and", and by the addition after paragraph *(f)* of the following paragraph:

"*(g)* promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of municipalities and municipal entities.";

(e) by the substitution for subparagraph (iii) of subsection (4)*(a)* of the following subparagraph:

"(iii) the monthly, quarterly or annual outcome of those budgets; and"; and

(f) by the addition after subsection (8) of the following subsection:

"(9) The National Treasury may publish any document required to be published by a municipality in terms of this Act.".

Amendment of section 6 of Act 56 of 2003

3. Section 6 of the principal Act is hereby amended—

(a) by the substitution for subparagraph (ii) of subsection (3)*(c)* of the following subparagraph:

"(ii) the MEC **[responsible for the relevant provincial department]** for finance to sub-delegate a delegated power or duty to the Head of Department of that relevant provincial treasury **[a staff member of that department]**; and";

(b) by the substitution for subsection (4) of the following subsection:

"(4) The MEC for finance in a province may delegate any of the powers or duties assigned to a provincial treasury in terms of this Act to the head of department of the relevant **[provincial department of which the]** provincial treasury **[forms part]**."; and

(c) by the substitution for paragraph *(c)* of subsection (5) of the following paragraph:

"*(c)* may, subject to any such limitations or conditions, authorise the relevant **[head of the provincial department]** treasury to sub-delegate a delegated power or duty to a staff member of that treasury; and".

Insertion of section 6A in Act 56 of 2003

4. The following section is hereby inserted after section 6 of the principal Act:

"**Assignment of functions or powers by an organ of state to municipalities**

6A. If a function or power is assigned to any municipality in terms of an Act of Parliament or a provincial Act, or by agreement in terms of section 99 or 126 of the Constitution, the organ of state assigning the function or power must, before assigning the function or power, submit to the National Treasury and the relevant provincial treasury a memorandum—

(a) giving at least a three-year projection of the financial implications of that function or power for the municipality;

(b) disclosing any possible financial liabilities or risks after the three-year period; and

(c) indicating how any additional expenditure by the municipality will be funded.".

Amendment of section 9 of Act 56 of 2003

5. Section 9 of the principal Act is hereby amended—

(a) by the substitution for the heading of the following heading:

"**[Bank] Submission of bank account details [to be submitted to provincial treasuries and Auditor-General]**"; and

(b) by the substitution for the words preceding paragraph *(a)* of the following words:

"The accounting officer of a municipality must submit to the National Treasury, the relevant provincial treasury and the Auditor-General, in writing—".

Insertion of section 10A in Act 56 of 2003

6. The following section is hereby inserted after section 10 of the principal Act:

"Control of bank account details during interventions

10A. (1) If a provincial executive intervenes in a municipality in terms of section 139 of the Constitution, the representative of the provincial executive must administer all the municipality's bank accounts, including a bank account referred to in section 12.

(2) If a national executive intervenes in a municipality in terms of section 139 of the Constitution, the representative of the national executive must administer all the municipality's bank accounts, including a bank account referred to in section 12.

(3) The representative referred to in subsection (1) or (2) must—

(a) enforce compliance with sections 7, 8 and 11 and is accountable to the Minister; and

(b) notify all institutions where the municipality holds a bank account, including the National Treasury and the relevant provincial treasury.

(4) A political office-bearer or official of a municipality who interferes with the exercise of the powers as conferred in section 10A or 11A is guilty of an offence or financial misconduct as provided in Chapter 15.".

Insertion of section 11A in Act 56 of 2003

7. The following section is hereby inserted after section 11 of the principal Act:

"**Withdrawals from municipal bank accounts during interventions**

11A. Only the representative contemplated in section 10A(1) or (2), may withdraw money from any of the municipality's bank account for the purposes envisaged in sections 11 until the intervention is terminated.".

Amendment of section 12 of Act 56 of 2003

8. Section 12 of the principal Act is hereby amended by the addition after subsection (4) of the following subsections:

"(5) A municipality must develop an appropriate and effective policy to regulate relief, charitable, trust or other funds.

(6) The policy must be—

(a) submitted to the municipal council for adoption with the annual budget; and

(b) reviewed annually.

(7) A municipality may apply to court to vary the terms of the trust, in terms of section 13 of the Trust Property Control Act, 1988 (Act No. 57 of 1988), if the variation is considered to be in the interests of the municipality.".

Insertion of section 12A in Act 56 of 2003

9. The following section is hereby inserted after section 12 of the principal Act:

"**Termination of trusts**

12A. (1) A trust established by a municipality including a trust established prior to this Act, may be terminated in terms of the trust deed.

(2) If a trust deed does not provide for the termination of the trust, a trustee or any other person who has a sufficient interest in the trust property may apply to a court for an order terminating the trust in terms of section 13 of the Trust Property Control Act, 1988 (Act No. 57 of 1988).

(3) The termination of the trust referred to in subsection (2) must include transitional provisions for the transfer of the revenue, expenditure, assets, liabilities, rights and obligations of the trust to the municipality upon the termination of the trust.".

Amendment of section 13 of Act 56 of 2003

10. Section 13 of the principal Act is hereby amended by the substitution for the words preceding paragraph *(a)* of subsection (1) of the following words:

"(1) The Minister, **[acting with the concurrence of]** after consultation with the Cabinet member responsible for local government, may prescribe a framework within which municipalities must—".

Amendment of section 18 of Act 56 of 2003

11. Section 18 of the principal Act is hereby amended—

(a) by the substitution for the words preceding paragraph *(a)* of subsection (1) of the following words:

"(1) An annual budget **[may only]** must be funded from—";

(b) by the substitution for paragraph *(b)* of subsection (1) of the following paragraph:

"(*b*) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; **[and]** or"; and

(c) by the insertion after subsection (1) of the following subsection:

"(1A) An annual budget may not be funded from any current cash and investments committed for purposes of—

(a) unspent conditional transfers;

(b) funds required to fulfil the statutory and working capital requirements of the municipality;

(c) reserves and long-term investment for specific purposes;

(d) any provisions of the municipality as may be required; and

(e) any other commitment as may be prescribed in terms of this Act.".

Insertion of sections 18A to 18E in Act 56 of 2003

12. The following sections are hereby inserted after section 18 of the principal Act:

"**Tariff policy**

18A. (1) A municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with this Act and any other applicable legislation.

(2) A tariff policy must reflect at least the following principles:

(a) Users of municipal services should be treated equitably in the application of tariffs;

(b) the amount individual users pay for services must be in proportion to their use of that service;

(c) poor households must have access to at least basic services as per the national free basic service policy through—

(i) tariffs that cover only operating and maintenance costs;

(ii) special tariffs or lifeline tariffs for low levels of use or consumption of services or for basic levels of service; or

(iii) any other direct or indirect method of subsidisation of tariffs for poor households;

(d) tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs and interest charges;

(e) tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;

(f) tariffs for trading services must be ringfenced and must cover the cost to render the service;

(g) provision may be made to levy a surcharge on the tariff for a service and such a surcharge may only be introduced subject to the Municipal Fiscal Powers and Functions Act, 2007 (Act No.12 of 2007);

(h) provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;

(i) the economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged; and

(j) the extent of subsidisation of tariffs for poor households and other categories of users must be disclosed.

(3) A tariff policy may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

(4) Each municipality must submit to the National Treasury a copy of its municipal tariff policy.

General powers to levy and recover fees, charges and tariffs

18B. (1) A municipality may—

(a) levy and recover fees, charges or tariffs in respect of any function or service of the municipality; and

(b) recover collection charges and interest on any outstanding amount.

(2) The fees, charges or tariffs referred to in subsection (1) may only be levied by a municipality in terms of a resolution passed by the municipal council with a supporting vote of a majority of its members.

(3) After a resolution contemplated in subsection (2) has been passed, the municipal manager must, without delay—

(a) conspicuously display a copy of the resolution for a period of at least 30 days at the main administrative office of the municipality and at such places within the municipality to which the public has access as the municipal manager may determine;

(b) publish in a newspaper of general circulation in the municipality a notice stating—

(i) that a resolution as contemplated in subsection (2) has been passed by the council;

(ii) that a copy of the resolution is available for public inspection during office hours at the main administrative office of the municipality and at the other places specified in the notice; and

(iii) the date on which the levy will take effect; and

(c) convey the information referred to in paragraph *(b)* to the local community by means of radio broadcasts covering the area of the municipality.

(4) The municipal manager must forthwith send a copy of the notice referred to in subsection (3)*(b)* to the National Treasury, the relevant provincial treasury and the MEC for finance in the province.

Customer care and management

18C. In relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a municipality must within its financial and administrative capacity—

(a) establish a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for payments and the municipality, and where applicable, a service provider;

(b) establish mechanisms for users of services and ratepayers to give feedback to the municipality or service provider regarding the quality of services and the performance of the service provider;

(c) take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reasons for the payment of service fees and the manner in which monies raised from the service are utilised;

(d) where the consumption of services has to be measured, take reasonable steps to ensure that the consumption by individual users of services is measured through accurate and verifiable metering systems;

(e) ensure that persons liable for payments, receive regular and accurate accounts that indicate the basis for calculating the amounts due;

(f) provide accessible mechanisms for persons to query or verify accounts and metered consumption and appeal procedures which allow persons to receive prompt redress for inaccurate accounts;

(g) provide accessible mechanisms for dealing with complaints from persons, together with prompt replies and corrective action by the municipality;

(h) provide mechanisms to monitor the response time and efficiency in complying with paragraph *(g)*; and

(i) provide accessible pay points and other mechanisms for settling accounts or for making pre-payments for services.

By-laws to give effect to tariff policy

18D. (1) A municipal council must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

(2) By-laws in terms of subsection (1) may differentiate between different categories of users, debtors, service providers, services, service standards and geographical areas as long as such differentiation does not constitute unfair discrimination.

(3) Each municipality must submit to the National Treasury a copy of the municipal tariff by-law.

Indigent Management

18E. A municipal council must adopt and implement an indigent management policy that must be aligned to—

(a) its tariff policy;
(b) its credit control and debt collection policy; and
(c) any national framework on indigents.".

Amendment of section 19 of Act 56 of 2003

13. Section 19 of the principal Act is hereby amended by the substitution for the words preceding paragraph *(a)* of subsection (1) of the following words:

"(1) A municipality may commit or spend money on a capital project only if—".

Amendment of section 20 of Act 56 of 2003, as amended by section 13 of Act 12 of 2007

14. Section 20 of the principal Act is hereby amended by the substitution for the words preceding paragraph *(a)* of subsection (1) of the following words:

"(1) The Minister, **[acting with the concurrence of]** after consultation with the Cabinet member responsible for local government—".

Amendment of section 21 of Act 56 of 2003

15. Section 21 of the principal Act is hereby amended by the insertion after paragraph *(a)* of subsection (1) of the following paragraph:

"*(a*A) facilitate a review of the budget process for the previous financial year and budget before determining the schedule of key deadlines for the new financial year;".

Amendment of section 22 of Act 56 of 2003

16. Section 22 of the principal Act is hereby amended by the substitution for subparagraph (i) of paragraph *(b)* of the following subparagraph:

"(i) in **[both]** printed **[and]** or electronic formats to the National Treasury and the relevant provincial treasury; and".

Amendment of section 23 of Act 56 of 2003

17. Section 23 of the principal Act is hereby amended—

(a) by the substitution for subsection (1) of the following subsection:

"(1) When the annual budget has been tabled, the municipal council must consider **[any views of]**—

(a) any views of the local community; and
(b) any views, recommendations or assessments of the annual budget by the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.".

(b) by the substitution for subsection (2) of the following subsection:

"(2) After considering all budget submissions, the council must give the mayor, after consultation with the accounting officer, an opportunity—

(a) to respond in writing to the submissions referred to in subsection (1); and

(b) if necessary, to revise the budget and table amendments for consideration by the council."; and

(c) by the insertion after subsection (2) of the following subsection:

"(2A) The accounting officer must respond in writing to the submissions of the National Treasury and the relevant provincial treasury referred to in subsection (1)*(b)* before the budget is adopted.".

Amendment of section 24 of Act 56 of 2003

18. Section 24 of the principal Act is hereby amended by the substitution for subsection (1) of the following subsection:

"(1) The municipal council must at least 30 days before the start of the budget year, **[consider approval of the]** table an annual budget for consideration and approval.".

Amendment of section 28 of Act 56 of 2003, as amended by section 13 of Act 12 of 2007

19. Section 28 of the principal Act is hereby amended—

(a) by the insertion after subsection (4) of the following subsection:

"(4A) The mayor may table an adjustments budget in terms subsection (2)*(a)* by 31 March of the current year."; and

(b) by the substitution for subsection (6) of the following subsection:

"(6) *(a)* Municipal tax and tariffs may not be increased during a financial year, except—

(i) when required in terms of a financial recovery plan; and

(ii) after consultation with the local community for a period of 30 days.

(b) Municipal tax and tariffs may be decreased during a financial year—

(i) after considering the views and recommendations of the National Treasury and the relevant provincial treasury; and

(ii) if the decrease will not result in cash shortfalls or a deficit.".

Amendment of section 31 of Act 56 of 2003

20. Section 31 of the principal Act is hereby amended—

(a) by the substitution for the heading of the following heading:

"**Shifting of funds [between multi-year appropriations]**"; and

(b) by the addition of the following subsections, the existing provision becoming subsection (1):

"(2) A municipality may shift funds during the financial year in terms of a virement policy approved by the council.

(3) For purposes of subsection (2), a virement policy means a policy for the shifting of funds of an approved budgetary provision from one operating cost element or capital project to another within a vote during a financial year.".

Amendment of section 32 of Act 56 of 2003

21. Section 32 of the principal Act is hereby amended—

(a) by the substitution for paragraphs *(b)* and *(c)* of subsection (1) of the following paragraphs, respectively:

"(b) the accounting officer of a municipality is liable for unauthorised, irregular or fruitless and wasteful expenditure deliberately or negligently incurred by the accounting officer, subject to subsection **[(3)]** (2);

(c) any **[political office-bearer or]**official of a municipality, except an accounting officer, who deliberately or negligently committed, made or authorised an unauthorised, irregular or fruitless and wasteful expenditure, is liable for that expenditure;**[or]**";

(b) by the substitution for paragraph *(d)* of subsection (1) of the following paragraph:

"(d) any councillor of a municipality who votes in favour of the adoption of a resolution with the knowledge that the resolution will result in the incurrence of unauthorised, irregular or fruitless and wasteful expenditure is liable for the expenditure;".

(c) by the addition after paragraph *(d)* of subsection (1) of the following paragraphs:

"(e) if any supplier of a municipality wilfully engages and benefits financially from conduct that results in the incurrence of irregular or fruitless and wasteful expenditure by the municipality, the supplier is liable for the expenditure; or

(f) any political office bearer, councillor or official of a municipality who initiates frivolous or vexatious legal proceedings, contrary to legal advice and which results in the incurrence of irregular or fruitless and wasteful expenditure is liable for the expenditure and the expenditure must be recovered by the municipality.";

(d) by the substitution for subsections (2) and (3) of the following subsections:

"(2) If the accounting officer—

(a) becomes aware that the municipal council, the mayor or the executive committee of the municipality has taken a decision which, if

implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure; and

(b) has informed the council, the mayor or the executive committee, accordingly,

the accounting officer is not liable for the expenditure.

(3) A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure—

(a) in the case of unauthorised expenditure, is—

(i) authorised in an adjustments budget; or

(ii) certified by the municipal council, based on the recommendations of the audit committee, in terms of subsection (6), as irrecoverable and written off by the municipal council; and

(b) in the case of irregular or fruitless and wasteful expenditure, is certified by the municipal council, after a recommendation by audit committee in terms of subsection (6), as irrecoverable and written off.";

(e) by the substitution for subsection (4) of the following subsection:

(4) The accounting officer must**[promptly inform the mayor, the MEC for local government in the province]**, within 30 days after the end of each quarter, submit a report to the mayor, the internal audit unit, the National Treasury, the relevant provincial treasury and the Auditor-General,**[in writing, of]** outlining—

(a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;

(b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; **[and]**

(c) the steps that have been taken to—

(i) **[to]**recover or rectify such expenditure; and

(ii) **[to]**prevent a recurrence of such expenditure**[.]**; and

(d) any progress in addressing unauthorised, irregular or fruitless and wasteful expenditure in terms of subsection (3), including an explanation for any delays or failure to comply with the provisions of this section.";

(f) by the substitution for subsections (5), (6), (7) and (8) of the following subsections:

"(5) Upon receipt of the report referred to in subsection (4), the internal audit unit must prepare a report with recommendations on the recoverability of the irregular, fruitless and wasteful expenditure and unauthorised expenditure and submit its report to the audit committee, within 60 days of the receipt of the report.

(6) Upon receipt of the report referred to subsection (5), the audit committee—

(a) must review the report; and

(b) make recommendations to the municipal council, within 30 days of receipt of the report.

(7) The write off of any unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable is no defence in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of this Act relating to such expenditure.

(8) The accounting officer must, within 30 days after it comes to its attention, report to the National Treasury, the relevant provincial treasury and South African Police Service any losses suffered by the municipality which resulted from alleged theft, fraud or other criminal offence."; and

(g) by the addition after subsection (8) of the following subsections:

"(9) The council of a municipality must, within 30 days after it comes to its attention, take all reasonable steps to ensure that all cases referred to in subsection (8) are reported to the National Treasury, the relevant provincial treasury and South African Police Service if—

(a) the charge is against the accounting officer; or

(b) the accounting officer fails to comply with subsection (8).

(10) Any failure to comply with this section must be dealt with in terms of Chapter 15.

(11) The Minister may regulate the application of this section in terms of section 168.".

Substitution of section 33 of Act 56 of 2003

22. The following section is hereby substituted for section 33 of the principal Act:

"**Projects or arrangement having future budgetary implications**

33. (1) A municipality may implement projects or arrangements which will impose financial obligations on the municipality beyond a financial year.

(2) If the project or arrangement will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, a municipality may do so only if—

(a) the municipal manager has—

(i) included the project or arrangement in the integrated development plan and budget documentation which form part of the public consultation process to ensure transparent and accountable decision making;

(ii) in accordance with section 21A of the Municipal Systems Act—

(aa) made public an information statement summarising the municipality's obligations in terms of the proposed project or arrangement; and

(bb) invited the local community and other interested persons submit to the municipality comments or representations in respect of the proposed project or arrangement; and

(iii) informed the responsible national and provincial departments if the project or arrangement involves the provision of water, sanitation, electricity or information technology; and

(iv) in line with the applicable legislation, solicited the views of the relevant department;

(b) the municipal manager has informed the municipal council taking into account—

(i) the municipality's projected financial obligations in terms of the proposed project or arrangement for each financial year covered by the project or arrangement;

(ii) the impact of those financial obligations on the municipality's projected future municipal tariffs and revenue; and

(iii) any comments or representations on the proposed project or arrangement received from the local community and other interested persons; and

(c) the municipal council has adopted a resolution in which it determines that the municipality will secure a significant capital investment or will derive a significant economic, environmental, social or financial benefit from the project or arrangement.

(3) The process set out in subsection (1) does not apply to—

(a) long-term debt regulated in terms of section 46(3); or

(b) employment contracts.

(4) All documentation relating to a project or arrangement that impose a financial obligation on a municipality must be made available to the public except recorded information that must or may be refused on a request in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).".

Amendment of section 38 of Act 56 of 2003

23. Section 38 of the of the principal Act is hereby amend by the substitution for paragraph *(b* of subsection (2)*)* of the following paragraph:

"(*b)* inform the MEC for local government and MEC for finance in the province; and".

Amendment of section 44 of Act 56 of 2003

24. Section 44 of the principal Act is hereby amended—

(a) by the substitution for subsection (2) of the following subsection:

"(2) If the National Treasury is not a party to the dispute—

(a) the parties must report the matter to the National Treasury and provide—

(i) a detailed description of the dispute;

(ii) the steps taken to resolve the dispute; and

(iii) the dispute resolution mechanisms available to the parties;

(b) the parties may request the National Treasury to mediate between the parties or to designate a person to mediate between them and provide the information referred to in paragraph *(a)*; and

(c) the National Treasury must inform the organ of state whether it will mediate the dispute or designate a mediator within 30 days of receiving a request.";

(b) by the substitution for subsection (3) of the following subsection:

"(3) If the National Treasury accedes to a request in terms of subsection (2), the following mediation process applies:

(a) The National Treasury must determine the form of representations to be made within 10 working days; and

(b) the National Treasury or the designated mediator must, within 20 working days after receipt of the representations of the parties, determine a procedure within which the negotiations will take place and endeavour to facilitate an agreement."; and

(c) by the insertion after subsection (3) of the following subsection:

"(3A*) (a)* Any agreement reached through the mediation process must be in writing, signed by both parties and is binding on the parties.

(b) If the parties cannot reach an agreement, the matter may be referred to arbitration.".

Amendment of section 45 of Act 56 of 2003

25. Section 45 of the principal Act is hereby amended—

(a) by the deletion of the words "and" at the end of paragraph *(a)* in subsection (2);

(b) by the substitution for the full stop at the end of paragraph *(b)* of subsection (2) of the expression "; and"; and

(c) by the addition after paragraph *(b)* of subsection (2) of the following paragraph:

"*(c)* the National Treasury and the relevant provincial treasury were informed of the proposed debt.".

Insertion of section 51A in Act 56 of 2003

26. The following section is hereby inserted after section 51 of the principal Act:

"**Borrowing from international lenders**

51A. (1) A municipality may borrow money from an international lender after the accounting officer has complied with all applicable legislation.

(2) The agreement entered into between the municipality and the international lender must be in terms of the law of the Republic.

(3) Any monies received in terms of the agreement, referred to in subsection (2), must be deposited into a municipality's primary bank account.

(4) The Minister may prescribe requirements for the application of this section.".

Amendment of section 52 of Act 56 of 2003

27. Section 52 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(a)* of the following paragraph:

"*(a)* must provide general political guidance over the fiscal and financial affairs and policies of the municipality;" and

(b) by the substitution for paragraph *(d)* of the following paragraph:

"*(d)* must, within 30 days of the end of each quarter, **[submit]** table a report **[to]** in the council, and submit the report to the National Treasury and the relevant provincial treasury on the performance of the municipality, the implementation of the budget, service delivery and budget implementation plan and the financial state of affairs of the municipality; and".

Amendment of section 53 of Act 56 of 2003

28. Section 53 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(b)* of subsection (1) of the following paragraph:

"*(b)* with the assistance of the accounting officer, co-ordinate the annual revision of the integrated development plan in terms of section 34 of the Municipal Systems Act and the preparation of the annual budget, and determine how the integrated development plan is to be taken into account or revised for the purposes of the budget; and";

(b) by the substitution for subparagraph (ii) of subsection (1)*(c)* of the following subparagraph:

"(ii) that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget and tabled in the council; and"; and

(c) by the substitution for paragraph *(b)* of subsection (3) of the following paragraph:

"(*b*) that the performance agreements of the municipal manager, senior managers and any other categories of officials as may be prescribed, are made public no later than 14 days after the approval of the municipality's service delivery and budget implementation plan. Copies of such performance agreements must be submitted to the council **[and]**, the MEC for local government and MEC for finance in the province.".

Amendment of section 54 of Act 56 of 2003

29. Section 54 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(b)* of subsection (2) of the following paragraph:

"(*b*) alert the council and the MEC for **[local government]** finance in the province to those problems."; and

(b) by the substitution for subsection (3) of the following subsection:

"(3) The mayor must ensure that any revisions of the service delivery and budget implementation plan are made public **[promptly]** within 14 days after the revisions.".

Amendment of section 55 of Act 56 of 2003

30. Section 55 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(a)* of the following paragraph:

"*(a)* must immediately report the matter to the **[MEC for local government and]** MEC for finance in the province; and"; and

(b) by the substitution for paragraph *(b)* of the following paragraph:

"*(b)* may recommend to the MEC for finance an appropriate provincial intervention in terms of section 139 of the Constitution.".

Amendment of section 62 of Act 56 of 2003

31. Section 62 of the principal Act is hereby amended—

(a) by the deletion at the end of subparagraph (i) of paragraph *(c)* of subsection (1) of the word "and";

(b) by the substitution for subparagraph (ii) of subsection (1)*(c)* of the following subparagraph:

"(ii) of internal audit operating in accordance with any prescribed norms and standards; and";

(c) by the addition after subparagraph (ii) of subsection (1)*(c)* of the following subparagraph:

"(iii) of detecting, preventing and investigating fraud and corruption and to institute disciplinary action;";

(d) by the insertion after paragraph *(d)* of subsection (1) of the following paragraph:

"*(dA)* that losses resulting from unauthorised, irregular or fruitless and wasteful expenditure are recovered from the officials that caused such losses in line with section 32;";

(e) by the substitution for subparagraphs (i), and (iii) of subsection (1)*(f)* of the following subparagraphs respectively:

"(i) a tariff policy referred to in section **[74 of the Municipal Systems**

Act] 18A;

(iii) a credit control and debt collection policy referred to in section **[96(b) of the Municipal Systems Act]** 64A; and".

Amendment of section 64 of Act 56 of 2003

32. Section 64 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(a)* of subsection (2) of the following paragraph:

"(a) that the municipality has effective revenue collection systems consistent with section **[95 of the Municipal Systems Act]** 18C and the municipality's credit control and debt collection policy;"; and

(b) by the substitution for subsection (3) of the following subsection:

"(3) The accounting officer must immediately inform the National Treasury and the relevant provincial treasury of any payments due by an organ of state to the municipality in respect of municipal tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.".

Insertion of sections 64A to 64G in Act 56 of 2003

33. The following sections are hereby inserted after section 64 of the principal Act:

"**Credit control and debt collection policy**

64A. (1) A municipality must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of this Act.

(2) A credit control and debt collection policy must provide for—

(a) credit control procedures and mechanisms;

(b) debt collection procedures and mechanisms;

(c) provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents;

(d) realistic targets consistent with—

(i) general recognised accounting practices and collection ratios; and

(ii) the estimates of income set in the budget less an acceptable provision for bad debts;

(e) interest in arrears, where appropriate;

(f) extensions of time for payment of accounts;

(g) termination of services or the restriction of the provision of services when payments are in arrears;

(h) matters relating to unauthorised consumption of services, theft and damages; and

(i) any other matters that may be prescribed by regulation in terms of section 64H.

(3) A credit control and debt collection policy may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters as long as the differentiation does not constitute to unfair discrimination.

By-laws to give effect to municipality's credit control and debt collection policy

64B. (1) A municipal council must adopt by-laws to give effect to the municipality's credit control and debt collection policy and its implementation and enforcement.

(2) By-laws in terms of subsection (1) may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters as long as the differentiation does not constitute to unfair discrimination.

Supervisory authority

64C. A municipality's executive committee or executive mayor or, if municipality does not have an executive committee or executive mayor, the municipal council itself or a committee appointed by it, as the supervisory authority must—

(a) oversee and monitor—

(i) the implementation and enforcement of the municipality's credit control and debt collection policy and any by-laws adopted in terms of section 64B; and

(ii) the performance of the municipal manager in implementing the policy and any by-laws;

(b) when necessary, evaluate or review the policy and any by-laws, or the implementation of the policy and such by-laws, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures; and

(c) at such intervals as may be determined by the council report to a meeting of the council, except when the council itself performs the duties mentioned in paragraphs *(a)* and *(b).*

Implementing authority

64D. The municipal manager or service provider must—

(a) implement and enforce the municipality's credit control and debt collection policy and any by-laws adopted in terms of section 64B;

(b) in accordance with the credit control and debt collection policy and any such by-laws, establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality; and

(c) at such intervals as may be determined by the council report the prescribed particulars to a meeting of the supervisory authority referred to in section 64C.

Municipality's right of access to premises

64E. The occupier of premises in a municipality must give an authorised representative of the municipality or a service provider of the municipality access at all reasonable hours as contained in a municipal council policy, to the premises in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict the provision of any service and the authorised representative of the municipality or a service provider of the municipality must exhibit his or her authorisation at the request of the occupier of the premises.

Accounts

64F. (1) A municipality may—

(a) consolidate any separate accounts of persons liable for payments to the municipality;

(b) credit a payment by such a person against any account of that person; and

(c) implement any of the debt collection and credit control measures in relation to any arrears on any of the accounts of such a person.

(2) Subsection (1) does not apply where there is a dispute between the municipality and a person referred to in that subsection concerning any specific amount claimed by the municipality from that person.

(3) A municipality must provide an owner of a property in its jurisdiction with copies of accounts sent to the occupier of the property for municipal services supplied to the property if the owner requests such accounts in writing from the municipality.

Agreements with employers

64G. (1) A municipality may with the written consent of a person liable to the municipality for the payment of rates, taxes, or fees for municipal services, enter into an agreement with that person's employer to deduct from the salary or wages of that person—

(a) any outstanding amounts due and payable by that person to the municipality; or

(b) such regular monthly amounts as may be agreed.

(2) An agreement contemplated in subsection (1) may not be implemented, and no deduction may be made from the salary or wages of a person, unless the deduction has been authorised by an order of a court of competent jurisdiction.

(3) A municipality may provide incentives to—

(a) employers to enter into agreements contemplated in subsection (1); and

(b) persons liable to the municipality who consent to deductions contemplated in subsection (1).".

Amendment of section 65 of Act 56 of 2003

34. Section 65 of the principal Act is hereby amended—

(a) by the substitution for subparagraph (ii) of subsection (2)(*b*) the following subparagraph:

"(ii) accounts for **[creditors]** liabilities of the municipality; and";

(b) by the substitution for paragraph (*c*) of subsection (2) of the following paragraph:

"(*c*) that the municipality has and maintains a system of internal control in respect of **[creditors]** liabilities and payments;".

Amendment of section 67 of Act 56 of 2003

35. Section 67 of the principal Act is hereby amended—

(a) by the substitution for subparagraphs (ii) and (iv) of subsection (1)*(a*) of the following subparagraphs respectively:

"(ii) for the period of the agreement to comply with all reporting **[,]** and financial management **[and]** or auditing requirements as may be stipulated in the agreement;

(iv) to submit its audited or unaudited financial statements for its financial year to the accounting officer promptly;";

(b) by the deletion in subsection (4) of paragraph *(a)*; and

(c) by the addition after subsection (4) of the following subsections:

"(5) Each municipality must develop, adopt and implement a policy for the allocation and transfer of funds to an organisation or body outside any sphere of government, in line with the framework contained in the regulations referred to in subsection (7), which must—

(a) set out the application process, qualification and selection criteria; and

(b) provide for the local community to submit comments or representations before any allocation and transfer is made in terms of this section.

(6) Each municipality must submit to the National Treasury and the relevant provincial treasury, a copy of allocation and transfer of funds to an organisation or body outside any sphere of government.

(7) The Minister, may in terms of section 168 make regulations or guidelines applicable to municipalities, regarding—

(a) a framework regulating the transfer of funds of a municipality to an organisation or body outside any sphere of government otherwise than in compliance with a commercial or other business transaction;

(b) the requirements that must be met for the transfer of funds to certain organisations or bodies, or categories thereof, in the circumstances referred to in subsection (1); or

(c) in respect of organisations or bodies serving the poor or used by government as agencies to serve the poor, a fair process for submission of expressions of interest by such organisations or bodies.".

Amendment of section 70 of Act 56 of 2003

36. Section 70 of the principal Act is hereby amended—

(a) by the substitution of the words preceding paragraph *(a)* of subsection (1) of the following words:

"(1) The accounting officer of a municipality must report in writing to the municipal council and the relevant provincial treasury—"; and

(b) by the substitution of the words preceding paragraph *(a)* of subsection (2) of the following words:

"(2) If a municipality's bank account, or if the municipality has more than one bank account, the consolidated balance in those bank accounts, shows a net overdrawn position for a period exceeding a prescribed period, the accounting officer of the municipality must promptly notify the National Treasury and the relevant provincial treasury in the prescribed format of—".

Amendment of section 71 of Act 56 of 2003

37. Section 71 of the principal Act is hereby amended—

(a) by the substitution of the words preceding paragraph *(a)* of subsection (1) of the following words:

"(1) The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality, the National Treasury and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:";

(b) by the substitution for paragraph *(a)* of subsection (1) of the following paragraphs:

"(*a*) Actual revenue and accruals, per revenue source;";

(c) by the substitution for paragraph *(c)* of subsection (1) of the following paragraph:

"*(c)* actual expenditure and provisions, per vote;";

(d) by the deletion at the end of paragraph (*a*) of subsection (2) of the word "and";

(e) by the substitution for the full stop at the end of paragraph (*b*) of subsection (2) of the expression "; and"; and

(f) by the addition to subsection (2) of the following paragraph:

"*(c)* the disclosure of outstanding debtors and the age analysis of all outstanding debtors.".

Amendment of section 72 of Act 56 of 2003

38. Section 72 of the principal Act is hereby amended by the substitution for subparagraph (i) of subsection (1)*(b)* of the following subparagraph:

"(i) the mayor of the municipality who must submit it to the municipal council;".

Amendment of section 75 of Act 56 of 2003

39. Section 75 of the principal Act is hereby amended—

(a) by the deletion at the end of paragraph *(k)* of subsection (1) of the word "and";

(b) by the insertion after paragraph *(k)* of subsection (1) of the following paragraphs:

"(*k*A) internal audit and audit committee charters;

(*k*B) quarterly reports on the service delivery and budget implementation plan; and"; and

(c) by the addition after subsection (2) of the following subsection:

"(3) Any document required to be published in terms of subsection (1) must exclude personal information as defined in the Protection of Personal Information Act, 2013 (Act No. 4 of 2013).".

Substitution of section 76 of Act 56 of 2003

40. The following section is hereby substituted for section 76 of the principal Act:

"**Protection of municipal officials**

76. (1) If an official of a municipality (herein called ''the affected person'') is directed, in writing or verbally, by any person with authority over the affected person (herein called ''the person with authority''), to do or omit to do anything, which the affected person believes he or she is not authorised to do in terms of this Act or is contrary to a provision of this Act, the affected person must not comply with the direction.

(2) The affected person—

(a) must report the matter in line with Chapter 15;

(b) must inform the National Treasury or the relevant provincial treasury, in the prescribed manner, of the direction, the objection and the reason for the objection;

(c) may submit in writing to the person with authority, the objection, and the reason for the objection; and

(d) may inform, in writing, the supervisor of the person who must initiate an investigation into the allegation within a period determined in the municipal policies.

(3) The National Treasury or the relevant provincial treasury must review the information submitted in terms of subsection (2)*(b)* and take action as may be appropriate.

(4) Any action taken against the affected person because of compliance with a provision of this Act, or a refusal to comply with an unlawful instruction, is an unfair labour practice for the purposes of the Labour Relations Act, 1995 (Act No. 66 of 1995).

(5) The affected person may not, despite any term of employment, be subjected to occupational detriment as defined in section 1 of the Protected Disclosures Act, 2000 (Act No. 26 of 2000), due to the non-compliance with the directive of the person with authority.".

Amendment of section 78 of Act 56 of 2003

41. Section 78 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(a)* of subsection (1) of the following paragraph*:*

"(a) that the system of financial management **[and]**, information technology, internal control and risk management established for the municipality is carried out diligently;";

(b) by the insertion after paragraph *(c)* of subsection (1) of the following paragraph:

"*(c*A*)* that losses resulting from unauthorised, irregular or fruitless and wasteful expenditure are recovered from the officials that caused such losses in terms of section 32;"

(c) by the deletion in subsection (1) of the word "and" at the end of paragraph (*f*);

(d) by the substitution in subsection (1) of the full stop at the end of paragraph (*g*) for the expression "; and";

(e) by the addition to subsection (1) of the following paragraph:

"*(h)* that any official of the municipality under their direct supervision, who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 is held accountable."; and

(f) by the addition after subsection (2) of the following subsection:

"(3) Each senior manager must, within seven working days after the end of each month, submit a report to the accounting officer for purposes of section 32(4) in relation to any unauthorised, irregular,

fruitless and wasteful expenditure incurred in their area of responsibility.".

Amendment of section 81 of Act 56 of 2003

42. Section 81 of the principal Act is hereby amended—

(a) by the deletion in subsection (1) of the word "and" at the end of paragraph *(d)*;

(b) by the substitution for the full stop at the end of paragraph *(e)* of subsection (1) of the expression ''; and''; and by the addition after paragraph *(e)* of subsection (1), of the following paragraphs:

''*(f)* must confirm that funding is available before the creation of any new posts or re-grading of existing posts in the case of an amendment to the staff establishment approved in terms of section 66 of the Municipal Systems Act; and

(g) ensure that Chapter 15 is applied where an official of the municipality has committed an act of financial misconduct.".

Insertion of section 81A into Act 56 of 2003

43. The following section is hereby inserted after section 81 of the principal Act:

"**Treasury oversight on appointment of chief financial officer**

81A. (1) A municipality must consult the National Treasury and the relevant provincial treasury when appointing a chief financial officer in terms of section 56 of the Municipal Systems Act.

(2) A municipality must submit the following information to the National Treasury and the relevant provincial treasury:

(a) the full list of all applications received and all supporting documentation, including qualifications, financial management competency assessments, and any other information as may be requested by the National Treasury or the relevant provincial treasury; and

(b) the shortlist of candidates recommended for interviews.

(3) The National Treasury and the relevant provincial treasury must review the information referred to in subsection (2) and make recommendations, submit input or raise objections, in writing, within 30 days of receipt of the information, regarding—

(a) the suitability, competency levels or qualifications of any of the shortlisted candidates; and

(b) the integrity of the recruitment process.

(4) A municipality may only make final recommendations, for the appointment of a chief financial officer, after the expiry of the period of 30 days

after submission of the information referred to in subsection (2), to the National Treasury and the relevant provincial treasury.

(5) A municipality must include the input of the National Treasury and the relevant provincial treasury when submitting a report and recommendation on the selection process to the municipal council on the suitability of candidates in terms of regulation 16(5) of the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014.

(6) If the National Treasury or the relevant provincial treasury objects to the appointment of a recommended candidate on the grounds of non-compliance with this section, the municipality must submit alternative candidates for recommendation or recommence the recruitment process.".

Amendment of section 84 of Act 56 of 2003

44. Section 84 of the principal Act is hereby amended by the insertion after subsection (2) of the following subsection:

"(2A) The municipality must, in an accompanying memorandum, explain to the relevant provincial treasury the extent to which it has considered and taken into account the relevant provincial treasury's written views and recommendations within 10 working days of receiving the relevant provincial treasury's written views and recommendations.".

Amendment of section 87 of Act 56 of 2003

45. Section 87 of the principal Act is hereby amended by the substitution for subsection (4) of the following subsection:

"(4) The board of directors of a municipal entity must approve the budget of the municipal entity not later than **[30]** 20 days before the start of the financial year, taking into account any hearings or recommendations of the council of the parent municipality.".

Substitution of section 92 of Act 56 of 2003

46. The following section is hereby substituted for section 92 of the principal Act:

"**Audit**

92. (1) The Auditor-General must audit and report on the accounts, financial statements and financial management of each municipal entity.

(2) The municipal entity must submit the audit report referred to in subsection (1) to the parent municipality, the National Treasury and the relevant provincial treasury.".

Amendment of section 95 of Act 56 of 2003

47. Section 95 of the principal Act is hereby amended by the substitution for paragraph *(d)* of the following paragraph:

"(*d*) that unauthorised, irregular or**[and]** fruitless and wasteful expenditure and other losses are prevented or recovered from the person liable for that expenditure;".

Amendment of section 97 of Act 56 of 2003

48. Section 97 of the principal Act is hereby amended—

(a) by the insertion after the section number of the following number:

"(1)";

(b) by the substitution for paragraph (*a*) of the following paragraph:

"(*a*) that the entity has and implements effective revenue collection systems, including the collection of all money that is due and payable to the municipal entity, to give effect to its budget;"; and

(c) by the substitution for the number of subsection (3) of the following number:

"**[(3)]** (2)".

Amendment of section 99 of Act 56 of 2003

49. Section 99 of the principal Act is hereby amended by the substitution for subparagraph (ii) of subsection (2)*(c)* of the following subparagraph:

"(ii) accounts for **[creditors]** liabilities of the entity; and".

Substitution of section 102 of Act 56 of 2003

50. The following section is hereby substituted for section 102 of the principal Act:

"**Unauthorised, irregular or fruitless and wasteful expenditure**

102. (1) Without limiting liability in terms of the common law or other legislation—

(a) a member of a board of directors of a municipal entity is liable for unauthorised expenditure if that member knowingly or after having been advised by the accounting officer of the municipal entity that the expenditure is likely to result in unauthorised expenditure, instructed an official of the municipal entity to incur the expenditure;

(b) any member of a board of directors of a municipal entity or official of a municipal entity who deliberately or negligently committed, made or authorised an irregular expenditure or fruitless and wasteful expenditure is liable for the expenditure;

(c) any member of a board of directors of a municipal entity who votes in favour of the adoption of a resolution with the knowledge that the

resolution will result in the incurrence of unauthorised, irregular or fruitless and wasteful expenditure is liable for the expenditure;

(d) the accounting officer is liable for unauthorised, irregular or fruitless and wasteful expenditure deliberately or negligently incurred by the accounting officer, subject to subsection (2);

(e) any supplier of a municipal entity who deliberately engages in and who benefits financially from conduct that results in the incurrence of irregular or fruitless and wasteful expenditure by the municipal entity, is liable for the expenditure; or

(f) an official or member of a board of a municipal entity who initiates frivolous or vexatious legal proceedings, contrary to legal advice and which results in the incurrence of irregular or fruitless and wasteful expenditure is liable for the expenditure and the expenditure must be recovered by the municipal entity.

(2) If the accounting officer—

(a) becomes aware that the board of directors, has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure; and

(b) has informed the board of directors, in writing, accordingly,

the accounting officer is not liable for the expenditure.

(3) The accounting officer must, within 30 days after the end of each quarter, submit a report to the board of directors, mayor and Auditor-General, outlining—

(a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipal entity;

(b) whether any person is responsible or under investigation for the unauthorised, irregular or fruitless and wasteful expenditure; and

(c) the steps that have been taken to—

(i) recover or rectify the expenditure; and

(ii) prevent a recurrence of the expenditure.

(4) The board of directors of a municipal entity must promptly report to the National Treasury, the relevant provincial treasury and South African Police Service any losses suffered by the municipal entity which resulted from an alleged theft, fraud or other criminal offence.

(5) A municipal entity must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for the expenditure unless the expenditure—

(a) in the case of unauthorised expenditure, is—

(i) authorised in an adjustments budget; or

(ii) found irrecoverable, and written off, after investigation by the board of directors; or

(b) in the case of irregular or fruitless and wasteful expenditure, is found irrecoverable and is written off, after investigation by a board of directors.

(6) The board of directors must, on a quarterly basis, submit a report of all unauthorised, irregular or fruitless and wasteful expenditure, including any

amounts written off or recovered after its investigation, to the mayor of the entity's parent municipality.

(7) The mayor must table the report at the next meeting of the municipal council of the entity's parent municipality.

(8) The write off referred to in subsection (5) of any unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable is no defence in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of this Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.

(9) Any failure to comply with this section must be dealt with in terms of Chapter 15.

(10) The Minister may regulate the application of this section in terms of section 168.".

Insertion of section 103A in Act 56 of 2003

51. The following section is hereby inserted after section 103 of the principal Act:

"**Protection of municipal entity officials**

103A. (1) If an official of a municipal entity (herein called ''the affected person'') is directed, in writing or verbally, by any person with authority over the affected person (herein called ''the person with authority''), to do or omit to do anything, which the affected person believes he or she is not authorised to do in terms of this Act or is contrary to a provision of this Act, the affected person must not comply with the direction.

(2) The affected person—

(a) must report the matter in line with Chapter 15*;*

(b) must inform the National Treasury or the relevant provincial treasury, in the prescribed manner, of the direction, the objection and the reason for the objection;

(c) may submit in writing to the person with authority, the objection, and the reason for the objection; and

(d) may inform, in writing, the supervisor of the person who must initiate an investigation into the allegation within a period determined in the municipal policies.

(3) The National Treasury or the relevant provincial treasury must review the information submitted in terms of subsection (2)*(b)* and take action as may be appropriate.

(4) Any action taken against the affected person because of compliance with a provision of this Act, or refusal to comply with an unlawful instruction, is an unfair labour practice for the purposes of the Labour Relations Act, 1995 (Act No. 66 of 1995).

(5) The affected person may not, despite any term of his or her employment, be subjected to occupational detriment as defined in section 1 of

the Protected Disclosures Act, 2000 (Act No. 26 of 2000), due to the non-compliance with the directive of the person with authority.".

Amendment of section 105 of Act 56 of 2003

52. Section 105 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(c)* of subsection (1) of the following paragraph:

"*(c)* that any unauthorised, irregular **[expenditure,]** and fruitless and wasteful expenditure and other losses are prevented and, if any such expenditure or other loss is incurred, the official must report the incurrence to the accounting officer within 10 days after the end of month it is incurred;"; and

(b) by the addition after subsection (2) of the following subsection:

"(3) Each senior manager must, within seven working days after the end of each month, submit a report to the accounting officer in relation to any unauthorised, irregular, fruitless and wasteful expenditure incurred in their area of responsibility, outlining—

(a) any unauthorised, irregular or fruitless and wasteful expenditure incurred;

(b) whether any person is responsible or under investigation for the unauthorised, irregular or fruitless and wasteful expenditure; and

(c) the steps that have been taken to—

(i) recover or rectify the expenditure; and

(ii) prevent a recurrence of the expenditure.".

Amendment of section 121 of Act 56 of 2003

53. Section 121 of the principal Act is hereby amended—

(a) by the substitution for subsection (1) of the following subsection:

"(1) Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within **[nine]** six months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129."; and

(b) by the substitution for the words preceding paragraph *(a)* of subsection (3) of the following words:

"(3) The annual report of a municipality must be in the prescribed format and include—".

Amendment of section 122 of Act 56 of 2003

54. Section 122 of the principal Act is hereby amended by the substitution for subsection (2) of the following subsection:

"(2) A municipality which has sole control of a municipal entity, or which has effective control **[within the meaning of the Municipal Systems Act]** of a municipal entity which is a private company, must in addition to complying with subsection (1), prepare consolidated annual financial statements incorporating the annual financial statements of the municipality and of such entity. Such consolidated annual financial statements must comply with any requirements as may be prescribed.".

Amendment of section 124 of Act 56 of 2003

55. Section 124 of the principal Act is hereby amended by the substitution for paragraphs *(b)* and *(c)* of subsection (1) of the following paragraphs:

"(*b*) any arrears owed by individual councillors to the municipality, or a municipal entity under its sole or shared control, for **[rates or services]** <u>any debt</u> and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councillors; and

(*c*) the salaries, allowances and benefits<u>, including any debt due to the municipality or municipal entity under its sole or shared control,</u> of the municipal manager, the chief financial officer, every senior manager and such categories of other officials as may be prescribed.".

Amendment of section 125 of Act 56 of 2003

56. Section 125 the principal Act is hereby amended by the substitution for subparagraph (i) of subsection (2)*(d)* of the following subparagraph:

"(i) any material losses and any **[material]** <u>unauthorised,</u> irregular or fruitless and wasteful expenditures, **[including in the case of a municipality, any material unauthorised expenditure,]** that occurred during the financial year, and whether these are recoverable;".

Amendment of section 126 of Act 56 of 2003

57. Section 126 of the principal Act is hereby amended by the addition after subsection (5) of the following subsection:

"<u>(6) The accounting officer of a municipality must submit to the National Treasury and the relevant provincial treasury the following documents:</u>

<u>*(a)* Copies of the audited annual financial statements, audit report and the management report;</u>

<u>*(b)* in the case of a municipality referred to in section 122(2), copies of the audited annual financial statements of the entity, the consolidated annual financial statements and consolidated audit report; and</u>

<u>*(c)* a copy of the oversight report submitted to the provincial legislature.</u>".

Amendment of section 127 of Act 56 of 2003

58. Section 127 of the principal Act is hereby amended—

(a) by the substitution for subsection (1) of the following subsection:

"(1) The accounting officer of a municipal entity must, **[within six months]** by 15 August or on such earlier date as may be agreed between the entity and its parent municipality, submit the entity's annual report or any components of the annual report listed in section 121(4) that are completed, for that financial year to the municipal manager of the entity's parent municipality.";

(b) by the insertion after subsection (1) of the following subsection:

"(1A) *(a)* The accounting officer of a municipality must, within two months after the end of a financial year but before the annual report is tabled in the municipal council in terms of subsection (2), submit the annual report of the municipality and its entities or any components of the annual report listed in section 121(3) or (4) that are completed, to the audit committee for consideration.

(b) The audit committee must consider the annual report and make recommendations to the accounting officer.

(c) The accounting officer must submit the annual report, together with responses to the recommendations of the audit committee to the mayor for tabling in the municipal council in terms of subsection (2).";

(c) by the substitution for subsection (2) of the following subsection:

"(2) The mayor of a municipality must, within **[seven]** two months after the end of a financial year table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.";

(d) by the substitution for the words preceding paragraph *(a)* of subsection (3) of the following words:

"(3) If the mayor, for whatever reason, is unable to table in the council the annual report of the municipality, or the annual report of any municipal entity under the municipality's sole or shared control, within **[seven]** two months after the end of the financial year to which the report relates, the mayor must—";

(e) by the substitution for the words preceding paragraph *(a)* of subsection (4) of the following words:

"(4) The Auditor-General **[may]** must submit the financial statements, management report and audit report—.";

(f) by the substitution for paragraph *(a)* of subsection (4) of the following paragraph:

"(*a*) of a municipality directly to the municipal council, the National Treasury, the relevant provincial treasury, the MEC responsible for **[local government]** finance in the province and any

prescribed organ of state, if the mayor fails to comply with subsection (2) or (3); or"; and

(g) by the substitution for paragraph *(b)* of subsection (5) of the following paragraph:

"(b) submit the annual report to the Auditor-General, the National Treasury and the relevant provincial treasury **[and the provincial department responsible for local government in the province**].".

Amendment of section 129 of Act 56 of 2003

59. Section 129 of the principal Act is hereby amended—

(a) by the substitution for subsection (1) of the following subsection:

"(1) The council of a municipality must consider and adopt the annual report or any components of the annual report, listed in section 121(3) or (4) and submitted in terms of section 127(3), of the municipality and of any municipal entity under the municipality's sole or shared control, and within two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council has—

(a) approved the annual report or any components of the annual report listed in section 121(3) or (4) and submitted in terms of section 127(3) with or without reservations;

(b) rejected the annual report or any components of the annual report listed in section 121(3) or (4) and submitted in terms of section 127(3); or

(c) referred the annual report or any components of the annual report listed in section 121(3) or (4) and submitted in terms of section 127(3), back for revision of those components that can be revised.";

(b) by the substitution for subsection (3) of the following subsection:

"(3) *(a)* The accounting officer must in accordance with section 21A of the Municipal Systems Act make public an oversight report referred to in subsection (1) within seven days of its adoption.

(b) The accounting officer must address the matters raised in the oversight report within 30 days of adoption."; and

(c) by the deletion of subsection (5).

Amendment of section 131 of Act 56 of 2003

60. Section 131 of the principal Act is hereby amended—

(a) by the substitution for the heading of the following the heading:

"**Issues raised by Auditor-General in audit reports and management report**";

(b) by the substitution for subsection (1) of the following subsection:

"(1) A municipality must address **[any]** all issues raised by the Auditor-General in an audit report."; and

(c) by the substitution for subsection (2) of the following subsection:

"(2) The MEC for **[local government]**finance, in consultation with the MEC for local government, in the province must—

(a) assess all annual financial statements of municipalities in the province, the audit reports on such statements and any responses of municipalities to such audit reports and determine whether municipalities have adequately addressed any issues raised by the Auditor-General in audit reports and management reports referred to in section 126; and

(b) report to the provincial legislature any omission by a municipality to adequately address those issues within 60 days.".

Amendment of section 132 of Act 56 of 2003

61. Section 132 of the principal Act is hereby amended—

(a) by the substitution for subsection (3) of the following subsection:

"(3) The MEC for **[local government]** finance in a province must monitor whether municipalities in the province comply with subsection (2)."; and

(b) by the substitution for subsection (4) of the following subsection:

"(4) A provincial legislature **[may]** must deal with the documents referred to it in terms of subsection (1) in accordance with its constitutional powers and make recommendations on further action to be taken within 30 days after receiving the reports.".

Substitution of section 134 of Act 56 of 2003

62. The following section is hereby substituted for section 134 of the principal Act:

"**Annual report to Parliament**

134. The **[Cabinet member responsible for local government]** Minister must together with the Cabinet member responsible for local government, as part of the report referred to in section 48 of the Municipal Systems Act, annually report to Parliament on actions taken by MECs for **[local government]** finance to address issues raised by the Auditor-General in audit reports on financial statements of municipalities and municipal entities.".

Amendment of section 135 of Act 56 of 2003

63. Section 135 of the principal Act is hereby amended by the substitution for paragraph *(a)* of subsection (3) of the following paragraph:

"*(a)* seek solutions for the problem and may include a request for the preparation of a financial recovery plan;".

Amendment of section 136 of Act 56 of 2003

64. Section 136 of the principal Act is hereby amended—

(a) by the substitution for subsection (1) of the following subsection:

"(1) If the MEC for **[local government]** finance in a province becomes aware that there is a serious financial problem in a municipality, the MEC must promptly—";

(b) by the substitution for paragraph *(c*) of subsection (1) of the following paragraph:

"(*c*) determine whether the situation justifies or requires an intervention in terms of section 139 of the Constitution and make appropriate recommendations to the relevant provincial executive."; and

(c) by the substitution for subsection (3) of the following subsection:

"(3) If the municipality has failed to approve a budget in terms of section 18 or any revenue-raising measures necessary to give effect to the budget, as a result of which the conditions for an intervention in terms of section 139(4) of the Constitution are met, the provincial executive must intervene in the municipality in accordance with section 26.".

Amendment of section 137 of Act 56 of 2003

65. Section 137 of the principal Act is hereby amended—

(a) by the substitution for the words preceding subparagraph (i) of subsection (1)(*c*) of the following words:

"*(c*) determining whether the financial proem, singly or in combination with other problems, is sufficiently serious or sustained that the municipality would benefit from a financial recovery plan and, if so, requesting **[any suitably qualified person]** the relevant provincial treasury—";

(b) by the substitution for subparagraphs (i) and (iii) of subsection (1)*(c)* of the following subparagraphs:

"(i) to prepare an appropriate financial recovery plan for the municipality after consultation with the Municipal Finance Recovery Services and the MEC for local government;

(iii) to submit the recovery plan and any recommendations referred to in subparagraphs (i) and (ii) to the MEC for **[local government]** finance in the province within **[a period determined by the MEC]** 90 days of receipt of request; and"; and

(c) by the substitution for subsection (2) of the following subsection:

"(2) The MEC for finance must submit any assessment in terms of subsection (1)(*a*), any determination in terms of subsection (1)*(c)* and a copy of any request in terms of subsection (1)*(c)*, to the municipality and the **[Cabinet member responsible for local government]** Minister, the Cabinet member responsible for local government and the MEC for local government.".

Insertion of section 137A in Act 56 of 2003

66. The following section is hereby inserted after section 137 of the principal Act:

"**Suspension of powers and functions during an intervention**

137A. (1) Where a municipality is subject to an intervention in terms of section 139 of the Constitution, the accounting officer, the chief financial officer and any official exercising financial management functions, are divested of all powers and functions assigned to them in terms of this Act, to the extent necessary to give effect to the intervention, for the duration of the intervention.

(2) The powers and functions referred to in subsection (1) must, for the duration of the intervention, be exercised by—

(a) the administrator appointed for the purposes of the intervention; or

(b) a person designated in writing by the administrator or the relevant provincial executive,

to the extent determined in the notice of intervention or any directive issued in terms thereof.

(3) An official referred to in subsection (1) must—

(a) provide administrative or other support as may be required; and

(b) comply with any lawful instruction issued by the administrator or designated person.

(4) Any guidance or advice required in terms of this Act relating to compliance by the municipality or any municipal entity under the sole or shared control of the municipality, must be provided by the administrator appointed for the purposes of the intervention or a person designated in writing by the administrator or the relevant provincial executive.

(5) This section applies for the duration of the intervention and lapses upon its termination.".

Amendment of section 138 of Act 56 of 2003

67. Section 138 of the principal Act is hereby amended by the insertion after paragraph *(b)* of the following paragraph:

"(*b*A) the municipality has failed to pay off short-term debt within the last two consecutive financial years;".

Amendment of section 139 of Act 56 of 2003

68. Section 139 of the principal Act is hereby amended—

(a) by the deletion in subsection (1)*(a)*(v) of the word "and" at the end of item (*aa*); and

(b) by the substitution for item *(bb)* of subsection (1)*(a)*(v) of the following item:

"*(bb)* the recovery plan and recommendations referred to in subparagraphs (iii) and (iv) within **[a period, not to exceed]** 90 days**[, determined by the MEC for finance]**; and;"; and

(c) by the addition after item (bb) of subsection (1)*(a)(*v) of the following item:

"*(cc)* the period referred to in item *(bb)* of subparagraph (v) is calculated from the date of submission of the determination and assessment in terms of subparagraphs (i) and (ii); and".

Amendment of section 140 of Act 56 of 2003

69. Section 140 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(a)* of subsection (2) of the following paragraph:

"(*a*) The municipality has failed to make any payment to a lender or investor as and when due, for financial reasons;";

(b) by the deletion in subsection (2) of the word "or" at the end of paragraph *(c)*;

(c) by the substitution for the full stop at the end of paragraph *(d)* of subsection (2) of the expression ";"; and by the addition after paragraph *(d)* of the following paragraphs:

"*(e)* the municipality has adopted a budget which does not comply with section 18 for at least two consecutive financial years; or

(f) the municipality has incurred unauthorised or fruitless and wasteful expenditure for at least two consecutive financial years.".

Amendment of section 141 of Act 56 of 2003

70. Section 141 of the principal Act is hereby amended—

(a) by the substitution for subsection (1) of the following subsection:

"(1) **[Any suitably qualified person]** The relevant provincial treasury may, on request by the provincial executive, prepare a financial recovery plan as prescribed, for a discretionary provincial intervention referred to in section 137.";

(b) by the insertion after subsection (2) of the following subsection:

"(2A) When preparing the financial recovery plan in terms of subsection (2), the Municipal Financial Recovery Services may request a provincial treasury to conduct a preliminary status quo assessment and undertake stakeholder consultation processes.";

(c) by the substitution for the words preceding paragraph *(a)* of subsection (3) of the following words:

"(3) When preparing a financial recovery plan, **[the person referred to in subsection (1)]** the relevant provincial treasury or the Municipal Financial Recovery Service must—";

(d) by the substitution for subparagraph (iii) of subsection (3)*(a)* of the following subparagraph:

"(iii) the MEC for finance and the MEC for local government in the province and may request an analysis of the municipality's current state of affairs; and"; and

(e) by the substitution for the words preceding paragraph *(a)* of subsection (4) of the following words:

"(4) The **[person charged with preparing the financial recovery plan]** relevant provincial treasury or the Municipal Financial Recovery Service must—".

Amendment of section 143 of Act 56 of 2003

71. Section 143 of the principal Act is hereby amended by the substitution for subsection (1) of the following subsection:

"(1) On receipt of a financial recovery plan pursuant to a discretionary intervention referred to in section 137, the MEC for **[local government]** finance in the province may approve the recovery plan with or without amendments, as the MEC considers appropriate.".

Amendment of section 144 of Act 56 of 2003

72. Section 144 of the principal Act is hereby amended by the substitution for subsection (1) of the following subsection:

"(1) The MEC for local government or the MEC for finance in the province may at any time, but subject to section 141(1) and (2), request **[any suitably qualified person]** the relevant provincial treasury or the Municipal Financial Recovery Service to prepare an amended financial recovery plan in accordance with the directions of the MEC.".

Amendment of section 145 of Act 56 of 2003

73. Section 145 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(b)* of subsection (1) of the following paragraph:

"(*b*) report monthly to the MEC for local government and the MEC for finance in the province on the implementation of the plan, in such manner as the plan may determine."; and

(b) by the substitution for subsection (3) of the following subsection:

"(3) If the municipality cannot or does not implement the approved recovery plan, within 30 days, the provincial executive may in terms of section 139(1) or (4) of the Constitution take further appropriate steps to ensure implementation of the plan.".

Amendment of section 146 of Act 56 of 2003

74. Section 146 of the principal Act is hereby amended—

(a) by the deletion in subsection (1) of the word "and" at the end of paragraph (*b*);

(b) by the substitution for paragraph (*c*) of subsection (1) of the following paragraph:

"*(c)* the municipality must report monthly to the MEC for finance in the province and the Municipal Financial Recovery Service on the implementation of the plan in such manner as the plan may determine**[.]**; and";

(c) by the addition after paragraph *(c)* of subsection (1) of the following paragraph:

"*(d)* the provincial executive must align any support provided in terms of section 154 of the Constitution with the financial recovery plan.";

(d) by the substitution for paragraph *(b)* of subsection (3) of the following paragraph:

"*(b*) assume responsibility for the implementation of the recovery plan to the extent that the municipality cannot or does not take executive measures to give effect to the recovery plan, within 90 days after approval of the recovery plan.".

Amendment of section 147 of Act 56 of 2003

75. Section 147 of the principal Act is hereby amended—

(a) by the substitution for the words preceding paragraph *(a)* of subsection (1) of the following words:

"(1) The **[MEC for local government or the]** MEC for finance in consultation with the MEC for local government in a province must at least every three months—";

(b) by the deletion in subsection (1) of the word "and" at the end of subparagraph (iv) of paragraph *(b)*;

(c) by the substitution for subparagraph (v) of subsection (1)*(b)* of the following subparagraph:

"(v) organised local government in the province **[.]**; and";

(d) by the addition after subparagraph (v) of subsection (1)*(b)* of the following subparagraph:

"(vi) the MEC for local government;"; and

(e) by the substitution for subsection (2) of the following subsection:

"(2) The **[MEC for local government or the]** MEC for finance may request **[the person who prepared the recovery plan]** the

relevant provincial treasury, or the Municipal Financial Recovery Service, to assist the MEC in complying with subsection (1).".

Amendment of section 152 of Act 56 of 2003

76. Section 152 of the principal Act is hereby amended by the substitution for subsection (1) of the following subsection:

"(1) If a municipality is unable to meet its financial commitments, it may apply to the High Court for an order to stay, for a period **[not exceeding 90 days]** of at least 120 days or as may be determined by the Court, all legal proceedings, including the execution of legal process, by persons claiming money from the municipality or a municipal entity under the sole control of the municipality.".

Amendment of section 153 of Act 56 of 2003

77. Section 153 of the principal Act is hereby amended by the substitution for paragraph *(a)* of subsection (1) of the following paragraph:

"*(a)* to stay, for a period **[not exceeding 90 days at a time]** of at least 120 days or as may be determined by the Court, all legal proceedings, including the execution of legal process, by persons claiming money from the municipality;".

Amendment of section 156 of Act 56 of 2003

78. Section 156 of the principal Act is hereby amended—

(a) by the substitution for the words preceding paragraph *(a)* of the following words:
"The Minister, **[acting with the concurrence of]** after consultation with the Cabinet member responsible for local government, must by regulation in terms of section 168—";

(b) by the deletion of the word "and" at the end of paragraph *(a)*;

(c) by the substitution for paragraph *(b)* of the following paragraph:
"(b) provide for public access to a distribution scheme; and"

(d) by the addition after paragraph *(b)* of the following paragraph:
"(c) uniform norms and standards for the development of a financial recovery plan.".

Amendment of section 164 of Act 56 of 2003

79. Section 164 of the principal Act hereby amended—

(a) by the deletion in subsection (1)*(c)* of the word ''or'' at the end of subparagraph (ii); and

(b) by the substitution for the full stop at the end of subparagraph (iii) of subsection (1)*(c)* of the expression "; or"; and by the addition after paragraph *(c)* of

subsection (1) of the following paragraph:

"*(d)* pay personal legal fees of—

(i) any political office-bearer;

(ii) any councillor or official of the municipality; or

(iii) any director or official of the entity.".

Amendment of section 165 of Act 56 of 2003

80. Section 165 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(a)* of subsection (2) of the following paragraph:

"*(a)* a prepare a risk-based audit plan and an internal audit program for each financial year, which must be—

(i) approved by the audit committee; and

(ii) submitted to the accounting officer for implementation;";

(b) by the substitution for subsection (3) of the following subsection:

"(3) *(a)* The internal audit function referred to in subsection (2) may be outsourced if the municipality or municipal entity requires assistance to develop its internal capacity and the council of the municipality or the board of directors of the entity has determined that this is feasible or cost-effective.

(b) The chief audit executive must be a municipal official if the internal audit function is outsourced."; and

(c) by the addition after subsection (3) of the following subsections:

"(4) An internal audit unit must have an internal audit charter approved by the accounting officer and the internal audit charter must cover at least the following:

(a) The mandate of the internal audit unit;

(b) the audit standards and assurance to be complied with;

(c) the period of review of the charter; and

(d) the manner information is accessed.

(5) Only the internal audit unit may alter a report on matters referred to in subsection (2)*(b).*

(6) *(a)* The municipality or municipal entity must submit information to the council of the municipality or the board of directors of the entity on the following:

(i) Appointment or dismissal of an official of the internal audit unit; or

(ii) the outsourcing of the internal audit function.

(b) Within 14 days after the occurrence of the event contemplated in paragraph *(a)*(i) or (ii)—

(i) the municipality must report it to the municipal council; and

(ii) in the case of municipal entity, must report it to the board of directors of the entity.

(c) Within 30 days after the occurrence of the event contemplated in paragraph *(b)*(i) or (ii)—

(i) the municipality must report it to the National Treasury and the relevant provincial treasury; and

(ii) in the case of municipal entity, the board of directors of the entity must report it to the parent municipality.".

Insertion of section 165A in Act 56 of 2003

81. The following section is hereby inserted after section 165 of the principal Act:

"**Risk management**

165A. (1) Each municipality and municipal entity must have a system of risk management to identify, analyse, evaluate, treat, communicate and monitor risks.

(2) A single risk management system may be established for—

(a) a district municipality and the local municipalities within that district municipality; and

(b) a municipality and municipal entities under its sole control.

(3) The Minister may regulate the application of this section in terms of section 168.".

Amendment of section 166 of Act 56 of 2003

82. Section 166 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(b)* of subsection (4) of the following paragraph:

"(*b*) meet **[as often as is required to perform its functions, but**] at least four times a year."; and

(b) by the addition after subsection (6) of the following subsection:

"(7) *(a)* An audit committee must have an audit committee charter approved by the council.

(b) The audit committee charter must—

(i) outline the mandate of the audit committee;

(ii) set out the audit standards to be complied with; and

(iii) be reviewed annually.

(c) The audit committee charter must be used as a basis for—

(i) preparing the audit committee's annual work plan;

(ii) making recommendations to the accounting officer and municipal council; and

(iii) assessing the audit committee's performance.

(d) The municipality must submit information on the appointment and removal of audit committee members to the National Treasury and the relevant provincial treasury.".

Amendment of section 167 of Act 56 of 2003

83. Section 167 of the principal Act is hereby amended by the substitution for the words preceding paragraph *(a)* of subsection (3) of the following words:

"(3) The MEC for **[local government]** finance in a province must report to the provincial legislature—".

Amendment of section 168 of Act 56 of 2003

84. Section 168 of the principal Act hereby amended—

(a) by the substitution for the heading of the following heading:

"**[Treasury regulations] Regulations and guidelines**";

(b) by the substitution for subsection (1) of the following subsection:

"(1) The Minister, after consultation with the Cabinet Member responsible for local government, may make regulations applicable to municipalities and municipal entities, regarding—

(a) any matter that may be prescribed in terms of this Act;

(b) financial management and internal control;

(c) information and communication technology in relation to financial management matters;

(d) a framework for regulating the exercise of municipal tariff fixing powers;

(e) the establishment by municipalities of, and control over—

(i) municipal entities; and

(ii) business units contemplated in section 76*(a)*(ii) of the Municipal Systems Act;

(f) the safeguarding of the financial affairs of municipalities and of municipal entities when assets, liabilities or staff are transferred from or to a municipality or a municipal entity;

(g) risk management;

(h) internal audit units, audit committees and their functioning;

(i) accounting, reporting and auditing;

(j) the information to be disclosed when municipalities or municipal entities issue or incur debt and the manner in which such information must be disclosed, including by way of a prospectus or other document;

(k) the circumstances under which further or specific disclosures are required after money has been borrowed by a municipality or municipal entity;

(l) the circumstances under which documentation or information pertaining to municipal debt must be lodged or registered;

(m) the establishment of a registry for the registration of documentation and information pertaining to municipal borrowing;

(n) the settlement of claims against a municipality following an order of court in terms of section 153;

(o) the information that must be placed on the websites of

municipalities;

(p) a framework regulating investments by municipal entities;

(q) uniform norms and standards for the development of a financial recovery plan;

(r) the particulars that must be contained in the municipal manager's report in terms of section 64D*(c)*;

(s) the identification of municipal services provided by the municipality or other service providers to users of services where the use of the service by the user can reasonably be determined, measured or estimated per quantity used or per frequency of the use;

(t) the determination, measurement or estimate of the use by each user of each service so identified;

(u) user agreements and deposits and bank guarantees for the provision of municipal services;

(v) the rendering of accounts to ratepayers and users and the particulars to be contained in the accounts;

(w) the action that may be taken by municipalities and service providers to secure payment of accounts that are in arrear, including—

(i) the termination of municipal services or the restriction of the provision of services;

(ii) the seizure of property;

(iii) the attachment of rent payable on a property; and

(iv) the extension of liability to a director, a trustee or a member if the debtor is a company, a trust or a close corporation;

(x) appeals against the accuracy of accounts for municipal taxes or services;

(y) the manner in and time within which such appeals must be lodged and determined and the consequences of successful and unsuccessful appeals;

(z) extensions for the payment of arrears and interest payable in respect of such arrears;

*(z*A*)* service connections and disconnections and the resumption of discontinued services;

*(z*B*)* the combating of unauthorised consumption, connection and reconnection and theft of municipal services;

(zC) the development and implementation of an indigent policy;

*(z*D*)* the tampering with or theft of meters, service supply equipment and reticulation network and any other fraudulent activity in connection with the provision of municipal services;

*(z*E*)* effective and efficient systems of credit control and debt collection by municipalities;

*(z*F*)* matters relating to the powers and functions of the Municipal Financial Misconduct Investigation Committee; and

(zG) any procedural or administrative matters that are necessary to implement this Act."; and

(c) by the insertion after subsection (1) of the following subsections:

"(1A) The Minister must make regulations applicable to municipalities and municipal entities regarding any matter that must be prescribed in terms of this Act.

(1B) The National Treasury may issue guidelines applicable to supplement any matter referred to in subsection (1).".

Amendment of section 169 of the Act 56 of 2003

85. Section 169 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(a)* of subsection (1) of the following paragraph:

"*(a)* consult the Cabinet member responsible for local government and organised local government on the substance of those regulations; and"; and

(b) by the substitution for paragraph *(b)* of subsection (1) of the following paragraph:

"*(b)* publish**[the]**—

(i) draft regulations **[in the *Government Gazette*]** for public comment on the National Treasury's website; and

(ii) a notice in the *Government Gazette* that the draft regulations are available for comment on that website.".

Amendment of section 172 of Act 56 of 2003

86. Section 172 of the principal Act is hereby amended—

(a) by the substitution for paragraph *(c)* of subsection (1) of the following paragraph:

"*(c)* makes or permits, or instructs another official of the municipal entity to make, an unauthorised, irregular or fruitless and wasteful expenditure; or"; and

(b) by the substitution for paragraph *(c)* of subsection (2) of the following paragraph:

"(c) makes an unauthorised, irregular or fruitless and wasteful expenditure; or".

Insertion of sections 172A and 172B in Act 56 of 2003

87. The following sections are hereby inserted after section 172 of the principal Act:

"**Establishment of Municipal Financial Misconduct Investigation Committee**

172A. (1) A Municipal Financial Misconduct Investigation Committee is hereby established and forms part of, and functions within, the National Treasury.

(2) A Municipal Financial Misconduct Investigation Committee may investigate allegations of financial misconduct referred to in section 171 or section 172, upon referral by a municipality, municipal entity or any other person.

(3) A Municipal Financial Misconduct Investigation Committee may refer the allegations to the relevant law enforcement agency to assist with investigating the allegations in accordance with section 173.

(4) The MEC for finance may establish a provincial Municipal Financial Misconduct Investigation Committee to investigate allegations of financial misconduct referred to in section 171 or section 172, upon referral by a municipality, municipal entity or any other person.

Composition of Municipal Financial Misconduct Investigation Committee

172B. (1) The Municipal Financial Misconduct Investigation Committee consists of not more than 10 members appointed by the Minister.

(2) The Minister must appoint the Chairperson and the Deputy Chairperson of the Municipal Financial Misconduct Investigation Committee.

(3) The Minister must prescribe—

(a) the functions and powers;

(b) the requirements for disclosure of conflicts of interest by members; and

(c) any other matter necessary and incidental to the functioning,

of the Municipal Financial Misconduct Investigation Committee.

Power to obtain information for investigation

172C. (1) The Municipal Financial Misconduct Investigation Committee may, by written notice, require accounting officer or any other person whom it reasonably believes possesses or is able to provide material relevant to an investigation into financial misconduct contemplated in section 171 or 172 to—

(a) furnish such information, records, documents, books, electronic records or other material as may be reasonably necessary for purposes of the investigation;

(b) provide a written explanation or an affidavit concerning the matter under investigation; or

(c) appear before the Municipal Financial Misconduct Investigation Committee to provide material or answer questions relevant to the investigation.

(2) The accounting officer may assign the duty contemplated in subsection (1) to an official.

(3)*(a)* A notice contemplated in subsection (1) must specify—

(i) the nature of the material required;
(ii) the matter to which the material relate;
(iii) the manner in which the material must be provided;
(iv) a reasonable period within which the material, written explanation or affidavit must be provided;
(v) the date to appear before the Municipal Financial Misconduct Investigation Committee, if applicable; and
(vi) consequences of failing to comply with the notice.

(b) A notice issued in terms of this section must be reasonable and relevant to the nature and the purpose of the investigation of the alleged financial misconduct.

(4) The Municipal Financial Misconduct Investigation Committee must take reasonable measures to protect confidential, personal and commercially sensitive material obtained in terms of this section and may use that material for purposes of section 171 or 172.

(5) A person who, without lawful excuse—
(*a*) fails to comply with a notice issued in terms of this section;
(*b*) intentionally provides information that is false or misleading in a material respect; or
(*c*) intentionally destroys, conceals, alters or otherwise interferes with material after receiving a notice in terms of this section,
commits an offence and is liable on conviction to imprisonment for a period not exceeding five years or to an appropriate fine determined in terms of applicable legislation.

(6) If, during an investigation, the Municipal Financial Misconduct Investigation Committee has reasonable grounds to suspect that a criminal offence may have been committed, the Municipal Financial Misconduct Investigation Committee must refer any relevant material in its possession to the appropriate law-enforcement agency.

Referral of matters

172D. The National Treasury may, if there is reason to believe that an act of financial misconduct has been committed in line with section 171 or 172, refer the matter to the Municipal Financial Misconduct Investigation Committee.".

Amendment of section 173 of Act 56 of 2003

88. Section 173 of the principal Act is hereby amended—
(a) by the deletion in subsection (1) of paragraph *(a)* of the word "or" at the end of subparagraph (iii);
(b) by the insertion after subparagraph (iii) of subsection (1) of paragraph *(a)* of the following subparagraph:
"(iiiA) fails to apply remedial action after unauthorised, irregular or

fruitless and wasteful expenditure referred to in section 32 is incurred; or";

(c) by the deletion in subsection (2) of the word "or" at the end of subparagraph (ii) of paragraph *(a)*;

(d) by the insertion after subparagraph (ii) of subsection (2)*(a)* of the following subparagraph:

"(iiA) fails to apply remedial action after unauthorised, irregular or fruitless and wasteful expenditure in section 102 is incurred; or";

(e) by the deletion in subsection (4) of the word "or" at the end of paragraph *(c)*;

(f) by the substitution of the full stop at the end of paragraph *(d)* of subsection (4) for the expression "; or";

(g) by the addition after paragraph *(e)* of subsection (4) of the following paragraph:

"*(e)* acts contrary to advice from any official of the municipality which results in the municipality incurring unauthorised, irregular, fruitless and wasteful expenditure.";

(h) by the deletion in subsection (5) of the word "or" at the end of paragraph *(e)*;

(i) by the substitution in subsection (5) for the full stop at the end of subparagraph (ii) of paragraph *(f)* of the expression "; or";

(j) by the addition after paragraph *(f)* of subsection (5) of the following paragraph:

"*(g)* fails to address unauthorised, irregular or fruitless and wasteful expenditure in terms of section 32 or 102 where applicable, when it is incurred."; and

(k) by the addition after subsection (5) of the following subsection:

"(6) An official of a municipality or a municipal entity is guilty of an offence if that official deliberately or in a grossly negligent way—

(a) harasses or intimidates a member of the internal audit or interferes with their duties or functions;

(b) if required in terms of any provision of this Act, fails or refuses to produce any document in his or her possession or under his or her control or prevents any person from producing any document in the official's possession, pertaining to an investigation in terms of this Act;

(c) impedes the access to information, records, and documentation to information as contemplated in section 149; or

(d) destroys or conceals any document, or object, that to his or her knowledge may be of assistance to any investigation in terms of this Act with the intention of hindering or obstructing any investigation including the implementation of the financial recovery plan.".

Insertion of section 174A of Act 56 of 2003

89. The following section is inserted after section 174 of the principal Act:

"Personal administrative monetary penalties

174A. (1) The Minister may impose personal administrative monetary penalties on—

(a) any councillor or a member of the board of directors of a municipal entity, who deliberately or in a grossly negligent way—

(i) impedes the accounting officer from complying with a provision of this Act; or

(ii) impedes any official from carrying out a duty delegated to that officer in terms of section 79 or 82*;* or

(b) any official of a municipality or municipal entity who has committed an act of financial misconduct as contemplated in section 171.

(2) Before imposing a personal administrative monetary penalty contemplated in subsection (1), the Minister must issue a written notice to the affected councillor, member of the board of directors of a municipal entity, or official—

(a) outlining the alleged contravention and proposed penalty;

(b) inviting representations within 30 working days; and

(c) notifying that failure to respond will be deemed a waiver of the right to make representations.

(3) The councillor, member of the board of directors of a municipal entity, or official against whom a penalty is imposed may, within 21 days of the imposition of the penalty, apply to the Minister for the reconsideration or reduction of the penalty.

(4) The Minister must determine a maximum amount for penalties by notice in a *Gazette.*".

(5) All administrative monetary penalties received must be paid into the National Revenue Fund.".

Amendment of section 175 of Act 56 of 2003

90. Section 175 of the principal Act is hereby amended—

(a) by the substitution for subsection (1) of the following subsection:

"(1) The Minister, **[acting with the concurrence of]** after consultation with the Cabinet member responsible for local government, may make regulations prescribing—".

(b) by the substitution for paragraph *(a)* of subsection (1) of the following paragraph:

"*(a)* the manner, form and circumstances in which allegations and disciplinary and criminal charges of financial misconduct must be reported to the National Treasury, the MEC for local government and the MEC for finance and the Auditor-General, including—";

(c) by the substitution for paragraph *(c)* of subsection (1) of the following paragraph:

"*(c)* the circumstances in which the National Treasury or the MEC for **[local government]** finance in the province may direct that

disciplinary step be taken or criminal charges be laid against a person for financial misconduct;"; and

(d) by the substitution for paragraph *(e)* of subsection (1) of the following paragraph:

"*(e)* the circumstances in which the findings of a disciplinary board and any sanctions imposed by the board must be reported to the National Treasury, the MEC for local government and MEC for finance in the province and the Auditor-General; and".

Insertion of section 177A Act 56 of 2003

91. The following section is hereby inserted after section 177 of the principal Act:

"**Interpretation ruling by Minister**

177A. (1) The Minister may issue a ruling regarding the interpretation or application of this Act (an "interpretation ruling") to promote clarity, consistency and certainty in the interpretation and application of this Act.

(2) Institutions must interpret and apply the provision of this Act to which the interpretation ruling relates in accordance with the interpretation ruling.

(3) The Minister—

(a) must amend or revoke an interpretation ruling if it is necessary to do so because of a court judgment or a change in legislation;

(b) may, on good grounds, amend or revoke an interpretation ruling.

(4) When the Minister issues an interpretation ruling—

(a) the National Treasury must notify institutions accordingly;

(b) the ruling takes effect on the date stated in the ruling; and

(c) the National Treasury must, within five days, publish the ruling on the National Treasury's website;

(5) Subject to subsection (6), subsection (4) applies with the necessary changes to the amendment or revocation of an interpretation ruling in terms of subsection (3).

(6) An interpretation ruling ceases to be effective if—

(a) a provision of this Act that was the subject of the interpretation ruling is repealed or amended in a manner that materially affects the interpretation ruling, in which case the interpretation ruling ceases to be effective from the date that the repeal or amendment is effective; or

(b) a court overturns or modifies an interpretation of this Act on which the interpretation ruling is based, in which case the interpretation ruling ceases to be effective from the date of judgment unless—

(i) the decision is under appeal;

(ii) the decision is fact-specific and the general interpretation upon which the interpretation ruling was based is unaffected; or

(iii) the reference to the interpretation upon which the interpretation ruling was based did not form a part of the reasoning on which the judgment of the court was based.".

Amendment of arrangement of sections of Act 56 of 2003

92. The Arrangement of Sections of the principal Act is hereby amended—

(a) by the insertion after item 6 of the following item:
"6A. Assignment of functions or powers by an organ of state to municipalities";

(b) by the substitution for item 9 of the following item:
"9. Submission of bank account details";

(c) by the insertion after item 10 of the following item:
"10A. Control of l bank account details during interventions";

(d) by the insertion after item 11 of the following item:
"11A. Withdrawals from municipal bank accounts during interventions";

(e) by the insertion after item 12 of the following item:
"12A. Termination of trusts";

(e) by the insertion after item 18 of the following items:
"18A. Tariff policy
18B. General powers to levy and recover fees, charges and tariffs
18C. Customer care and management
18D. By-laws to give effect to tariff policy
18E. Indigent Management";

(f) by the substitution for item 31 of the following item:
"31. Shifting of funds**[between multi-year appropriations]**";

(g) by the substitution for item 33 of the following items:
"33. Projects or arrangement having future budgetary implications";

(h) by the insertion after item 51 of the following item:
"51A. Borrowing from international lenders";

(i) by the insertion after item 64 of the following item:
"64A. Credit control and debt collection policy
64B. By-laws to give effect to municipality's credit control and debt collection policy
64C. Supervisory authority
64D. Implementing authority
64E. Municipality's right of access to premises
64F. Accounts
64G. Agreements with employers";

(j) by the substitution for item 76 of the following item:
"76. Protection of**[accounting officer]** municipal officials"

(k) by the insertion after item 81 of the following item:
"81A. Treasury oversight on appointment of chief financial officer";

(l) by the substitution for item 102 of the following item:

"102. Unauthorised, **[Irregular]**irregular or fruitless and wasteful expenditure;"

(m) by the insertion after item 103 of the following item:

"103A. Protection of municipal entity officials";

(n) by the substitution for item 131 of the following item:

"131. Issues raised by Auditor-General in audit reports and management report";

(o) by the insertion after item 137 of the following item:

"137A. Suspension of powers and functions during an intervention";

(p) by the insertion after item 165 of the following item:

"165A. Risk management";

(q) by the substitution for item 168 of the following item*:*

"168. **[Treasury regulations]**Regulations and guidelines";

(r) by the insertion after item 172 of the following items:

"172A. Establishment of Municipal Financial Misconduct Investigation Committee

172B. Composition of Municipal Financial Misconduct Investigation Committee

172C. Power to obtain information for investigation premises

172D. Referral of matters";

(s) by the insertion after item 174 of the following item:

"174A. Personal administrative monetary penalties"; and

(t) by the insertion after item 177 of the following item:

"177A. Interpretation ruling by Minister".

Repeal and amendment of legislation

93. The legislation listed in the Schedule is repealed or amended to the extent set out in the Schedule.

Short title and commencement

94. This Act is called the Local Government: Municipal Finance Management Amendment Act, 2026 and takes effect on a date determined by the President by proclamation in the *Gazette*.

SCHEDULE
REPEAL AND AMENDMENT OF LEGISLATION
(Section 93 of this Act)

No. and year of Act	**Short title**	**Extent of repeal or amendment**
Act No. 32 of 2000	Local Government: Municipal Systems Act, 2000	**Amendment of section 5 of Act 32 of 2000** (1) Section 5 of the Local Government: Municipal Systems Act, 2000, is hereby amended by the substitution for paragraph *(b)* of subsection (2) of the following paragraph: "*(b)* where applicable, and subject to section **[97(1)(c)]** 64A(2)*(c)* of the Municipal Finance Management Act, to pay promptly service fees, rates on property and other taxes, levies and duties imposed by the municipality.". **Repeal of section 10 of Act 32 of 2000** (2) Section 10 of the Local Government: Municipal Systems Act, 2000, is hereby repealed. **Insertion of section 57B in Act 32 of 2000** (3) The following section is hereby inserted after section 57A of the Local Government: Municipal Systems Act, 2000: "**Remuneration, benefits and allowance** **57B**. (1) The remuneration, benefit, allowance or any other remunerative benefit for employees of municipalities or municipal entities may only take effect with the concurrence of the Minister of Finance. (2) In considering concurrence under subsection (1), the Minister of Finance must— *(a)* consult the MEC for finance; *(b)* take into account the fiscal framework, affordability, sustainability of municipalities, and macroeconomic conditions; and *(c)* issue the concurrence or refusal by notice in the *Gazette*.". **Amendment of section 71 of Act 32 of 2000** (4) Section 71 of the Local Government: Municipal Systems Act, 2000, is hereby amended by the addition after section 71(3) of the following subsection:

No. and year of Act	Short title	Extent of repeal or amendment
		"(4) The South African Local Government Bargaining Council must, after concluding collective bargaining processes in terms of applicable labour legislation, submit the agreed outcome on remuneration, benefit or allowance to the Minister of Finance for concurrence." **Repeal of section 74 to 75A of Act 32 of 2000** (5) Sections 74 to 75A of the Local Government: Municipal Systems Act, 2000 are hereby repealed.
Act No. 6 of 2004	Municipal Property Rates Act, 2004	**Amendment of section 1 of Act 6 of 2004, as amended by section 1 of Act 29 of 2014** (6) Section 1 of the Municipal Property Rates Act, 2004 is hereby amended— *(a)* by the insertion in subsection (1) after the definition of "market value" of the following definition: **''MEC for finance"** means the member of the Executive Council of a province who is responsible for finance in that province; *(b)* by the substitution for the definition of "**Minister**" of the following definition: "**Minister**" means the Cabinet member responsible for finance"; and *(c)* by the substitution or paragraph *(c)* of the definition of "publicly controlled" for the following paragraph: "*(c)* a municipal entity as defined in the Municipal Finance Management Act". **Amendment of section 16 of Act 6 of 2004, as amended by section 12 of Act 29 of 2014** (7) Section 16 of the Municipal Property Rates Act, 2004 is hereby amended— *(a)* by the substitution for paragraph *(a)* of subsection (2) of the following paragraph: "(a) If a rate on a specific category of properties, or a rate on a specific category of properties above a specific amount in the Rand, is materially and unreasonably prejudicing any of the matters listed in subsection (1), the Minister, **[after**

No. and year of Act	Short title	Extent of repeal or amendment
		notifying the Minister of Finance], must, by notice in the *Gazette*, give notice to the relevant municipality or municipalities that the rate must be limited to an amount in the Rand specified in the notice."; and *(b)* by the substitution for subsection (5) of the following subsection: "(5) The Minister, after consultation with the Minister of **[Finance]** Cooperative Governance and Traditional Affairs, may by notice in the *Gazette* issue guidelines to assist municipalities in the exercise of their power to levy rates consistent with subsection (1).". **Amendment of section 17 of Act 6 of 2004, as amended by section 29 of Act 19 of 2008 and section 13 Act 29 of 2014** (8) Section 17 of the Municipal Property Rates Act, 2004 is hereby amended by the substitution for subsection (3) of the following subsection: "(3) The Minister **[, acting with the concurrence of the Minister of Finance,]** may from time to time by notice in the *Gazette*, increase the monetary threshold referred to in subsection (1)*(h)* to reflect inflation.". **Amendment of section 19 of Act 6 of 2004, as amended by section 30 of Act 19 of 2008 and section 14 of Act 29 of 2014** (9) Section 19 of the Municipal Property Rates Act, 2004 is hereby amended by the substitution for subsection (2) of the following subsection: "(2) The ratio referred to in subsection (1)(b) may only be prescribed with the concurrence of the Minister **[of Finance]**.". **Amendment of section 20 of Act 6 of 2004** (10) Section 20 of the Municipal Property Rates Act, 2004 is hereby amended by substitution for the subsection (1) of the following substitution: "(1) The Minister may **[, with the concurrence of the Minister of Finance and]** by notice in the

No. and year of Act	Short title	Extent of repeal or amendment
		Gazette, set an upper limit on the percentage by which rates on properties or a rate on a specific category of properties may be increased.". **Amendment of section 21 of Act 6 of 2004, as amended by section 31 of Act 19 of 2008 and section 15 of Act 29 of 2014** (11) Section 21 of the Municipal Property Rates Act, 2004 is hereby amended: *(a)* by the substitution for subsection (5) of the following subsection: "(5) The MEC for **[local government]** finance may, on written request by a municipality, extend for that municipality the phasing-in period referred to in subsection (1)*(a)*, *(b)* or *(c)* to a period which together with the initial period does not exceed six financial years."; and *(b)* by the substitution for subsection (6) of the following subsection: "(6) When extending a phasing-in period, the MEC for **[local government]** finance must determine the minimum phasing-in discount on the rate payable during each financial year in the extended period.". **Amendment of section 32 of Act 6 of 2004, as amended by section 19 of Act 29 of 2014** (12) Section 32 of the Municipal Property Rates Act, 2004 is hereby amended by the substitution for the words preceding paragraph *(a)* of subsection (2) of the following words: "The MEC for **[local government]** finance in a province may extend the period for which a valuation roll remains—". **Amendment of section 56 of Act 6 of 2004** (13) Section 56 of the Municipal Property Rates Act, 2004 is hereby amended by the substitution for subsection (1) of the following subsection: "(1) The MEC for **[local government]** finance must, by notice in the provincial *Gazette*, establish as many valuation appeal boards in the

No. and year of Act	Short title	Extent of repeal or amendment
		province as may be necessary, but not fewer than one in each district municipality and each metropolitan municipality.". **Amendment of section 58 of Act 6 of 2004, as substituted by section 23 of Act 29 of 2014** (14) Section 58 of the Municipal Property Rates Act, 2004 is hereby amended by the substitution for subsections (2) and (3) of the following subsections: "(2) The chairperson and other members of an appeal board must be appointed by the MEC for **[local government]** finance in the province, taking into account the need for representivity, including gender representivity. (3) The MEC for **[local government]** finance must follow a transparent process complying with any prescribed norms and standards when making appointments to an appeal board.". **Amendment of section 61 of Act 6 of 2004** (15) Section 61 of the Municipal Property Rates Act, 2004 is hereby amended: (a) by the substitution for subsections (1) and (3) of the following subsections respectively: "(1) The Minister must, after consultation with the MECs for **[local government]** finance, determine the conditions of appointment of members of an appeal board. (3) The municipality or municipalities for which an appeal board was established in terms of section 56 must remunerate the members of the appeal board in accordance with their conditions of appointment and the directions of the MEC for **[local government]** finance.". **Amendment of section 63 of Act 6 of 2004** (16) Section 63 of the Municipal Property Rates Act, 2004 is hereby amended by the substitution for subsection (2) of the following subsection: "(2) The MEC for **[local government]** finance may remove from office a member of an

No. and year of Act	Short title	Extent of repeal or amendment
		appeal board but only on the grounds of misconduct, incapacity or incompetence." **Amendment of section 64 of Act 6 of 2004** (17) Section 64 of the Municipal Property Rates Act, 2004 is hereby amended by the substitution for subsection (1) of the following subsection: "(1) The MEC for **[local government]** finance may appoint alternate members of an appeal board.". **Amendment of section 71 of Act 6 of 2004** (18). Section 71 of the Municipal Property Rates Act, 2004 is hereby amended by the substitution for subsection (1) of the following subsection: "(1) The MEC for **[local government]** finance may, on request by an appeal board, authorise the board to establish one or more committees to assist it in the performance of its duties.". **Amendment of section 72 of Act 6 of 2004** (19) Section 72 of the Municipal Property Rates Act, 2004 is hereby amended by the substitution for subsection (3) of the following subsection: "(3) The MEC for **[local government]** finance who established an appeal board must issue to a member of, or any person authorised by, that appeal board an identity card in the prescribed format containing a photograph of that person.". **Amendment of section 80 of Act 6 of 2004** (20) Section 80 of the Municipal Property Rates Act, 2004 is hereby amended: (a) by the substitution for subsections (1) and (3) of the following subsections respectively: "(1) The MEC for **[local government]** finance in a province may, on good cause shown, and on such conditions as the MEC may impose, condone any non-compliance with a provision of this Act requiring any act to be done within a specified period or permitting any act to be done

No. and year of Act	Short title	Extent of repeal or amendment
		only within a specified period. (3) The powers conferred in terms of this section on an MEC for **[local government]** finance may only be exercised within a framework as may be prescribed.". **Amendment of section 81 of Act 6 of 2004, as amended by section 28 of Act 29 of 2014** (21) Section 81 of the Municipal Property Rates Act, 2004 is hereby amended by the substitution for subsection (1) of the following subsection: "(1) The MEC for **[local government]** finance in a province must monitor whether municipalities in the province comply with the provisions of this Act.".