

FINAL STATUS QUO ASSESSMENT REPORT

DITSOBOTLA LOCAL MUNICIPALITY

NOVEMBER 2025



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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1. ABBREVIATIONS

NO.	ABBREVIATION	FULL FORM
1.	AFS	Annual Financial Statements
2.	AG	Auditor General
3.	AR	Asset Register
4.	BFP	Budget Funding Plan
5.	BTO	Budget and Treasury Office
6.	CFO	Chief Financial Officer
7.	CoGTA	Department of Cooperative Governance and Traditional Affairs
8.	CoS	Cost of Supply
9.	DCOG	Department of Cooperative Governance
10.	DLM	Ditsobotla Local Municipality
11.	EPWP	Expanded Public Works Programme
12.	FRP	Financial Recovery Plan
13.	FMG	Financial Management Grant
14.	GDP	Gross Domestic Product
15.	HRD	Human Resources Development
16.	ICT	Information and Communications Technology
17.	IDP	Integrated Development Plan
18.	MEC	Member of the Executive Council
19.	MFMA	Municipal Financial Management Act
20.	MFRS	Municipal Financial Recovery Service
21.	mSCOA	Municipal Standard Chart of Accounts
22.	NMMDM	Ngaka Modiri Molema District Municipality
23.	NWPG	North West Provincial Government
24.	NWPT	North West Provincial Treasury
25.	PMU	Project Management Unit
26.	SDBIP	Service Delivery & Budget Implementation Plan
27.	SDF	Spatial Development Plan
28.	SLA	Service Level Agreement
29.	SQA	Status Quo Assessment
30.	UIF&W	Unauthorised, Irregular, Fruitless and Wasteful Expenditure
31.	WTW	Water Treatment Works
32.	WWTW	Waste Water Treatment Works

2. EXECUTIVE SUMMARY

The Ditsobotla Local Municipality is in a state of chronic crisis, characterised by perennial political instability, administrative paralysis, and systemic failures in governance, financial management, and service delivery. This instability is unprecedented, having necessitated eight previous Section 139 interventions, the highest number in any municipality since the advent of the Constitution.

The most recent mandatory provincial intervention (Section 139(5), invoked in 2022) ultimately failed due to persistent maladministration, financial mismanagement, and crippling internal political disagreements that led to the formation of illegal, parallel council and administrative structures. The Northwest Provincial Government acknowledged its inability to successfully implement the Financial Recovery Plan (FRP).

In response to this provincial failure, the National Cabinet invoked Section 139(7) of the Constitution on 03 September 2025, imposing an FRP and assuming responsibility for implementing the recovery plan. The authority was delegated to the Ministers of Cooperative Governance and Finance effective 09 September 2025.

This report serves as the Status Quo Assessment in terms of section 142(2) of the MFMA. It presents a comprehensive diagnostic analysis across the four pillars of municipal sustainability namely, financial management, service delivery and infrastructure development, governance, and institutional and organisational development. The purpose of this report is to identify the root causes of the municipality's failures so as to ensure that actions in the financial recovery plan are aligned to the municipality's core problems. This Status Quo Assessment report has been prepared following extensive engagements with the Province, the municipality and a review of all available and relevant documentation. High level issues emanating from this assessment include:

The municipality is unable to raise sufficient revenue and contain its expenditure resulting in Council approving unfunded budgets for the past 5 years which in turn are reflected in operating deficits at year end. The municipality's inability to raise sufficient revenue to cover its operating expenditure stems largely from unbilled consumption, illegal connections, tariffs that are not cost-reflective, problems with the municipality's billing module and metering challenges. Accumulated deficits prevent the creation of reserves to address the asset management issues in the municipality, including providing for much needed infrastructure repair and maintenance. Furthermore, large power users in the municipality are now paying Eskom directly due to a court order which further impacts on the revenue available to the municipality. As a result of not being able to collect sufficient revenue, the municipality is grant dependent and is therefore susceptible to conditions of S216 of the Constitution. There are also concerns regarding the institutional capacity in the Budget and Treasury Office. As at 30 June 2025, the municipality's outstanding creditors exceeded its available cash indicating that the municipality is unable to fund its financial obligations.

The municipality's infrastructure is also aging, poorly maintained and inadequate to meet the service delivery needs of the municipality. Increases in current demands are putting pressure on existing services and increasing the cost to source alternative resources i.e., placing

reliance on boreholes as an alternative water source. Water and electricity losses are high, as a result of aging infrastructure, vandalism, illegal connections, bypassed connections and faulty metering. The municipality is unable to account for water and electricity purchases. No meter audits are done to confirm metering and billing accuracy. Smart metering technology is required, however, there are insufficient funds for a project of this scale. Many master plans are either non-existent or outdated, including the Integrated Infrastructure Asset Management Plan, Roads and Stormwater Masterplan, the Electricity Masterplan, the Integrated Waste Management Plan (mandatory as stipulated in the Waste Act), the Electricity Maintenance Plan, and the Integrated Waste Management Plan. Institutional capacity is also a challenge for the municipality and the absence of trained and qualified process controllers for water treatment processes is debilitating service delivery, resulting in water quality not being monitored and not meeting professional standards. There is a lack of standard operating procedures to assist staff with routines tasks, maintenance, reporting and emergency procedures. The municipality also has an aging and inadequate fleet to perform basic service delivery and there is no service level agreement with the district for rendering of the water services function. Non-compliance with grant conditions has resulted in grant funding being returned to the national fiscus further impacting the roll-out of basic services.

The lack of oversight by Council over the executive and administration has led to a collapse of institutional capacity and governance systems required to run day-to-day municipal operations. Furthermore, regulations are disregarded by the municipality resulting in opportunities for gross maladministration, potential fraud and corruption. Acts of financial and other misconduct are not investigated and dealt with effectively by Council, Committees of Council and Management. The presence of prolonged political and administrative instability has created an environment that is unsafe and inconducive to effective governance and municipal operations. For the past three years, Ditsobotla LM has received disclaimer audit opinions and repeat audit findings are not attended to due to an inadequate audit action plan. Section 79 and 80 committees (MSA), are not functional and the Town-planning Tribunal, Disciplinary Board and Audit committee have not been established. The municipality does not submit and process compliant statutory reports. The municipality is also faced with on-going and costly litigation due to a failure to pay creditors for services, poorly constructed contracts, financial ill-discipline and material non-compliance with legislation. UIF&W expenditure is persistently high and no investigations being conducted nor corrective action being taken. Current contracts run on a month-to-month basis which is irregular, no contract management unit exists and no officials are currently assigned this responsibility. The ICT unit does not have a policy or framework to govern ICT operations.

The organisational culture is not conducive for proper organisational performance. There is a poor ethical culture and the dereliction of duties has been regularised by employees. Some critical Senior Management positions are vacant, whilst others have parallel appointments, i.e. two managers appointed to the same position. The organizational structure is both bloated and unaffordable and several irregular acting appointments are made. 3rd party payments of R68 million remain in arrears for 11 months. Capacity and competency gaps exist in several parts of the municipality which affects the ability of the municipality to function properly. Given that the municipality is grant dependent, salaries for November and December 2025 are not guaranteed.

3. BACKGROUND

The National Cabinet, on 03 September 2025 approved the invocation of section 139(7) of the Constitution in Ditsobotla Local Municipality, imposed a recovery plan and assumed the responsibility to implement the recovery plan in terms of section 139(5)(a) and (c) of the Constitution, read together with sections 146(3)(b) and 150 of the MFMA.

3.1. Statutory and legislative context

THE CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA, 1996 (ACT NO.108 OF 1996)

The intervention was invoked by national Cabinet in the stead of the provincial executive in terms of S139(7) read with S139 (5)(a) and (c) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read in conjunction with Section 139 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

Section 139 (7) of the Constitution provides that if a provincial executive cannot or does not or does not adequately exercise the powers or perform the functions referred to in subsection (4) and (5), the national executive must intervene in terms of subsection (4) or (5) in the stead of the relevant provincial executive.

Section 139(8) provides that national legislation may regulate the implementation of this section, including the processes established by this section. The Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is one piece of legislation that is referred to in Section 139 (8) of the Constitution which regulates the implementation of the section 139 intervention inclusive of the related processes.

THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT NO. 56 OF 2003)

Chapter 13 of the MFMA deals with the resolution of financial problems in municipalities and outlines the processes that must be followed in terms of mandatory interventions invoked in terms of S139 (4) and (5) of the Constitution.

- S139 (1) of the MFMA places the responsibility on the Provincial EXCO to request the Municipal Financial Recovery Services (MFRS) unit in the National Treasury to prepare a financial recovery plan, which considers the reasons for the financial crisis and an assessment of the municipality's financial status (status quo assessment).
- Only the MFRS may prepare a financial recovery plan for a mandatory provincial intervention referred to in S139.

Section 150 (2) of the MFMA provides that the national executive assumes for purposes of the national intervention in terms of section 139(7) of the Constitution the powers and functions of a provincial executive and the Minister of Finance assume for purposes of the national intervention the functions and powers of an MEC for Finance in terms of Chapter 13 on Resolution of Financial problems in municipalities.

3.2. Approach and methodology of status quo assessment

This status quo assessment is prepared in accordance with the requirements of the Municipal Finance Management Act, 2003. The assessment employed a combination of methodologies, including a thorough document review and analysis and extensive consultations with the National Cabinet Representative, the intervention support team, municipal officials, and government stakeholders.

The assessment covered all four municipal sustainability pillars critical to the municipality's recovery: financial management, service delivery, governance, and institutional and organisational development. Each pillar was analysed based on its respective focus areas to accurately identify key issues, underlying problems, and their root causes. The findings of this assessment will form the foundation for developing an appropriate financial recovery plan (FRP) for the municipality.

The key assessment areas are indicated in the diagram below.



3.3. Socio-economic profile

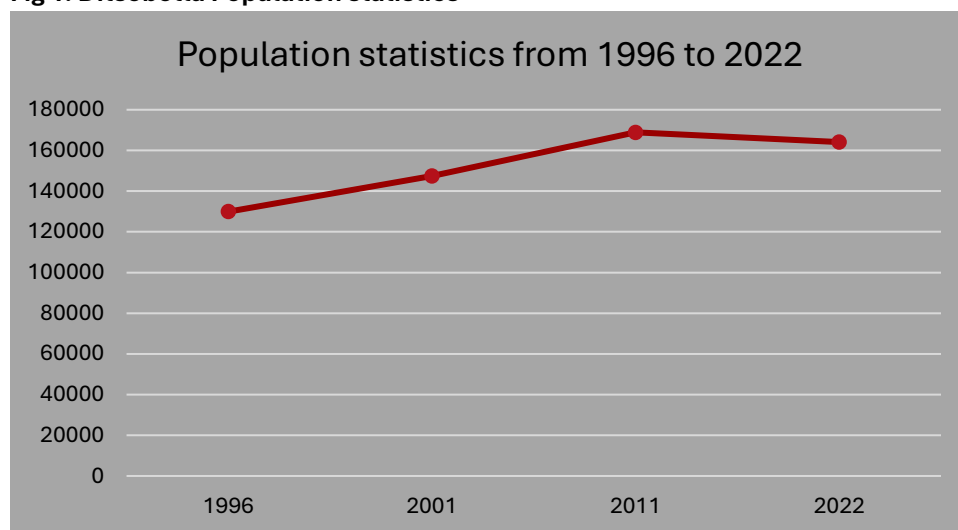
Population

Ditsobotla municipality has been experiencing continuous population growth since the first census (1996) in the post democratic dispensation. The total population of Ditsobotla declined slightly between Census 2011 and Census 2022, where the population of Ditsobotla was reported to be 164 176. The decline can be attributable to a number of factors such as net out migration or boundary adjustments in the past elections.

The Demarcation Board has periodically redrawn the internal municipal ward boundaries however, these internal changes do not affect the outer boundary of the municipality. As such an

assumption can be made that the decline is attributable to net migration. The result of this decline means that the municipality is providing services to fewer people than it did 10 years ago.

Fig 1: Ditsobotla Population statistics



The graph above shows that the municipality has been experiencing an average population increase of 8.4 per cent from 1996 to 2022 census data. It is worth noting that Ditsobotla has experienced a consistent population increase between 1996 and 2011, reflecting steady growth across successive decades. However, this trend appears to have reversed between 2011 and 2022, during which the municipality recorded a negative population growth rate of 2.8 per cent.

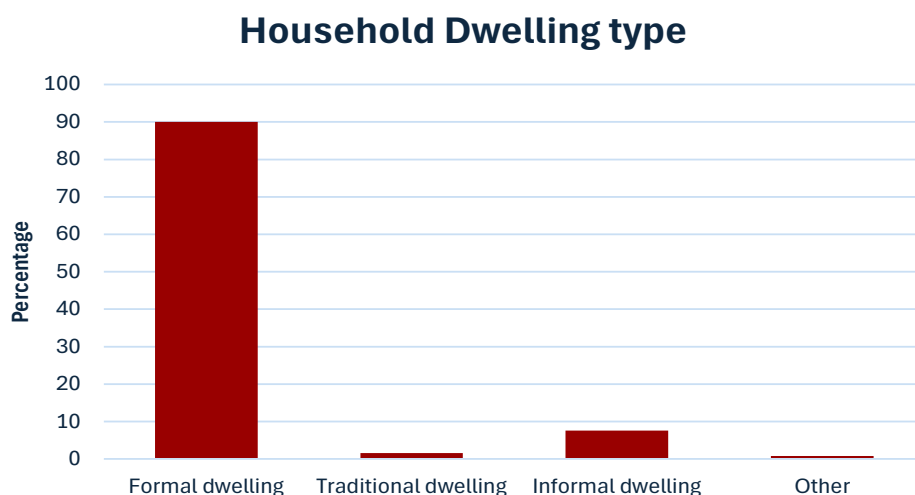
Households Living Conditions

The number of households in Ditsobotla municipality also followed the same trends as the population growth. The table below shows the households numbers from 1996 to 2022.

Table 1: Households and Average household size

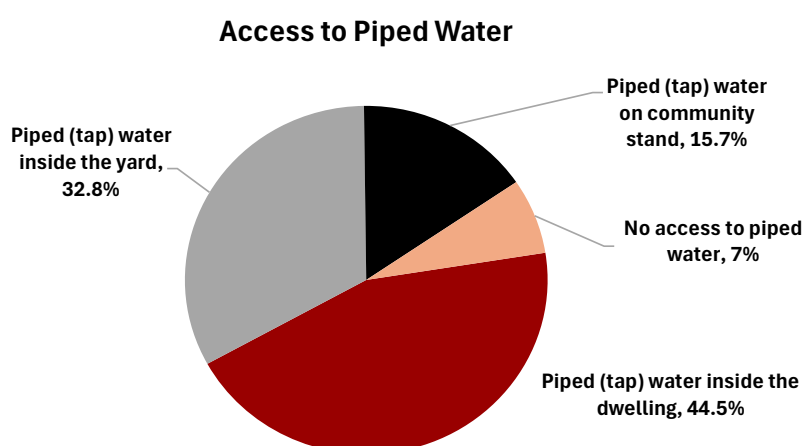
Name	1996	2001	2011	2022
Number of households	26,470	35,533	44,500	42,416
Average household size	4,9	4,1	3,8	3,9

The number of households increased by 25.5 per cent between 1996 and 2001. However, during the subsequent period from 2001 to 2011 the household growth slowed to 20.2 per cent, indicating an increase at a reduced rate. The household numbers reduced in 2022 which correlates to the reduction in the population of the municipality. It is worth noting that though the number of households has reduced the average household size remained unchanged at an average household size of 4 people.

Fig 2: Household Dwelling type

The dwelling profile of Ditsobotla is predominantly formal, with 90 per cent of households living in standard housing structures. While this reflects commendable housing progress, the persistence of informal dwellings nearly one in ten households signals ongoing urbanisation pressures and the need for sustained investment in affordable housing and most probably settlement upgrading.

The access to formal dwelling in the municipality is commendable, as 90 per cent of households live in housing structures as compared to the 74.2 per cent of households who lived in formal dwellings in 2011. Though the improvement is commendable, the number of households with access to piped water dwelling (44.5 percent) and flushing toilet (66.3 percent) are not aligned to the number of households with formal dwellings. This suggests that many houses were constructed without adequate planning or provision for access to water and sanitation services. These inequalities have a major impact on how much the municipality can bill a household from the trading services.

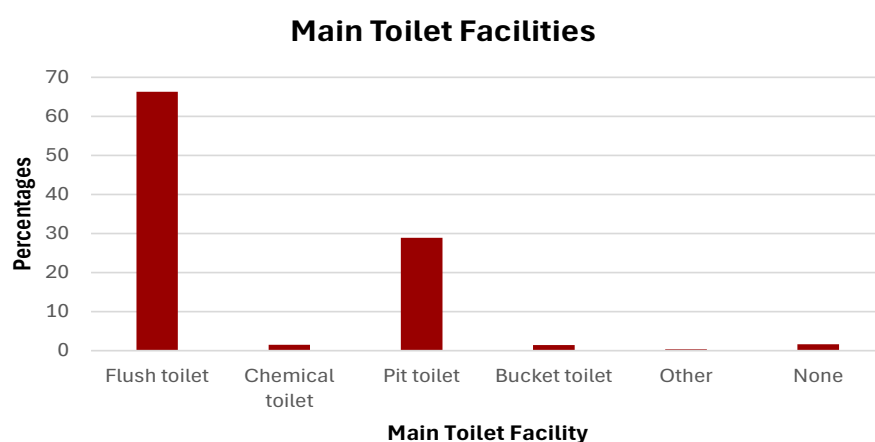
Fig 3: Access to Piped Water

The access to water profile shows that while most households in Ditsobotla are connected to piped water, nearly one in ten remain without access, and many rely on shared or yard-based taps. This indicates both progress toward universal water coverage and ongoing challenges in achieving equitable service delivery across rural and urban areas. This also has an impact on the

revenue that the municipality can reliably bill and collect because it means that out of 42 416 households, only 32 787 households can be billed water as those are the households that receive water inside their dwelling yards.

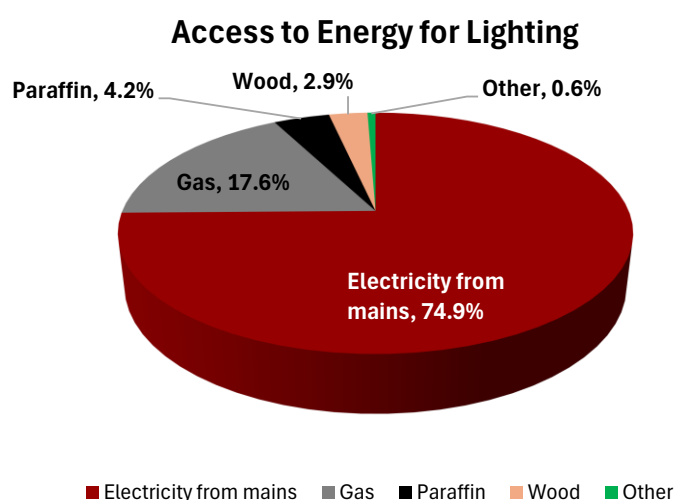
The municipality needs to do more in improving access to water as 22.7 per cent of households do not have access inside their dwelling or yard. Municipal water reticulation falls under the responsibility of the local council. Therefore, concerted efforts must be undertaken to ensure that every household in a formal dwelling has access to water services, in line with the Constitutional Bill of Rights. Further, the municipality adopts other strategies used by municipalities such as Stellenbosch municipality whereby the informal settlements are on serviced stands. This assists the municipality when the informal settlement eventually gets formalised and upgraded.

Fig 4: Main Toilet Facilities



The sanitation profile of Ditsobotla shows that nearly two-thirds of households have access to flush toilets, reflecting relatively good coverage. However, the continued reliance on pit and chemical toilets by almost one-third of households underscores the persistence of service backlogs in rural areas, necessitating targeted infrastructure investment and maintenance strategies.

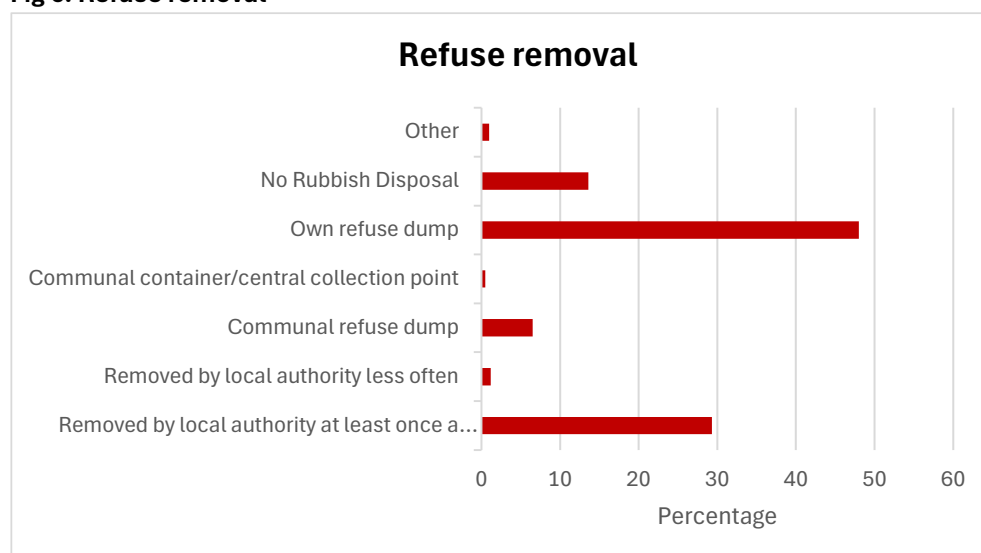
Fig 5: Access to lighting



Relatively good electrification coverage is indicated by the fact that most households (74.9 per cent) rely on electricity from the mains for lighting. Nonetheless, a significant percentage (17.6 per cent) still rely on gas, whereas smaller percentages use wood (2.9 per cent) and paraffin (4.2 per cent). This implies that despite widespread access to the grid's electrical supply, households in some places continue to use less effective or alternative energy sources, which may be a result of insufficient energy infrastructure and financial difficulties.

Ditsobotla municipality has 74.9 per cent of households which equates to 31 769 households that have access to electricity however, only 64.5 per cent of households are supplied by the municipality while 35.5 per cent is supplied by Eskom. This effectively means that the municipality can only bill 20 491 households for electricity this number does not exclude the indigents on the municipality's indigent register. With the number of indigents reported to be 7114 in the 2023 IDP, the number of households approximately to be billed are 13 377 which is approximately one third (1/3) of the total population. This reality contributes to the municipality's inability to generate sustainable revenue for electricity, as the revenue base is limited.

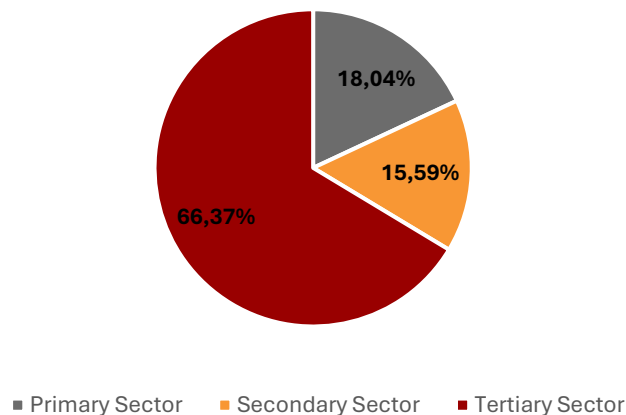
Fig 6: Refuse removal



Ditsobotla municipality only provide refuse removal to 29.3 per cent of households who receive weekly services. This is in contrast to the nearly half of the households (48 percent) who resort to use their own refuse dumps, while 13.6 per cent have no form of rubbish disposal at all. This reflects significant service delivery gaps and highlights limited formal waste management coverage which has unintended consequences of illegal dumping, with the potential implications for infestations of rodents, public health and environmental sustainability. Strengthening waste collection coverage and waste infrastructure (Landfill sites) is a critical priority that the municipality must consider not only for service delivery provision but also for additional revenue generation.

Economic Activity

Ditsobotla municipality recorded an unemployment rate of 27.18 per cent based on 2019 data by Quantec, which indicated that the municipality has labour force participation rate of 54.46 per cent, while 39.65 per cent of the working-age population was employed (Ditsobotla IDP, 2023). The graph illustrates the sectoral composition of employment within the Ditsobotla Local Municipality.

Fig 7: Share of total Employment**Share of Total Employment**

Employment in Ditsobotla is predominantly concentrated in the tertiary sector which accounts for 66.37 per cent, reflecting the municipality's reliance on services such as trade, finance services, and government employment amongst others. The primary sector which is the second sector with the highest employment rate at 18.04 percent, this sector includes agriculture and mining. The secondary sector employs about 15.59 per cent, it includes manufacturing and construction, and accounts for a relatively small portion of employment.

A total of 338 jobs were lost in 2019 and in 2022 approximately 200 jobs were lost from the relocation of clover to KwaZulu Natal, indicating labour market vulnerability and potential structural challenges in sustaining employment across sectors. Strengthening the secondary sector and supporting small-scale industries could enhance local employment opportunities and thus boosting economic resilience.

The inability of the municipality to provide basic services consistently and to a wider population is a major challenge and it perpetuates the inability by the municipality to collect sustained revenue. The core mandate of the municipality is to provide basic services to the communities this includes business communities. When the basic services are provided consistently that creates a conducive environment for the businesses to invest in the municipality which will result in job opportunities for the communities thus reducing the unemployment rate and increasing the number of households who can pay for municipal services.

4. THE STATUS QUO ASSESSMENT

In this status quo assessment, the following information sources were utilised:

- NWPT Hand-Over Report
- 2023 Mandatory FRP and Progress Reports
- Section 147 Quarterly Review Reports
- Court Pleadings
- Report of the Public Protector
- DCoG legal opinion on delegated authority of Municipal Manager
- Provincial COGTA report and presentation

- 2022/23, 2023/24, 2024/25 (Unaudited) Annual Financial Statements
- Risk Register
- Quarterly Supply Chain Implementation Report
- IDP 2022- 27
- 2016 Community Survey
- AG Management Report 2023/24
- Budget Funding Plan 2025/26
- 2025/26 Medium-Term Budget and Performance Assessment Report
- Budget Assumptions and mSCOA funding tool
- MTREF Mid-term Budget and Performance Review
- Workstream meetings
- Annual Reports
- Reporting string summary
- Internal Audit Plan
- Post Audit Action Plan
- Unauthorised Expenditure, Irregular and Fruitless and Wasteful Expenditure Reduction Strategy
- Grant schedule
- Integrated Waste Management Plan
- Annual Financial Statements (2022/23, 2023,24, 2024/25)
- AG Management Report: 2023/24
- NCR Intervention Priorities
- Status Quo Assessment engagements with the municipality and stakeholders (14-15 October 2025)

5. KEY FINDINGS

The key issues identified will be presented in terms of the following pillars:

- a) Financial Health
- b) Service Delivery
- c) Good Governance
- d) Institutional and Organisational Development

5.1. Financial Management

The analysis of financial information is limited due to the lack of reliable information. The municipality recently submitted Annual Financial Statements for the 2024/25 financial years and is still experiencing severe challenges with the financial system. This means that the latest audited Annual Financial Statements available relate to the 2023/24 financial year. The municipality received disclaimer audit opinions from the Auditor-General for the last 3 years. The number of consecutive disclaimer findings by the AG speaks for itself.

OVERALL STATE OF FINANCES

The municipality is in a dire financial situation as evidenced by successive financial performance deficits or minimal surpluses over the years; an increasing payables balance and severe liquidity challenges. Besides governance, management and institutional problems discussed in other

sections of this report, one of the biggest causes of the financial woes the municipality is facing emanates from low revenue collection rates; in 2024/25, the revenue collection rate was at 44% which negatively impacted the cash flows and liquidity of the municipality. Furthermore, the debtor's collection period is super high, further putting severe pressure on liquidity.

Apart from the late or non-payment of municipal service charges; the expenditure management, SCM management, contract management processes of the municipality are poorly managed as evidenced by high amounts of fruitless and wasteful expenditure, irregular expenditure and unauthorized expenditure, this further puts strain on the municipality as it spends the little resources it has on goods, services or capital assets that do not add any value to its operations and service delivery capacity.

Furthermore, the municipality has been facing challenges with changing over its financial system from EMS to Sage which has affected the customer billing function. At present, both the service providers for the financial systems have to be paid by the municipality as they simply cannot fully launch all its finance related functions on Sage due to system migration challenges. EMS system is being used as a reference point to estimate historical amounts for use in the current system SAGE as the accuracy and integrity of the data on SAGE is questionable. The estimation of historical amounts also made it a challenge to formulate the budget since baseline figures are inaccurate. The Municipality is however working on resolving the financial system challenges.

FINANCIAL PERFORMANCE

The table below illustrate the municipality's financial performance for 4 financial years since 2021/22:

Table 2: Financial Performance: 2021/22 to 2024/25

BUDGET ITEM	2021/22 Audited R'000 Baseline	2022/23 Audited R'000	Variance 22/23 vs 21/22 %	2023/24 Audited R'000	Variance 23/24 vs 22/23 %	FRP Baseline 2024/2025 Unaudited R'000	Variance 24/25 vs 23/24 %
REVENUE							
<i>Property rates</i>	72,542	77,442	6,75	83,203	7,44	88,630	6,52
<i>Service charges - electricity revenue</i>	88,250	92,342	4,64	93,170	0,90	116,523	25,06
<i>Service charges - water revenue</i>	45,948	25,601	-44,28	2,421	-90,54	10,680	341,14
<i>Service charges - sanitation revenue</i>	19,909	24,629	23,71	22,047	-10,48	20,863	-5,37
<i>Service charges - refuse revenue</i>	19,770	18,169	-8,10	8,504	-53,20	18,703	119,93
<i>Rental of facilities and equipment</i>	,300	,412	37,33	,423	2,67	,482	13,95
<i>Interest earned - external investments</i>	,539	,630	16,88	,891	41,43	,402	-54,88
<i>Interest earned - outstanding debtors</i>	,000	,000	0,00	,000	0,00	,000	0,00
<i>Fines, penalties and forfeits</i>	2,105	,906	-56,96	,001	-99,89	,000	-100,00
<i>Licences and permits</i>	8,930	2,102	-76,46	2,078	-1,14	2,181	4,96
<i>Agency services</i>	3,038	,000	-100,00	7,969	0,00	7,496	-5,94

BUDGET ITEM	2021/22 Audited R'000 Baseline	2022/23 Audited R'000	Variance 22/23 vs 21/22 %	2023/24 Audited R'000	Variance 23/24 vs 22/23 %	FRP Baseline 2024/2025 Unaudited R'000	Variance 24/25 vs 23/24 %
Public contributions	,000	,000	0,00	,000	0,00	,022	0,00
Transfers and subsidies - Operational	146,821	163,413	11,30	200,754	22,85	213,209	6,20
Other revenue	185,765	34,935	-81,19	20,033	-42,66	,774	-96,14
Total Operational Revenue	593,917	440,581	-25,82	441,494	0,21	479,965	8,71

EXPENDITURE

Employee related costs	271,545	293,542	8,10	336,469	14,62	328,662	-2,32
Remuneration of councillors	15,476	13,259	-14,33	17,443	31,56	17,053	-2,24
Debt impairment	752,856	253,461	-66,33	,000	-100,00	,000	0,00
Depreciation & asset impairment	38,265	40,106	4,81	74,164	84,92	33,818	-54,40
Finance charges	38,461	63,987	66,37	26,785	-58,14	29,907	11,66
Bulk purchases - electricity	188,318	164,273	-12,77	213,596	30,03	212,808	-0,37
Lease rentals on operating leases	,400	15,086	3671,50	,260	-98,28	10,266	3848,46
Contracted services	30,400	17,424	-42,68	10,863	-37,65	46,355	326,72
Other expenditure	76,783	4,707	-93,87	5,477	16,36	10,141	85,16
Total Operational Expenditure	1 412,504	865,845	-38,70	685,057	-20,88	689,010	0,58
Surplus/ (Deficit)	(818,587)	(425,264)	-48,05	(243,563)	-42,73	(209,045)	-14,17

SCHEDULE A8:**Cash and Investments available**

Cash Equivalents at year end	15,919	9,697		8,470		3,392	-59,95
Total	16	10		8,470		3,392	-59,95
Application of Cash and Investments							
Unspent Conditional Grants	(32,931)	(74,821)		(62,007)		(62,007)	0,00
Working Capital Requirements (Debtors minus creditors)	(1 193,763)	(1 134,040)		(1 976,959)		(2 004,199)	1,38
Other provisions	(15,123)	(57,341)		(101,250)		(105,695)	4,39
Total	(1 241,817)	(1 266,202)		(2 140,216)		(2 171,901)	1,48
Surplus/ (Shortfall)	(1 225,898)	(1 256,505)		(2 131,746)		(2 168,509)	1,72

Revenue Management

Total revenue reduced with 19 per cent from R594 million in 2021/22 to R480 million in 2024/25. The decline is attributed to trading services revenue that performed poorly over the 3-year period with billed electricity revenue increasing with 11,9 per cent (average 4 per cent per annum), water revenue decreasing with 77,8 per cent (average 26 per cent decline per annum, sanitation revenue increasing with 4,8 per cent (1,6 per cent per annum) and refuse removal revenue reducing with 5,4 per cent (average 1,8 per cent decline per annum).

Property Rates revenue performed fairly well and outperformed CPIX over the last 3 financial years. However, the Valuation Roll does still not reconcile to the billing system. There are disputes over ownership of land and properties which affects collection of debts from properties rates. There is potential to further increase revenue from property rates.

The collection rate improved marginally from 40% in 2021/22 to 44% in 2024/25. This is however significantly below National Treasury's benchmark of 95%. There is no payment culture, with the public perception due to a lack of service delivery over an extended period affecting the consumers appetite to pay. The completeness of billing is questioned due to the following factors:

- Incorrect tariffs linked income types (services and rates) leading to incorrect billing.
- Lack of capacity to read meters by skilled meter readers internally and consumers billed estimates. Readings are only based on units send in by consumers.
- Not all consumers are metered and there are unknown consumers.
- Meters do not comply with Token Identifier (TID) requirements which creates a risk that tokens may be used more than once.
- Billing reconciliations not performed between the billing system and trial balance (including prepaid services)
- Incomplete/inaccurate meter readings due to faulty/broken meters. No policy for maintenance or to prevent tampering
- Lack of water and electricity meters for new connections and replacement of faulty meters
- Vandalism of older existing meters for brass content
- Illegal connections and/or unmetered losses

The main challenge for the municipality's revenue generation capacity is the lack of skilled meter readers, as the contract with the service provider for meter readings for both water and electricity expired in March 2022. The lack of appropriately skilled readers reduces the accuracy and completeness of meter readings, which affects billing and, as a result, accounts are inaccurate, and payments are delayed. To compensate for the lack of capacity, community members are being asked to submit their own meter readings in order to be billed; however, this exposes the meter readings to errors and/or false readings. Furthermore, if the municipality's officials do not take meter readings and the relevant customers do not submit their own readings, no billing is possible and cash flow is impacted.

Due to incorrect billing/system errors/skilled meter readers, the municipality is facing a challenge in making follow ups with its customers who always dispute amounts billed. Some electricity-related services are performed by a service provider, Cigicel. This includes monthly billing, and ultimately the recovery of electricity charges. The Service provider handles all

electricity-related issues, and the municipality has limited control and oversight over the process.

Consumer debtors

The total debtor's book of R1,3 billion could be significantly overstated and could require further write offs which management have not affected. Proper reconciliations are not performed between the age analysis and statement. The Municipality has weak controls in debtor's management. Interest is not being charged on all accounts in arrears as required by section 64(2)(g) of the MFMA. No follow ups are made on long outstanding debts. The Debt Management Policy is outdated, and the municipality fail to implement procedures for debt collection. There is resistance to implement credit control measures demonstrated by high levels of Councillor and employee consumer debt.

On average, it took an average period of 1060 days (or 3 years) in the 2024/25 financial year for the municipality's debtors to settle their accounts. Moreover, even some officials of the municipality and councilors took way more than 90 days to pay their municipality bills which is also a contravention of the MSA and MFMA.

Expenditure Management

Total operating expenditure is erratic due to the misstatement of non-cash items. Total expenditure for 2024/25 totals R689 million. Remuneration, bulk purchases and contracted services represent 87 per cent of total expenditure.

No cost containment measures are implemented to reduce operating expenditure. Cash-related expenditure is cut indiscriminately without due planning and consideration of the impact of such reductions on service delivery and operational requirements.

Budgeted expenditure is not controlled: Actual remuneration cost in 2024/25 exceeded the budget with R32 million or 11 per cent.

Because no information and/or reports are available for the last 3 financial years, it can reasonably be expected that actual expenditure would exceed inflation-adjusted levels. The salary bill has continued to rise even though competency and technical skills of officials are not sufficient.

Furthermore, losses on electricity purchases have been allowed to escalate at unsustainable rates and contribute significantly to the liquidity challenges of Ditsobotla LM. If electricity losses were incurred at the expected levels for the 2023/24 and 2024/25 financial years, it has led to losses in excess of R90 million for each financial year.

There is no grant management policy in place, to prevent the misuse of funds. Non-payment of services within 30 days of receipt of the invoice as required by the MFMA, resulting in interest levied (per 24/25 AFS R29,9 million).

Creditor Management

Total creditors at the end of the 2024/25 financial year amounted to R2,3 billion. Creditor days increased from 2087 days in 2022/23 to 3188 days in 2024/25 which means the municipality is taking a very long time to settle amounts owed. Based on the AG reports there is overpayment of suppliers due to poor controls. There is no payment arrangement with the biggest creditors, and no reconciliation of account/proper record keeping as per previous audit. The municipality was

approved for the Eskom Debt Relief Programme in 2023, but is not complying with the conditions, main due to poor metering and non-payment of the Eskom current account.

Budget Management

Table 3: 2025/26 MTREF Budget (NW384 – Table A1 Budget Summary)

Description R thousands	2025/26 Medium Term Revenue & Expenditure Framework		
	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Financial Performance			
Property rates	92 750	97 000	101 268
Service charges	193 118	209 272	226 777
Investment revenue	200	209	218
Transfer and subsidies - Operational	194 595	193 426	204 264
Other own revenue	407 446	11 104	12 030
Total Revenue (excluding capital transfers and contributions)	888 110	511 012	544 557
Employee costs	300 000	313 800	327 607
Remuneration of councillors	18 000	18 828	19 656
Depreciation and amortisation	32 000	32 000	30 000
Interest	-	-	106
Inventory consumed and bulk purchases	203 000	212 330	221 675
Transfers and subsidies	-	-	-
Other expenditure	82 600	75 830	56 070
Total Expenditure	635 600	652 788	655 114
Surplus/(Deficit)	252 510	(141 777)	(110 557)
Transfers and subsidies - capital (monetary allocations)	42 709	48 382	50 512
Transfers and subsidies - capital (in-kind)	-	-	-
Surplus/(Deficit) after capital transfers & contributions	295 219	(93 395)	(60 045)
Share of Surplus/Deficit attributable to Associate	-	-	-
Surplus/(Deficit) for the year	295 219	(93 395)	(60 045)

The 2025/26 MTREF Budget is unfunded with an amount of R2,1 billion (after considering cash requirements for outstanding creditors, statutory payments, and the cash-backing of provisions and reserves). The Provincial Treasury assessed the budget as unsustainable and not credible over the MTREF.

The tariffs for all income items are based on CPI increases. The cost per division is not considered (for example water, electricity). There are no calculations/schedules to support the base of tariff rates whether done in the current year or in the previous years to indicate how the operational costs per division of the municipality were factored into the tariff setting exercise. Year-on-year tariff adjustments were made based on CPIC, except for electricity that increased with approved NERSA tariff. Final tariffs were not approved and published as oversight of the Accounting Officer and Council. There is no tariff policy and a lack of understanding of employees on budget procedures and tariff setting.

Government grants constitute 22 per cent whilst own generated revenue is 78%. This indicates that the municipality is mostly reliant on own generated revenue which requires improved billing and collection.

Rental from Fixed Assets, licenses and permits have not been accurately projected for in the 2025/26 financial year, there is no explanation on the budget document as to why.

The municipality`s billing is not credible as it is inflated which will result in inflated projected cash collection/received in the cash flow statement, and unaffordable spending. Overall, the billing is over projected and does not represent the current actual trend adjusted for inflation.

The total operating expenditure is projected to decrease by 11.2% in 2025/26 as compared to the adjusted budget 2024/25.

Employees related costs has projected a decrease of 9 per cent in 2025/26 from the actual expenditure of R328 million in 2023/24. This is unrealistic budgeting and not making provision for all filled positions and the annual increase as stipulated in the SALGBC wage agreement. The municipality is cautioned of budgeting against the stipulated wage agreement in line with number of employees as reflected in Table SA24 of the Budget schedules.

The municipality has failed to make provision for debt impairment in contrast to the budgeted irrecoverable debt to be written-off, also as the debtor`s book has an increasing trend across the financial year at R1.3 billion with a collection rate of only 42%.

The municipality`s depreciation on assets is projected not to increase at 0% at R 32 million, and is below the 2023/24 audited outcome of R 39.2 million by 22.5%. The municipality has not budgeted for loss/gain on disposal of assets indicating that there is no projected decrease in assets value.

Table 4: Key Findings: Financial Management

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
Funded Budget Status	The municipality approved unfunded budgets for 5 consecutive years The municipality's 2025/26 MTREF Budget is unfunded with R2,1bn after all the municipality's liabilities are considered. Budget-related policies reviewed annually but not assessed for financial viability (increased revenue and reduced expenditure)	The revenue baseline of the municipality is insufficient to cover the operating costs. Poor trading revenue performance Expenditure on a yearly basis indicating the municipality is using incremental budgeting; with no needs analysis being performed. Low collection rates and negative cash flows. Budget related policies are not assessed to support the optimisation of revenue and reduction of cost. The municipality has historically tabled unfunded budgets without developing a funding plan.	Ineffective planning and budgetary control measures Failure to contain cost and effectively manage revenue Non-implementation of Credit Control and Debt Collection Policy Manipulation of the budget estimates, revenue over estimated and expenditure under estimated to budget for operating surpluses, but realise deficits (Budget not credible and realistic) Municipality spent money on items not budgeted for Underfunded Mandates Lack of oversight from the accounting officer and those charged with governance.	2025-2026 MTREF Budget and PT Assessment Report FM Workstream engagement 14 - 15 Oct'25
	There is a risk that the December 2025 equitable share grant funding of the municipality might be withheld.	Due to the municipality's mismanagement of conditional grant funding over the years, NT may invoke MFMA Section 5.2 (e) which allows withholding of funds due to municipality as a result of a serious or persistent breach of the MFMA	MIG funds used to pay salaries Persistent DoRA non-compliance	PT engagement FM Workstream meeting 14-15 Oct'25 Financial analysis
BTO	The BTO is lacking appropriate skills SCM = 4 positions filled Revenue Management = 17 positions filled + 1 contract worker Budget = 3 positions filled + 1 contract worker	Need people: Assets, Contract Management New structure provides for additional positions, but filling is not affordable	Poor liquidity position not allowing for filling of positions Lacking appropriate skills, for example to prepare AFS	FM Workstream

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	Expenditure = 3 positions filled Asset Management – no employees			
Revenue Management (Metered services and vending):	No Revenue Enhancement Strategy in place The Equitable Share for Free Basic Services is allocated to the NMMDM (average R13m per month) and not shared with DLM Municipality does not possess employees with the skills set necessary to perform the function. The meter reading function has been outsourced for an extended period, therefore the require skills have not been maintained in-house. No reconciliations performed for prepaid vendors. <u>Water Meters</u> • Total of 18 101 meters in the systems of which only 448 are read and billed with a total of 17 653 not read and billed. • Lack of water meters, • Vandalism of older existing meters for brass content, • Illegal connections and/or unmetered losses <u>Electricity Meters</u> • Electricity meters are 1261 in total, 273 read and billed with a total of 988 unaccounted for	Municipality has no meter reading capacity as the contract with the service provider for meter readings for both water and electricity lapsed in March 2022. Staff employed as meter readers do not have the skills to carry out the task. Not all consumers are metered and there are unknown consumers. Prepaid vendor reconciliation not performed monthly <u>Water Meters</u> Water meters used in the area are predominantly “old brass” meters. These meters are vandalised and stolen for, amongst other, its brass content. Water meters are also regularly bypassed/abridged by consumers leading to inability to bill consumers. The number of active meters is not clear as no meter audits performed since around 2012. <u>Electricity Meters</u> Electricity meters are no longer installed by the Service provider (Cigicel). Currently it is estimated that only	Shortage of skilled meter readers. Contract with meter readers not renewed on time. Lack of internal controls on the vendors selling By-passed meters and damaged meters Lack funding for a metering project due to liquidity challenges	IDP Annual Report FM Work Stream Presentation, 14-15 Oct’24 NCR Report on current state of affairs

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	• Lack of meters for replacement and new connections • Abridgement of electricity meters (legal and illegal). • Only around 10% of residential properties have meters. No meter audits performed for either Water or Electricity meters over at least the past 10 years. Challenge of prepaid meters which are not purchasing The municipality applied for the National Treasury smart meter grant and it was not granted due to failure to achieve the debt relief conditions but the grant was actually going to assist the municipality to achieve as it was going to assist with revenue enhancement.	around 10% of residential meters are active. Meters do not comply with the Token Identifier (TID) requirements; therefore, a risk remains that, tokens may be used more than once. When faulty meters are reported, the technical team is sent out to the premises. If the meter is found to be faulty, a “legal abridgement” is performed by the municipality due to the lack of replacement meters. No charges are levied against consumers in this regard.		
	Lack of control over the electricity services: Electricity revenue related services are performed by a service provider, Cigicel including monthly billing, and ultimately the recovery of electricity charges. The Service provider handles all electricity-related issues, and the municipality has limited control and oversight over the process.	Service provider provides municipality with monthly reports regarding billing and collection, CFO is unable to verify information provided and is completely dependent on the service provider’s reported information, including prepaid electricity sales. On the other hand, the municipality receives the full ESKOM bill, but is unable to verify the units charged as per	Lack of skills maintained in-house. Poor internal control environment. Lacking bulk electricity meters	

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
		invoice due to a lack of bulk meters and/or lack of access to the meter information.		
	Broken/Faulty meters	No policy to address tampering of meters	Lacking skills and funding	
	Limitations of the Financial System: The municipality has moved to a new service provider and are encountering significant limitations with regards to the billing of consumers, over and above the limited meter information.	Due to financial system limitations, the municipality has been unable to bill consumers for any services for the 2022/2023 financial year due to inaccurate billing data contained in the financial system. Inadequate training on the use of financial system leading to uncertainty of the adequacy of system capabilities.	Inadequate implementation of the new financial system.	
Revenue Management: (Property rates)	Valuation roll and the billing system contains errors No property rates policy or by-law in place	Incorrect tariffs linked to property categories leading to incorrect billing. Valuation roll does not reconcile to the billing system. Disputes over ownership of land and properties which affects collection of debts from properties rates	Tariffs not checked by responsible senior official Lack of integration of the revenue value chain with town planning. No legal action taken with regards to disputes in property rates	Reporting data string analysis Workstream meetings 14 -15 October 2025
Revenue Management: (Revenue collection)	Low revenue collection rates Poor data integrity on the billing system Following a Court Order on 25 Oct'17, 8 big electricity pay directly to Eskom	General misappropriation of funds received by municipality.	Lack of competent managers Issues with conversion of data from the old to the new financial system Weak internal controls over cash collected Resistance to implement credit control measures	Reporting data string analysis Workstream meetings 14-15 October 2025 NCR Report on current state of affairs.

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	Low revenue collection rates	Non-collection of billed amounts. Collection rate for 2024/25 is 44% Inadequate collection of billed amounts. Accuracy, frequency, and extent of billing is unreliable. Insufficient implementation of the billing module of the financial system	No credit control measures in place Poor public perception due to a lack of service delivery over an extended period affecting the consumers appetite to pay. 90% of consumers billed based on estimates or not at all	
	Billing and financial system errors	Incorrect billing due to incorrect billing data on Financial Management System Insufficient support and training by the system vendor	Inadequate training on the use of financial system Billing and financial system errors mainly due to lacking financial skills	
Cost-reflective tariffs	Non-cost reflective tariffs	The Current tariff structure for service charges is based on prior period rates with proposed increases based on CPI guidelines Trading revenue tariffs are not cost reflective There are no calculations/schedules to support the base of tariff rates whether done in the current year or in the previous years to indicate how the operational costs of the municipality were factored into the tariff setting exercise.	Not all operational costs of the municipality were considered in calculation of tariffs The tariffs for all income items are based on CPI increases; The cost per division is not considered (for example water, electricity). Proper reporting is not in place for cost per division. Support for all expenditure or audit trails is not available (news article on documents in street). Final tariffs not approved and published. Lack of understanding of employees on budget	Mid Term Budget and Performance Assessment Report 2024/25 Tariffs report for the year 2025/26 <i>News article – 5 January 2023</i>

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
			procedures and tariff setting.	
	No tariff policy in place	The municipality does not have an approved tariffs policy or structure in place.	Lack of oversight by the accounting officer and those charged with governance Lacking financial management skills	
Supply chain management compliance and value for money procurement	The SCM unit is functional and currently consists of 4 officials, however there is a concern with regards to the competence levels of the staff members.	The Composition of the staff members in the unit is less than satisfactory with 4 SCM financial staff who are apparently in an acting capacity. This indicates a lack of competence in the function. More so, the municipality has two positions that are vacant in the SCM function, which could lead to reduced capacity.	High labour turnover and lack of an HR strategy Oversight of the SCM function by accounting officer and Council is not consistent due to instabilities in these posts	FM Workstream Municipal Organogram FM Workstream meetings 14-15 October 2025 AG Reports
	SCM Committees not properly functional	Bid committees not fully established in terms of composition and functionality; this has led to some instances of irregular expenditure.	SCM procedures are not documented and hence not communicated to the officials for clarity.	
	No procurement plan could be submitted	The municipality does not have a procurement plan in place which is aligned to the IDP and MTRRF.	Lack of competence and inadequate training in the SCM function Oversight of the SCM function by accounting officer and Council is not consistent due to instabilities	
	Outdated SCM related policies	The following policies are outdated and need to be reviewed: -Code of conduct for SCM officials	SCM unit do not have a proper understanding of the policies. Purchases made from suppliers not	

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
		-SCM policy -Contract management policy	independent from officials.	
Cost containment	No cost containment policy Cash flow management committee not in place	Municipality is operating without a compliant policy on cost containment measures	Lack of management and governance oversight and policies Lack of accountability and consequence No financial discipline	Policy Register Audit reports
Financial control environment	Consultants are contracted for critical finance functions without proper performance monitoring	Inadequate review of work done by consultants has resulted in gross underperformance by these contractors which has messed up some key functions of the municipality like the financial system implementation, the valuation roll preparation and financial statements preparation.	Over reliance on consultants No skills transfer from consultants	Risk Register MTREF Budget and Performance Assessment Report 2025/26. AG Management Report 2023/24.
	Financial system challenges have affected billing and reporting since 2020.	Poor records management due to financial system challenges which has led to successive disclaimer of opinions by AGSA System migration challenges from EMS to Sage	IT has limited capacity to implement effective controls Over reliance on contractors	
	Staffing constraints in critical finance roles	Segregation of duties is not always possible when processing transactions due to the fact that the municipality is under staffed due to the high labour turnover which mostly affect critical finance roles.	High labour turnover due to political interference A toxic work environment	

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
		Poor internal financial control		
mSCOA implementation	Non-adherence to MSCOA legislation.	No functional Steering committee for MSCOA implementation No mSCOA Champion No mSCOA Road Map developed Data Strings not credible	None adherence on month-end closure resulting in incomplete financial records processed Poor integration of sub systems and core system. Lacking appropriate accounting skills	Reporting data string analysis MTREF Budget and Performance Report 2023/24.
	Key Functional mSCOA Modules not implemented	The municipality does not fully use of mSCOA modules on all business processes Conversion issues from old system Payroll not integrated (CCG support on demand: Fromer SP not giving info? NO proper handover?	Not all modules offered by the core financial system is being utilised by municipality resulting third party systems being utilised at costs. Incompetent consultants and lack of proper performance management. Staff not committed to the processes	
		Challenges integrating mSCOA modules with the financial system resulting in transactions being incorrectly recorded/classified ICT infrastructure is not compatible with mSCOA minimum requirements	Lacking funding to develop the IT environment	
Financial reporting	Lack of capacity and competence to carry out the financial reporting function Inaccurate financial reporting	The function of financial reporting has always been contracted out to consultants in the past 3 financial years despite it not helping better the quality of the financial reports.	Shortage of appropriate skills and competence in house within the finance team to carry out the functions of financial reporting. Lack of skills transfer from consultants	2023/24 AFS Reporting data string analysis submissions MTREF Budget and Performance

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
		There is lack of capacity within the municipality to conduct or monitor this function inhouse.		Assessment 2024/25 AGSA Management and auditor's reports.
	The financial reporting function has been grossly mishandled by consultants as evidenced by the consecutive disclaimer of opinions from AGSA	Consultants used in the preparation of AFS may have inadequate skills as reflected by the prior period errors in the reports, several restatements and continuous disclaimer of opinions. Inadequate review of financial reports by senior management. A disclaimer of audit opinion means that most of the line items presented/disclosed in the financial records are wrong/unverifiable.	Inadequate training to use the financial system No internal audit unit to review financial statements before submission Lacking appropriate skills	FM Workstream meeting 14-15 October 2025
	The underlying financial records for financial reporting affected by IT systems challenges	An IT billing system changeover was done in 2020 which caused billing problems which are still being resolved; this has also affected the accuracy of information for financial reporting	Inadequate system migration/change monitoring by senior management. IT unit has no technical capacity to assist with financial reporting related challenges	
	Non-adherence to AGSA and NT submission timeframes.	Non-adherence to NT submission timeframes; also, the financial statements of the municipality are not being submitted to the AGSA within two months of the end of a financial year as required by the MFMA.	Delays in closing off the financial system at year end. The poor state of the records makes it difficult to compile financial statements within stipulated timeframes.	

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
Debtors Management	Debtors book could be overstated because it is not reviewed regularly to determine how much can realistically be collected	Due to non-paying customers, the debtor's book could be significantly overstated and could require further write offs which management have not affected.	Lack of competence and/capacity in the finance division Non-payment of customers due to a lack of services provided by the municipality	Section 71 Ratios AGSA management and auditor's reports. FM Workstream meeting 14-15 Oct'25
	Municipality has weak controls in debtor's management	Interest is not being charged on all accounts in arrears as required by section 64(2)(g) of the MFMA No follow ups made on long outstanding debts	No credit control policies in place to guide provision of services to non-paying customers No verification of indigent debtors or indigent policy	
	Some of the major debtors are councillors, staff and government institutions which do not pay their utilities on time.	Councilors owing the municipality for more than 90 days contravening the MSA. Some government institutions have accounts which are outstanding for long periods of time which is a contravention of MFMA requirement for payments to be made within 30 days of the invoice date.	No credit control policies in place to guide provision of services to non-paying customers. Resistance to credit control.	
	Net debtors' days increased from 992 days in 2019/20 to 1060 days in 2024/25.	Due to incorrect billing, the municipality is facing a challenge in making follow ups with its customers who always dispute amounts billed.	No credit control policies in place to guide provision of services to non-paying customers. Debt collection policy not implemented.	
	Billing System issues	Due to IT system errors and the lack of skilled meter readers, the billing and debtors' balances of the municipality could be misstated.	Lack of adequate skill and competence in the BTO and IT division	

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
Expenditure Management	No grant management policy in place Approved for Eskom Debt Relief, but not complying (Risk that Eskom may take over)	Inadequate control over the use of grants which would amount to misappropriation of funds No Eskom Debt Relief Compliance Plan	Lack of oversight from the accounting officer and those charged with governance as required by the MFMA Unethical conduct for personal gain by municipality employees/ governance	2024/25 MTREF AFS 2024/25 Circular 71 Ratios AGSA management and auditors report
	Non-payment of services within 30 days of receipt of the invoice as required by the MFMA Creditors days increased from 2087 days in 2022/23 to 3188 days in 2024/25 which means the Municipality is taking a very long time to settle amounts owed	The Municipality is struggling to pay creditors within 30 days. The main creditor is Eskom. No payment arrangements in place	No optimisation of revenue stream and lack of additional income streams that are cash based to improve cash flow Poor relationship between municipality and suppliers/ creditors	
	Irregular payments made from the bank accounts	Payments from the bank not always approved by the authorized officials.	Weak controls over cash and bank Maladministration, fraud and corruption	
Asset Management	No standalone asset management unit that ensures assets are maintained and safeguarded Sound asset management practices like physical verifications not implemented as there is no standalone asset management unit Asset management relating to capital projects does not align with the critical needs of the municipality.	Misappropriation of assets due to lack of controls and a standalone asset management division; for example, building projects reported as completed could not be identified during physical verification The municipality has had a meter shortage for an extended period of time and capital projects have not been aligned to address the weakness. Revenue from service charges is essential to allow for the expansion/	Lack of competent senior managers Lack of capacity in BTO (no one responsible for asset management) Lack funding for sufficient repairs and maintenance.	AG Management Report FM Workstream engagements 14-15 October 2025 NCR Report on current challenges

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
		renewal/ upgrading of capital assets. Lack of accountability. Lack of oversight from the accounting officer and those charged with governance.		
	No up-to-date asset management policy	Accelerated deterioration of the assets of the municipality due to lack of maintenance emanating from the lack of an asset management policy nor the relevant division.	Lack of oversight from the accounting officer and those charged with governance	
Indigent Management	Poor indigent household registration Outdated Indigent Policy No appropriate write-offs of Indigents Debt FBS allocations could not be confirmed	Indigent register not maintained or annually reviewed	Indigent households hesitant to register Equitable Share allocation for FBS go the NMMDM	FM Workstream 14-15 October 2025

Table 5: Financial Ratio Analysis				
Ratio	Ratio for 2022/23 Un- Audited	Ratio for 2023/24 Un- Audited	Ratio for 2024/25 Un- Audited	INTERPRETATION
Asset Management Utilization				
Capital Expenditure to Total Expenditure – indicates the prioritisation of expenditure towards current operations versus future capacity in terms of Municipal Services. The norm is 10% - 20%.	2%	4%	0%	The ratio results fluctuate year-on-year. The ratio is consistently below the National Treasury norm of 10%. Poor investment in service infrastructure negatively impacts on the municipality's ability to sustain basic services. Own revenue must be optimised to enable more investment in service infrastructure.
Repairs and Maintenance to Property, Plant and Equipment and Investment Property – measures the level of repairs and maintenance to ensure adequate repairs and maintenance to prevent breakdowns and interruptions to services delivery. The norm is 8%.	1%	1%	1%	The R&M ratio is stagnant at 1 per cent from since 2022/23. The provision is both <i>marginal and insignificant</i> given the state of the municipality's infrastructure and infrastructure challenges. The norm for R&M provisions is 8 per cent of PPE, however, in municipalities like Ditsobotla, where asset management was not a priority in the past, provisions higher than 8 per cent are needed to ensure the functional integrity of the infrastructure networks.
Debtors Management				
Annual Collection Rate - indicates the level of payments as a percentage of revenue billed on credit. The norm is 95%.	40%	24%	44%	There has been a 4 per cent increase in the annual collection rate since 2022/23, an average annual increase of 1 per cent per annum and <i>below what is required</i> to ensure a turn-around in the financial performance of the municipality. The municipality must improve the effectiveness and efficiency of its collection processes to ensure that all HHs receiving services are billed accurately, no-go areas are addressed, tariffs are cost-reflective and revenue owed to the municipality is collected. This will ensure the availability of resources for spending on critical areas like repairs and maintenance. Unbilled consumption adds to the problem.
Debtors Management Net Debtors Days – indicates the average number of days taken for debtors to pay their accounts.	1158 Days	1072 Days	1060 Days	It is observed that since 2022, debtor days consistently performed poorly. The average time taken for debtors to pay their municipal accounts is 1060 days or approximately 35 months. The municipality must improve its performance in this area to ensure that

Table 5: Financial Ratio Analysis				
Ratio	Ratio for 2022/23 Un- Audited	Ratio for 2023/24 Un- Audited	Ratio for 2024/25 Un- Audited	INTERPRETATION
The norm is 30 days.				it is able to meet its financial obligations, including its payment of the current Eskom account which is a condition of the Eskom Debt Relief Programme.
Liquidity Management				
Cash/ Cost Coverage Ratio (Excluding Unspent Conditional Grants) The Ratio indicates the Municipality's or Municipal Entity's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue. The norm is 1-3 months	-1 Month	-1 Month	-1 Month	There has been a persistent year-on-year decline in the cost coverage ratio since 2022/23. As at the end of the 2024/25 financial year, the municipality had no available cash to cover operational expenditure. The norm for municipal cost coverage is between 1 and 3 months. This decline in the ratio indicates that the municipality's revenues are increasing at a much slower rate than its expenditure. The municipality is advised to increase its revenue and explore further expenditure reductions to arrest any further decline in this ratio. Addressing electricity and water losses is a key strategy to reduce costs.
Current Ratio - this ratio indicates the extent to which current assets can be used to settle short-term liabilities. If current assets do not exceed current liabilities, it means a liquidity problem i.e., insufficient cash to meet financial obligations. The norm is 1.5 - 2:1.	0.50	0.58	0.60	The ratio of Ditsobotla's current assets to current liabilities has improved marginally from 0.50 in 2022/23 to 0.60 in 2024/25. The ratio is still significantly below the norm and increases in its revenue collection efforts coupled with a simultaneous reduction in its current liabilities (e.g. Eskom account) will increase this ratio.
Liability Management				
Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure - indicates the cost required to service the borrowing. It assesses the borrowing or payment obligation expressed	0%	0%	0%	The ratio did not exceed the norm of 6%-8% for the 2 years. However, this does not mean the municipality was able to service its current debt levels and can take up additional financing.

Table 5: Financial Ratio Analysis				
Ratio	Ratio for 2022/23 Un- Audited	Ratio for 2023/24 Un- Audited	Ratio for 2024/25 Un- Audited	INTERPRETATION
as a percentage of total operating expenditure. The norm is 6% - 8%				It means the municipality, due to its current cash flow problems is unable to access borrowed funds or the funding decisions of the municipality impacts on these levels.
Debt (Total Borrowings)/ Revenue - indicates the extent of total borrowings in relation to total operating revenue. The purpose of the ratio is to provide assurance that sufficient revenue will be generated to repay liabilities. Alternatively stated, the ratio indicates the affordability of the total borrowings. The norm is 45%.	0%	0%	0%	The ratio is within the norm. This is an indication that the municipality might take up increased funding from borrowings, however, this should be considered within the cash flow requirements of the municipality.
Efficiency				
Net Operating Surplus Margin – measures the net surplus or deficit as a percentage of revenue. The norm is > 0%	-164%	-69%	-52%	The ratio is consistently below 0% which is an indication that the municipality is operating at a shortfall. Operating surpluses must be sustained for enhanced financial wealth. To improve the ratio the municipality must introduce cost-reflective tariffs, reduce non-revenue water and electricity, and contain remuneration and contracted services cost.
Distribution Losses				
Electricity Distribution Losses (%) The purpose is to measure the percentage loss of potential revenue from Electricity Services through electricity units purchased and generated	27,7%	Not measured	Estimated at 85%	Distribution losses are not measured annually. The last available loss was 27,7 per cent in 2022/23, but indicators show that electricity losses might currently be more than 50 per cent. This is well above the norm indicating a lack of control over and safeguarding of electricity distribution. Electricity losses are the result of illegal

Table 5: Financial Ratio Analysis				
Ratio	Ratio for 2022/23 Un-Audited	Ratio for 2023/24 Un-Audited	Ratio for 2024/25 Un-Audited	INTERPRETATION
but not sold because of losses incurred. The norm is 7% - 10%				connections, unmetered connections and a dilapidated electricity network. The estimated rand value is in excess of R100 million per year and may be the single biggest contributor to unmitigated increases in the Eskom debt. These losses are over and above the impact of poor debt collection of billed amounts.
Water Distribution Losses (Percentage) The purpose of this ratio is to determine the percentage loss of potential revenue from water service through kilolitres of water purchased but not sold because of losses. The norm is 15% - 30%.	18,8%	Not measured	Not measured	No disclosure of water losses in the Annual Financial Statements as required in terms of section 125 of the MFMA. Water losses of 18,8 per cent were recorded in 2022/23, but is expected to increase rapidly due to the non-billing of 14000 water meters. Water Conservation and Water Demand Management as well as improved metering and billing is needed to improve the ratio.
Revenue Management				
Revenue Growth (%) – measures the growth in revenue year on year. The norm is at the rate of CPI	-17%	59%	9%	The revenue growth percentage measures the overall revenue growth. The municipality's revenue growth percentage has been negative in 2022/23, but improved in 2023/24 and 2024/25.
Revenue Growth (%) - Excluding Capital Grants Measures the growth in revenue excluding capital grants year on year. The norm is > 5%.	-20%	72%	12%	The ratio results fluctuate year-on-year during the period under review. The ratio improved to 72% in 2023/24, but declined to 12% in 2024/25 which is higher than inflation. The municipality must develop mechanisms to grow its revenue base. This could be done by considering other avenues of revenue enhancement.
Expenditure Management				

Table 5: Financial Ratio Analysis				
Ratio	Ratio for 2022/23 Un- Audited	Ratio for 2023/24 Un- Audited	Ratio for 2024/25 Un- Audited	INTERPRETATION
Creditors Payment Period This ratio indicates the average number of days taken for trade creditors to be paid. The norm is 30 days.	2087 Days	3026 Days	3188 Days	The increase in the average number of days taken to pay creditors is alarming. Since 2022/23, there has been an average growth of over 53 per cent in this ratio, indicating that the Ditsobotla LM is taking on <i>average 106 months or more than 8 years to pay its creditors</i> despite being under a mandatory financial recovery plan since 2022. Improving the collection efficiency in this municipality is critical to avail resources to pay outstanding debt. Of equal importance is to reduce the current water and electricity losses which costs the municipality both in terms of its expenditure but also in terms of lost revenue potential, particularly where losses are due to theft / illegal connections and no limits to the supply of these services.
Irregular, Fruitless and Wasteful and Unauthorized Expenditure to Total Expenditure – this ratio measures the extent of irregular, fruitless and wasteful and unauthorized expenditure to total expenditure. The norm is 0%.	29%	71%	77%	The municipality's ratio for the past three financial years is significantly above the norm. This indicates weaknesses within the municipality's SCM processes and non-compliance with procurement regulations and other relevant legislation. The municipality must investigate the incurrence of this expenditure in line with applicable legislation.
Remuneration (Councillor Remuneration and Employee Related Costs) as % of Total Operating Expenditure - Indicates the extent to which expenditure is applied to the payment of personnel. The norm is 25% - 40%.	35%	52%	50%	The ratio results fluctuate year-on-year and is now above the National Treasury norm at 50%. Given the liquidity position of the Municipality, it will be wise for the Municipality to control its payroll budget.
Contracted Services as a % of Total Operating Expenditure - indicates the extent to which the municipalities resources are committed towards	2%	2%	7%	Contracted Services' ratio for 2024/25 is above the norm of 2% - 5% at 7%. This is an indication of the absence of a Contract Management policy and over reliance on contracted services to perform municipal related functions.

Table 5: Financial Ratio Analysis				
Ratio	Ratio for 2022/23 Un- Audited	Ratio for 2023/24 Un- Audited	Ratio for 2024/25 Un- Audited	INTERPRETATION
contracted services to perform Municipal related functions. The norm is 2%-5%.				The municipality must consider the filling of critical vacancies in line with any new organogram that may be proposed in the recovery process. It is imperative for the Municipality to analyse its contracted services to find ways to reduce this expenditure. Key is also to understand which services can fall within this category.
Budget Implementation				
Capital Budget Implementation Indicator: The norm is 95% to 100%	45%	78%	1%	Variances indicate discrepancies in project planning and budgeting. PMU capacity is questioned.
Operating Expenditure Budget Implementation Indicator The norm is 95% to 100%	136%	141%	91%	The ratio results are erratic and consistently outside the norm. It may indicate inaccurate budgeting or poor financial management control in respect of budget management.
Operating Revenue Budget Implementation Indicator The norm is 95% to 100%	368%	95%	117%	The poor ratio outcomes indicate a challenge in capacity to implement, ineffective billing and credit control, weakness in compilation of budgets or issues of financial controls and Management of the municipality.
Billed Revenue Budget Implementation Indicator The norm is 95% to 100%	331%	47%	84%	The ratio is erratic and point towards unrealistic budgeting.

5.2. Service Delivery

Ditsobotla Local Municipality has over the years failed to maintain and adequately plan for its infrastructure which is the major contributor to current revenue losses and service delivery performance.

The municipality is currently allocating only **1% of its operating budget** to **Repairs and Maintenance (R&M) of Property, Plant and Equipment (PPE)** and **Investment Property**, which is **significantly below the National Treasury MFMA Circular 71 guideline of 8%**. This level of under-expenditure on asset maintenance is **non-compliant with sound financial management principles** outlined in **Sections 62(1)(b) and 63(1) of the Municipal Finance Management Act**

(MFMA), which require municipalities to maintain assets in a manner that ensures continuous and effective service delivery.

Insufficient spending on R&M contributes to:

- **Deterioration of critical infrastructure** and increased service delivery interruptions
- **Escalating asset impairment** and reduction in the remaining useful life of assets
- **Increased long-term refurbishment and replacement costs**
- **Growth in the maintenance backlog**, compromising service sustainability and financial recovery

The municipality continues to be afflicted by high electricity and water revenue losses which are indicative of poor revenue management, inclusive of metering, billing, collection, credit control, and the physical losses due to compromised condition and integrity of the infrastructure.

The Technical Department has been without a strategic leader for an extended period, as the position remains vacant, and no acting appointment has been made. Consequently, there has been inadequate oversight of departmental activities, leading to underspending on infrastructure and service delivery grants.

ELECTRICITY

The municipality is licensed to provide electricity in the areas of Lichtenburg, Blydeville, and Coligny, which are urban centres. More than 80% of Ditsobotla residents where the municipality is providing electricity have pre-paid meters. Eskom provide services to all other villages and townships.

Ditsobotla has approximately 48 201 households (Community Survey, 2016) connected to the electricity grid which is a significant increase from the 32 933 recorded during the Census of 2011, which translates to approximately 89% connectivity. According to the Community Survey (2016) approximately 192 households were reliant on other sources of energy while 5 759 do not have access to electricity. According to the Spatial Framework, by 2012, the ratio had dropped to 67.2% of households using electricity for lighting, and 31.3% utilising candles. The backlog is also reflective of the informal settlements in Itekeng, Blydeville, and Tlhabologang Extension 8.

Illegal connections, faulty meters, and aged infrastructure are the major challenges being faced. Overloading and burning of cables also result in losses.

The total electricity infrastructure for Lichtenburg and Coligny areas needs urgent upgrading as it experiences a maximum demand problem. Biesiesvlei is under Eskom supply. The following is a summary of the key electricity challenges as identified in the draft electricity master plan:

- Aging network
- Most switch stations without ceilings
- Current sub-station buildings require upgrading due to structural damages
- Sub-station transformers are overloaded +/- 95 to 100% capacity
- HT cable feeders are inadequate and underground cables in service over 40 years

- Lack of continued maintenance of the high-mast lights
- Streetlights are more than 35 to 50 years old, and are non-energy efficient, and a huge risk to the public.

ELECTRICITY DEMANDS

- Agrico requires 1600 kVA as their operations are currently interrupted by load shedding
- Opti Chicks in Dauth Street needs an additional 1750 kVA for future expansions
- Opti Feeds in the industrial area needs an additional 500kva for future expansions
- Due to the shortage of electricity, the planned developments have been delayed until capacity can be increased. The real threat of divestment following the Clover example should be arrested at all costs.

INTERVENTIONS

To respond to this need, a study has been completed and a master plan developed and approved by the council to ameliorate the situation. Part funding has been secured to purchase the required transformer and the project is expected to kick off during the current financial year.

The municipality struggles to pay Eskom in time due to cash-flow constraints. There is also an electricity loss that requires urgent attention.

INEP PROGRAMME

The following number of households per village has been connected as part of the INEP programme. The concern is the connection of informal settlements that gets electricity from the municipal power station which is currently already stretched for capacity.

VILLAGES	NO OF HOUSEHOLDS
Boikhutso Extension	2223
Ditsobotla Villages	256
Ga-Motlatla ward 13	48
Putfontein	149
Tlhabologang Ext 4	188
Tlhabologang Ext 5	256
Tlhabologang Ext 6	140
Verdwaal Phase 2 Ext 2	140
Total	3400

A service provider is used to sell prepaid electricity for a commission.

WATER SERVICES

The Ngaka Modiri Molema District Municipality is designated as the Water Services Authority (WSA) for the area, which means it has the responsibility for ensuring bulk water supply infrastructure, especially for rural schemes.

The Itsoseng Scheme in Ditsobotla is operated by Magalies Water under a Memorandum of Understanding (MOU) with the municipality, which provides a formal framework regulating the respective roles of the Water Services Authority (WSA) and the Water Services Provider (WSP).

Ditsobotla Local Municipality relies on boreholes, springs, rainwater, and surface water treated at the aging Lichtenburg Water Treatment Works. The water infrastructure is deteriorating, leading to unreliable and erratic water supply across all 13 schemes, with frequent low pressure or complete outages. Lichtenburg's water is rationed unpredictably, and high-lying areas like Boikhutso and Blydeville often depend on weekly tanker deliveries. Many rural and informal settlements remain without access to piped water, while tankering remains costly and insufficient.

The municipality faces challenges such as inadequate underground infrastructure, aged asbestos cement pipelines, vandalized meters, and low pipe capacity, resulting in significant water losses and reduced revenue. Electricity interruptions further disrupt pumping operations, increasing costs.

Administrative issues compound the crisis: the municipality's offices and public facilities are in poor condition due to vandalism and lack of maintenance. Contractual and billing disputes with Magalies Water and the Ngaka Modiri Molema District Municipality (NNMDM) have caused duplicate payments and unresolved financial reconciliations.

To address these issues, the municipality plans to implement water conservation and demand management strategies, conduct a water audit, establish an infrastructure leakage index, and adopt a water services legal framework and related policies.

Blue Drop Progress Assessment:

Source: Blue Drop Progress Assessment Report 2022

Assessment Areas	NNMDM Ditsobotla LM Biesiesvlei	NNMDM Ditsobotla LM Coligny	NNMDM Ditsobotla LM Ga-Motlatla	NNMDM Ditsobotla LM Itsoseng
BULK / WSP				
A: Total Design Capacity (Ml/d)	N/I	N/I	N/I	25
B: % Operational Capacity in terms of design	N/I	N/I	N/I	15.52%
C1a: % Microbiological Compliance	0%	0%	0%	0%
C1b: % Microbiological Monitoring Compliance	0%	0%	0%	0%
C2a: % Chemical Compliance	0%	0%	0%	0%
C2b: % Chemical Monitoring Compliance	0%	0%	0%	0%
D: % Technical Skills	0%	0%	0%	25%
E: % Water Safety Plan Status	0%	0%	0%	0%
%BDRR/BDRR max	100%	100%	100%	76.8%

The Regulator is concerned with drinking water quality management by Ngaka Modiri Molema district municipality and urges the municipality to implement the following measures to ensure delivery of safe drinking water for all consumers and improve risk ratings:

- A and B: Classification and linking of WTW or boreholes to all supply systems which do not have linked WTW or boreholes on IRIS.

- A and B: Installation and calibration of inflow meters to verify operational capacity for all supply systems where this is not taking place.
- C: Development and implementation of microbiological and chemical monitoring programmes with sufficient samples and adequate frequency based on population size as outlined in SANS 241:2015. Subsequent water quality results should then be submitted to the Regulator through IRIS.
- D: Appointment of suitably qualified staff (supervisors, process controllers, and maintenance teams) aligned to set criteria. Existing staff can also be subjected to relevant training to meet the requirements.
- E: Development and implementation of Water Safety Plan as per SANS 241:2015 and WHO guidelines including risk assessment of the entire supply system, water quality evaluation based on full SANS 241:2015 analysis of raw and final water, development of risk-based monitoring programmes, and implementation of mitigating measures to address all medium and high risks.

REFUSE AND WASTE REMOVAL

Provision of formal refuse removal services by the municipality occurs only in formal towns or residential areas of Lichtenburg, Blydeville, Boikhutso, Coligny, Tlhabologang, Itsoseng, and Itekeng. Household waste collection is scheduled for once a week and three times a week for businesses.

The challenge facing the municipality is to extend the refuse removal service to the rural and village communities in the long-term and to initiate waste recycling projects. The Municipality has five compactor trucks for refuse and waste removal but only two are operational. The other three have not been operational for years due to mechanical problems. As a result of a shortage of vehicles and the fact that some spend a lot of time in the workshop for repairs, tractors are used, or collection is done irregularly. The use of tractors is a health hazard by nature of the tasks involved in refuse and waste removal. In some instances, the staff do not have protective clothing. Lack of resources such as specialised waste management vehicles also makes it a challenge to adhere to a weekly schedule for refuse collection which sometimes results in illegal dumping.

Coligny and Lichtenburg landfills have not been properly maintained and both of them are not compliant with the minimum requirements for landfill sites. Lack of equipment impacts negatively the day-to-day landfill operations. The landfill sites are not fenced and have informal waste recyclers operating and living at the site. Other communities within the municipality utilise informal communal dumping sites and undertake their own waste disposal. Non-compliance with the legal framework and risks to the council may result in unnecessary contingent liabilities.

SANITATION

The spatial distribution of access to sanitation dictates that most of the formal towns such as Lichtenburg, Boikhutso, Coligny, Tlhabologang, and Itsoseng do have access to waterborne sanitation systems. The villages mostly rely on pit latrines and chemical toilets. In 2019/20 only 40% of the households had access to sanitation services.

The sewer network has an old design with small pipes that causes leakages because of the pressure on the pipes which have limited capacity for the growing population. Lines can be unblocked by using a jet system however, this is not sustainable. In townships, there are no sewer networks. The community in some instances block the pipes by disposing of rubbish in the sewer system and damaging the plant at high cost and risk.

WASTE WATER

The demand for the construction of roads and stormwater drainage is found in the former townships of Boikhutso, Itekeng, and Coligny and largely in all rural areas. The municipality does not have a stormwater master plan in place. The construction of drainage systems is part of some newly constructed roads.

Table 6: Households with access to basic services (2019/20)

Service Type	Households with access to services
Electricity – below minimum level – Formal Settlements	25%
Electricity – below minimum level – Informal Settlements	7%
Water - Access to water points	29%
Water – Access to tap water	39%
Sanitation	40%

FLEET MANAGEMENT

Some departments do not have allocated vehicles for use in daily operations. Most of the trucks are twenty to thirty years old and require regular maintenance. The limited fleet is not adequate to meet service delivery as there are twenty Wards. Live tracking of vehicles, proper scheduling for maintenance, and fuel maintenance would make provide required business intelligence.

ROADS AND STORMWATER INFRASTRUCTURE

Department of Public Works is assisting with maintenance of some municipality roads particularly where there are trucks or large vehicles that damage the roadways. However, the agreement has not yet been finalised. Potholes were formerly fixed internally, but the asphalt plant (one of the prerequisites for creating tar) was vandalized, and the municipality does not have the capacity to repair roads and therefore relies on service providers. Repairs must be performed in certain cases due to the service provider's lack of abilities and poor construction methods. The roads near Lichtenburg were constructed and designed overly broad, making maintenance and rehabilitation extremely expensive given current material prices. There is no stormwater management system. There is poor road and stormwater infrastructure conditions with large resurfacing backlogs and roads/stormwater systems prone to flooding.

Roads and storm-water infrastructure especially in Lichtenburg CBD were originally designed and constructed for low traffic volumes and low rainfall respectively. Over time there has been a deterioration of the infrastructure because of increased traffic volumes. There are cracks and potholes as a result of aging. The municipality has undertaken projects of paving/tarring main access roads into rural areas (Sheila, Verdwaal, Bodibe, etc.) with access roads in other rural areas (Bakerville, Welverdiend, Meetmekeer, Springbokpan) only being gravelled due to a

reduced number of vehicles in those areas. Traffic lights and streetlights also need replacing, and regular maintenance.

TRAFFIC AND LICENCING

This service is provided on an agency basis by the Department of Human Settlement. An agreement was entered into in 2013 which reflects that the Municipality will receive 20% of all revenue collected on the behalf of the Department. Consideration should be made to the Municipality to request or negotiate an increase in the agency fees considering the cost of providing the services has gone up since the signing of the agreement. In addition, traffic fines are not processed and collected, resulting in additional revenue loss or revenue written off due to prescription.

There are concerns regarding drinking and driving by the community but there is an inadequate number of traffic officers to help reduce the number of unroadworthy vehicles as well as monitoring traffic and driver behaviour. To alleviate this problem, a learnership can be introduced which will not cost as much as actually employing staff. Learnerships assist in community development and at the same time reduce unemployment. There are a few speed-measuring instruments and software to enable the issuing of tickets.

Staff within the department are unable to efficiently discharge duties because of a lack of skills however plans for training are in progress. The department does not have enough administrative infrastructure such as phones and fax machines which makes it a challenge to communicate with members of the community.

All testing stations risk being closed down by the inspectorate because of non-compliance. As a result of cash flow challenges license fees are paid late to the service provider which leads to a delay in the issue of driver's license cards to members of the community.

SECURITY CONCERNS

There is grave concern about the security and safeguarding of employees and assets. Immediate intervention is required to assess the risks and develop solutions to the problems. The issue of employees not being able to enter the building is impeding progress in implementing the intervention plans.

LOCAL ECONOMIC DEVELOPMENT

Essentially the municipality aims to identify the competitive advantage of the municipal area and develop strategic initiatives to facilitate the optimisation of investment opportunities to promote sustainable economic growth and employment creation.

- Created 5 permanent jobs exceeding 3 months through the Municipality's local economic development
- 4 Cooperatives in villages are being resuscitated and functional
- Conduct 4 SMME workshops to capacitate SMME's

The need to consider policies to create and enabling environment is urgently required.

Mining companies and the broader business sector play a significant role in the Ditsobotla Municipality area by contributing to local economic development, job creation, and community upliftment. Their operations stimulate secondary industries such as retail, transport, and construction, while also providing essential corporate social investment (CSI) initiatives that support education, health, and infrastructure development. In addition, these entities contribute to the municipality's revenue base through rates, taxes, and service payments.

Mining operations in Ditsobotla face major constraints from infrastructure failures, weak governance, and rising operational costs. Frequent power cuts, poor water supply, and neglected roads disrupt production and logistics, while governance instability delays permits and procurement. Vandalism, theft, and labour unrest further compromise safety and continuity, and escalating costs for diesel, water, and security reduce profitability and investor confidence, threatening long-term sustainability in the Lichtenburg area.

Clover's operations in the Ditsobotla Municipal area have been severely affected by persistent service delivery failures, particularly unreliable electricity supply, poor road infrastructure, and inconsistent water provision. These challenges led to reduced production efficiency and contributed to Clover's earlier decision to relocate part of its operations. To address this, proposed interventions include stabilizing power supply through infrastructure upgrades, improving road maintenance, enhancing water reliability, and fostering consistent municipal-business engagement to restore investor confidence and retain local economic activities.

GRANT FUNDING

Failing to comply with the request by the finance minister to comply with the opportunity to submit written representation to spend conditional grants the Minister issued a notice of suspension of funds for the 2022-2023 financial year.

When a suspension of conditional grants occurs, it may be due to a variety of factors, such as concerns about mismanagement or corruption, failure to meet agreed-upon targets or reporting requirements, or a lack of progress in achieving project objectives.

The suspension of conditional grants can have significant consequences for the intended beneficiaries of these funds, as it may delay or interrupt critical projects or service delivery. However, it is an important tool for ensuring accountability and transparency in the use of public funds, and for ensuring that projects are carried out effectively and efficiently. Delaying or halting projects can also result in reduced access to services, a negative impact on the local economy, and backlash from the affected communities.

CHALLENGES

Lack of approved policies and bylaws within the directorate, where draft bylaws and policies are in place. The directorate does not have enough personnel, and a shortage of tools of the trade to enable them to attend to all duties that need their attention. The municipality does not have enough industrial sites, for the establishment of new businesses and growth/expansion of current ones where there is a need to grow. Not enough funds are allocated to the directorate for SMME's support, settlement planning, and formalisation. The unlawful disposal of Municipal land by unauthorized individuals leads to the mushrooming of informal settlement.

Table 7: Key Findings: Service Delivery

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
SDF and Master Plans	A spatial vision was formulated for the municipality to guide future spatial planning in the area. The SDF expired on the 30 September 2025. And it is due for review. The Municipal Planning Land tribunal is in a process of being established in line with SPLUMA. The land use management scheme is due for review.	The organizational design does not conform adequately to service delivery challenges. Huge backlog in the provision of social services, infrastructure, and economic activities	No Master plans in place and poor records management Insufficient funding Lack of capacity because of vacancies in the department Lack of capacity because of vacancies in the department	IDP Annual Report Council Resolution Gazette Notice Council Resolution Gazette notice
	No GIS system is in place because of funding. No Urban Renewal Plan in place	The municipality is unable to collect data easily, which hampers effective planning, decision-making, and management of various services	Lack of skilled personnel with the capacity to compile the urban renewal plans.	
		Ineffective system to assist with the completeness of records and existence of land	No approved building By-laws.	
	The municipality does not have most of masterplans, policies, and bylaws are not in place. The related losses arise from the absence of adopted key plans, as well as the lack of supporting policies and by-laws required for implementation: • Integrated Infrastructure -Asset Management Plan • Water Conservation and Demand Management Plan • Fleet Management Plan • Roads and Stormwater Plan • Integrated Transport Plan • Integrated Waste Management Plan	The municipality is experiencing loss of revenue due to aging infrastructure that is not adequately managed or maintained, resulting in low quality of service delivery, and contributing to frequent community riots and protests.	• Poor planning • Lack of consequence management • Instability in the leadership position which has delayed the appointments of key positions • Absence of Technical Expertise (Like electrical engineer) • Non-implementation of guidelines and legislation	Service Delivery Workstream Session Presentation Annual Report 2022/23

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
Capital and Grant Funded Projects	There is underspending on capital projects because of administrative challenges. An investigation is underway by the Municipality for alleged misconduct of INEP grant funds and was due completion by August 2022 (no dates or signature on the plan submitted)	Underspending on capital projects due to attachment of bank account by SARS Contractors suspending sites due to non-payment	Political instability and regular changes in management and accounting officers have resulted in delays in processing payments and delays in the appointment of Service Providers.	Service Delivery Workstream Presentation Capital Grants Monthly Reports
	Notification of intention to withhold Equitable Share and other grants was issued by Treasury because of persistent non-compliance with legislation.	No procurement committees appointed to be responsible for MIG approved projects. Inconsistency due to new committees being appointed with every change in MM. Persistent non-compliance with legislation	Lack of capacity in the Municipality to appoint sound procurement committees. Lack of planning and training	Treasury Notification of Intention to withhold grants
	Cost re-imbursement process is having a adverse impact on completion of projects	Payment delays to service providers, caused by the cost reimbursement process, resulted in service providers leaving sites and projects remaining incomplete	Municipality delays to submit the required documentation for assessment and validation of the reports by MISA. Insufficient oversight of project and grant management to ensure legislative compliance	
Asset Management	The norm for allocation for maintenance is 8% (the municipality has budgeted less than 1%) The municipality has no approved Asset Management Policy. Inability to supply and install meters in all households. The municipality is in shortage of maintenance equipment which makes it more challenging to maintain water and electricity infrastructure. Lack of monitoring and proper record keeping on properties	The municipality faces significant challenges including unmetered or faulty meters causing revenue losses, poor asset management, and reliance on customers to read their own meters. A shortage of maintenance equipment hampers infrastructure upkeep, while physical verification revealed that some reported completed projects and municipal assets could not be confirmed	- Lack of asset management administration by not repairing and/or replacing old meters timeously. Lack of funds to procure new meters. Lack of maintenance plan. - The municipality does not conduct meter audit - Lack of implementation of approved asset management policy - Lack of funds to invest in infrastructure. - Poor asset management	Approved Budget and Financial Reports

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	Lack of monitoring and proper record keeping on properties		practices and lack of funds. - Inadequate monitoring of work in progress. - Poor records management.	
Bulk water supply and reticulation	Ditsobotla LM is a Water Service Provider & NMM District is the Water Services Authority. However, the Court Order instructed NMMDM to take over the whole function. The district and the local municipality are failing to meet to resolve the SLA issues and the implications of the court order. Ngaka is a WSA responsible for bulk supply and Ditsobotla is responsible for reticulation system. Sedibeng Water also assists in operation and maintenance in certain schemes. The roles are blurred and need to be clarified through an SLA MISA prepared a Turn Around Plan that recommended soft management interventions and hard infrastructure programs Difficult to construct the water balance because of inadequate bulk (boreholes), reservoirs and consumer metering. Recording keeping is poor. Hence, the actual water input volumes into the system per day are not known. MISA has convened meetings to resolve this matter, but action is slow on the part of District.	Inadequate water supply to meet demand due to low borehole yields, water losses and electricity loadshedding affects.	Water Billing is problem in Boikhutso, Bergville & Itsoseng and consumers are not paying for water	MISA electricity Divisional assessment report
		There is water rationing due to inadequate water supplies shortage.	There are huge water losses due to the aging water and low maintenance of water No senior management to take ownership and constant suspension of officials and there is no Technical Director There are huge water losses due to the aging water reticulation system that requires replacement and upgrading (under the District	

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
Water Services	It has been noted that the largest share of water losses occurs during the distribution of water because of infrastructure challenges.	Losses are not recorded therefore it becomes difficult to quantify to find cost saving solutions.	Failure by management to implement adequate controls for tracing, tracking, and monitoring losses.	Management Report Service Delivery Workstream presentation
	Water loss due to outdated pipes and damaged water meters	The municipality is not quantifying water losses. Leakage of old asbestos pipeline	Bulk meters at outlet points are not operational due to aging infrastructure.	
	MOU between municipality and District Ngaka Modiri Molema District is the Water Services authority No capacity in municipality to execute their functions in terms of the MOU 128 staff for water services functions by the municipality Water tankering done by the municipality Draft business plan required by the MOU occasioned by the Court judgement is in place and being processed	District unable to effectively provide water services as per the Court judgement due financial constraints Maintenance on water infrastructure owned by municipality done by the municipality whilst the functions was given back to the District through a Court Order Unable to determine distribution losses due to access denied to boreholes by Magalies Water No plan to implement the MOU between the district and the municipality Water meters are damaged making it difficult to monitor consumption as well as water losses	Section 78 not done by the District as a consequent to taking over the function District denying municipality access to boreholes	MOU IGR Service Delivery Workstream sessions

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
Electricity Distribution	Following a court order resulting from Eskom's planned disconnection due to non-payment, some municipal customers now pay Eskom directly. The municipality's electricity debt as at September 2025 stands at R1.5 billion inclusive R301,011 thousand interest with electricity losses estimated at 85% (30% technical and 55% non-technical). The electricity unit suffers from low capacity, no GCC-qualified or professionally registered engineer, and lacks adequate staffing. Infrastructure is old, hazardous, and frequently vandalized. Although 10 high-mast lights have been installed, they remain unconnected due to Eskom's refusal to supply power. A Distribution Agency Agreement (DAA) has been proposed but no council resolution exists to formalize it, and executive powers currently rest with the NCR. The municipality is licensed to supply electricity in Lichtenburg, Blydeville, and Coligny, while Eskom serves other areas. The Lichtenburg and Coligny networks urgently require upgrades due to maximum demand issues, resulting in burnt cables, circuit breakers, transformers, and switchgear. Additional challenges include illegal connections, faulty meters, and inaccurate billing.	Electricity network is overloaded Inability to bill some customers Aging and unsafe electricity supply infrastructure,	Inadequate infrastructure to service the whole community due to insufficient maintenance, which the ratio is currently 1% Old and damaged meters.	MISA electricity Division Assessment report

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
Bulk Meters	The Municipality has old and insufficient Bulk meters causing water and electricity losses.	The municipality is unable to account for water it purchases. Bulk meters in the outlet points of the network have aged and are already dysfunctional.	Lack of maintenance and resources	Service Delivery Workstream Consultations
Non-technical losses	Electricity and water losses resulting from illegal and by-passed connections.	Management of prepaid electricity is completely outsourced to a service provider. There is minimal monitoring from the side of the municipality.	Lack of skills capacity. Inadequate fleet for the technical department.	Workstream Meetings IDP Annual Report 2022-2023
Unmetered consumption	No installed meters in some of the areas No meter audit done to determine current meter condition and need for new meters	Non-installation of meters in many areas.	Lack of funding for smart metering.	Service Delivery Workstream Meetings IDP Annual Report 2021-2022
SMART' Technologies	No information was provided on whether audits are performed or not	DLM is losing revenue due to the unreachability of meters in certain areas. No plan in place to establish needs of the community (thereafter can be allocated according to a budget	Unskilled personnel. Poor planning	Service Delivery Workstream presentation. Annual Report 2022/2023
		Inability to provide efficient services to society as mandated.	Failure to identify technical challenges including conditional assessment of assets early enough to avoid disrupting of service delivery	
		The absence of a system to monitor and evaluate the impact of the IDP, SDBIP, and financial performance.	Lack of an Integrated Infrastructure Delivery Management System Lack of standard operating procedures	

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
Waste and Refuse Removal	The Municipality operates five landfill sites and provides weekly waste collection services for both domestic and industrial waste. In Itsoseng, waste collection is currently handled by a private contractor on a month-to-month basis. Several landfill sites are unlicensed and require closure, while the useful lifespan of existing sites is not being monitored. The municipality also faces challenges such as illegal dumping, inadequate equipment for waste removal, and limited-service coverage in rural areas. Currently, there are no transfer stations or material recovery facilities, and innovative approaches are being explored to improve waste management services. Dysfunctional landfill sites Three sites life has run out space: - Coligny - Lichtenburg - Biesiesvlei Need transfer stations Failure to properly maintain landfill sites. No environmental consultants for closure of the stations Design of the new landfill sites need to be done.	Landfill sites are not properly secured and safeguarded. -There is unrestricted access by the public to the sites and to high-value equipment	Lack of access controls and poor landfill management. The lack of fencing in both landfill sites attribute to free access to the landfill sites and equipment such as dozers going to dump in the landfills	Service Delivery Workstream Presentation
		Three landfill sites (Itsoseng, Tlhabologang, and Biesiesvlei) are non-functional and have been issued waste management licenses for closure and rehabilitation. The Coligny and Lichtenburg landfill sites are poorly maintained and non-compliant with landfill regulations. Additionally, the municipality has failed to finalise, approve, and implement waste management by-laws	• Lack of follow-through on compliance with laws and regulations by management • Poor asset management practices • Approved business plan to solicit funding from MIG to procure specialized fleet is not in place for fleet • Lack of specialised waste management vehicles in addition to poor turnaround times from the Municipal workshop to repair broken vehicles. • Lack of funding to rehabilitate the dysfunctional landfill sites as well as to purchase additional required vehicles and to develop transfer stations and waste recovery facilities.	Integrated waste management plan Annual Report 2022/23
Planning and Building Control	Assessment of Town planning applications in progress and liaison with the Department of Human Settlements for housing development and township establishment No connection to bulk services There are challenges with identifying land for	Itekeng Extension township has been established despite objections, while Itekeng Extension 2 is awaiting Environmental Impact Assessment (EIA) approval. Blydeville Extension 4 township has been finalized but lacks bulk service connections, preventing	• Delays from service providers appointed by the Department in finalising townships establishment • Lack of follow-through with the District Municipality on connection to bulk services	Service Delivery Workstream Presentation IDP Review 2022/2023 Annual Report 2022/2023

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	housing development and human settlement. Illegal land uses and buildings. Insufficient building inspections	housing allocations. Housing and land development remain limited, with poor enforcement of by-laws. The municipality faces challenges such as unlawful land use, illegal structures, resistance to contravention notices, and irregular building inspections.	- Challenges in the identification of municipal land - Communities lacking knowledge of building control procedures. - Building control bylaws at draft stage therefore cannot be enforced. - Unavailability of transport for inspectors to carry out building inspections - Poor planning and scheduling of site inspections	
Fleet Management	Municipality currently does not have a fleet management policy in place	No fleet management policy	Lack of administrative oversight to ensure that approved policies are in place	Service Delivery Workstream Presentation Annual Report 2022/23
	The municipality is currently struggling to collect refuse because of an inappropriate fleet, and this also presents Occupational Health and Safety Hazards to the	Inadequate number of refuse vehicles to efficiently service the community Increasing costs make it a challenge to operate efficiently	Lack of funding to invest in vehicles and fleet maintenance. Aging vehicles causing an increase in repairs and maintenance	

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	employees within the refuse collection section. Most vehicles are very old (20-30 years) There are currently 145 licensed vehicles with 64 functional vehicles and 81 trailers (for loading equipment) Low bed truck for loading graders were repossessed by the sheriff and this negatively impacts road repairs across the municipality, the digging of graves in various areas and impact on fuel costs and wear and tear. Tippers trucks, TLBs are lacking and there is a difficulty on cleaning illegal dumping sites Inadequacy of vehicles for efficient service delivery.	The municipality does not have a fleet register to determine the number of vehicles and ensure efficient service delivery, as the required information could not be provided	Lack of maintaining proper records and asset management principles	
Housing Delivery	There has been an increasing housing backlog within Municipal areas that dates back to 2016 both in villages and townships in addition to incomplete housing projects within the municipal area There is a backlog of 7 800 units in the following areas: - Tlhabologang 2000 - Boikhutso: 200 - Itekeng: 1500 - Blydeville: 1500 - Verdwaal: 800 Title deeds not transferred to beneficiaries Increase in informal settlements	The municipality is waiting for notification from the Department of Housing regarding how many units are allocated to Ditsobotla	• Capacity constraints and poor planning • IDP is not aligned with budget	Service Delivery Workstream Presentation Annual Report 2022/23
		In 2016/2017 only 69 units were allocated in Springbokpan; 29 in Matile and 1 in Meetmakar	The department delaying to present to the municipality the business plan for the municipality to know when how they are allocated for UIS	
		Houses were left at foundation levels by service providers for example in Itsoseng	Failure to manage the service provider to complete projects	
		The municipality has not transferred some properties to beneficiaries so they can have their title deeds.	Failure to prioritise the transfer of title deeds to beneficiaries	

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
		Mushrooming of informal settlements around the Municipal area	Housing Sector Plan, Informal Settlement policy, and Allocation Policy are still at the draft stage therefore cannot be implemented and enforced	
Roads and Storm Water Infrastructure	The municipality is experiencing severe deterioration of roads and stormwater systems, worsened by blocked drainage, water ponding, and increased risk of flooding. Road maintenance is hampered by the lack of jetting equipment, patching materials, tools of trade, and PPE. Inadequate personnel capacity further limits service delivery. The municipality has also identified several areas that require tarring, particularly key routes that support commercial activity and the movement of goods and services.	Severe deterioration of the roads with potholes and flooding of properties due to blocked or inadequate stormwater systems. Gravel roads are not constructed nor maintained No new tar roads or reworked were performed in the prior year only maintenance and repairs.	No Roads Master Plan due to inadequate capacity to draw them up. Insufficient stormwater management system Lack of accountability and responsibility to ensure that efficient systems are in place as senior positions are vacant for long periods Lack of tools and machinery for infrastructure repair maintenance. Lack of funds to invest in repair equipment and infrastructure No asset management unit or official with the responsibility to plan repairs and maintenance/ Approval of cost reimbursement/validation of work done	IDP 2022-27.
Environmental Awareness Campaigns	No awareness campaigns were held to educate the community about taking care of the environment	No awareness campaigns held	Budget constraints	Service Delivery Workstream Presentation
Parks and Cemeteries	There is free access to parks however they are, in some instances, vandalized by patrons Burial sites record keeping is not efficient and some	Misuse of parks and gardens	Vandalism of parks and recreational facilities	Service Delivery Workstream Presentation
		No proper burial documentation and record keeping at some cemeteries	Lack of maintenance of the facilities by the Municipality	Annual Report 2022/23

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	documents are lost or misplaced because there is no record management system at some cemeteries. Only one TLB available to travel in between different gravesites Lack of tool of trade to maintain parks and garden	Challenges in grave digging include improper excavation and occasional delays in the process.	- Lack of proper record management system and access controls - No dedicated staff at satellite offices and personnel at cemeteries - Lack of equipment - The recruitment process is not always transparent	
Security Services	The municipality is unable to adequately provide security within internal structures resulting in hiring external security services	Vandalism of municipal property	Lack of personnel to execute security services due to lack of funding	Service Delivery Workstream Presentation Annual Report 2021/22
Local Economic Development	LED Strategy of the municipality was launched in August 24 to 25 June 2025 at Afrisam Boardroom and was attended by SALGA, DEDECT, NWPTB, COGTA, STATSSA, NWDC, MISA, NWKSMMEs from the Municipality. The economic development opportunities identified include the following: - Itsoseng rehabilitation of shopping complex - Itsoseng economic rehabilitation programme - Projects in Rietvlei, Grootfontein, Vlakpan, Bakerville and Welverdiend: - Longer and short-term LED prospects: - Mining diamond - Quarrying of limestone deposits by AFRISAM and Lafarge - Farming activities (Crop and Livestock)	The organisational design does not conform adequately to service delivery challenges. There is a high level of unemployment skills shortage and inequalities. Huge backlog in the provision of social services, infrastructure, and economic activities. The directorate does not have enough personnel. Shortage of tools of the trade to enable them to attend to all duties that need their attention. The municipality does not have enough industrial sites, for the establishment of new businesses and growth/expansion of current ones where there is a need to grow. Disposal of Municipal land by unauthorized people which leads to the mushroom of informal settlement	Insufficient coordination between stakeholders and a lack of tailored economic development planning Lack of approved policies and bylaws within the directorate Not enough funds are allocated to the directorate for SMME's support, settlement planning, and formalization	Annual Report 2021/22, IDP Service Delivery Workstream presentation

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	Clover's operations in the Ditsobotla Municipal area have been severely affected by persistent service delivery failures,	Unreliable electricity supply, poor road infrastructure, and inconsistent water provision. These challenges led to reduced production efficiency and contributed to Clover's earlier decision to relocate part of its operations	Unreliable municipal services	

5.3. Governance

Governance Model:

The Ditsobotla Local Municipality has a collective executive committee system with the Mayor, Council Whip and Speaker designated as fulltime Councillors. The Municipal Council is made up of 39 (thirty-nine) Councillors of which an equal number of 19 (nineteen) are elected on a proportional representative basis (PR) and wards (Ward Councillors) respectively. The council started its term on 9th November 2021 after the Local Government Elections. The objective of the Municipal Council is to play effective oversight role and to ensure the provision of adequate basic services and prudent financial management in addition to ensuring that the municipality executes its developmental goals, amongst others, structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community.

There are 20 (twenty) ward committees. These committees serve as an important link between Council and the community on matters such as municipal budgeting, integrated development planning, consideration of policies and by-laws and other matters directly affecting communities.

Community Development Workers complement the work of ward committees and through their unique skills base, they communicate and respond to challenges faced by vulnerable sectors of the municipal community such as the disabled, women and the aged.

Non-compliance and failure to fulfil the Constitutional obligations in particular section 152 which requires provision of democratic and accountable government for local communities, ensure the provision of services to communities in a sustainable manner, promotion of social and economic development, promote a safe and healthy environment and encourage the involvement of communities and community organisations in the matters of local government.

Both councillors and the administration staff have developed a culture of total disregard of regulations which resulted in maladministration, potential fraud and corrupt activities in addition to persistent failure to submit compliant statutory reports.

Historical political and administrative instability in council through parallel structures, infighting, dual political office-bearers and parallel appointment of line managers led to collapse of

governance systems and inevitably lack of accountability. This undesirable state of affairs also led to irregular and unlawful decisions with impunity, and total collapse of institutional capacity, internal controls to run and efficient and effective day to day operations of the municipality. This also led to rampant and chronic absenteeism by employed staff.

There have been sporadic incidents of organised crime in the form of community and labour protests, holding people hostage, riots, shoot-out in and around municipal premises and kidnappings which makes it impossible to operate in addition to the across-the-board instability that created a prolonged chaotic, rebellious behaviour, unsafe and inconducive environment for effective governance and operations of the municipality.

Critical structures like Town-planning Tribunal, Disciplinary Board and Audit committee are not established which discourage private investment in the area of jurisdiction of the municipality as these are dependent on efficient business processes and functional structures to process town-planning applications, to ensure structures necessary to enable consequence management to be effected and structures necessary to assist the municipal Council to effectively exercise oversight over the executive and the administration.

There is no approved stakeholder engagement strategy and public participation policy providing for maximum public participation processes in the decision-making of the municipality and a structured way of engaging key stakeholders across different sectors within the community of Ditsobotla local municipality.

Sec. 79 and 80 (MSA) Council Committees are not functional as councillors are not attending meetings. Council committees were frequently established and then disestablished; this resulted in impeding these committee to exercise their roles and responsibilities on the FRP implementation.

The municipality has since the financial year 2023/24 failed to prepare and submit statutory reports e.g. Annual Reports, Annual Financial Statements and as a result there were late audits conducted by the Auditor-General.

Powers and Functions:

The municipality provides services on behalf of other structures of government through the following unfunded and under-funded mandates: Libraries, Licensing services, Disaster Management, and Bulk Water and Sanitation Services. Some SLAs are not in place for other mandate agreements.

There is an SLA on Vehicle Licensing where the municipality gets 20% of collections. However, the Municipality is currently receiving R7 million with operational costs at an amount of R24 million which means the municipality is subsidising the provincial department of transport at an amount of R17 million.

The provision of library services is unfunded at this stage as the municipality is currently incurring operational costs for the salaries of four employees and the services provided to the building occupied by the 5 libraries operating within the area of jurisdiction of the municipality. The provincial department of SRAC is not providing funding to the municipality due to the prevailing financial crisis in the municipality for fear that the municipality will use the funding for purposes which is not intended for.

The municipality has entered into an MOU with the Ngaka Modiri District municipality on the provision of water subsequent to the High Court judgement which ordered that the water supply in the area of jurisdiction of the local municipality be taken over by the District municipality. Conspicuously, the signed MOU does not address the issue of funding of the 128 staff members (technical and administrative) who were employed by the local municipality for the provision of water. It is also observed in the MOU that the responsibilities of the local municipality are in the main restricted to the provision of information related to the provision of water services. The implication is that Ditsobotla will remain with an unfunded mandate relating to the staff members and other related costs in issue.

Contract Management:

A contract management committee was established but is not functional. A contract management framework is in place. The framework was developed by Provincial Treasury for use by the whole district. There is weak contract management as there is no contract management unit or officials assigned the responsibility, and the Annual Procurement Plan is not always adhered to.

All of the contracts are on a month-to-month basis which demonstrate total disregard of statutory prescripts.

Litigations and contingent liabilities:

The municipality is facing on-going high levels of litigation mostly due to failure to pay for services rendered by service providers, badly constructed contracts and material non-compliance with legislation. The municipality does not have a litigation strategy and this has had a negative impact on litigation decisions, which affects service continuity and prudent financial management.

The municipality has further wasted funds on litigation relating to the contested position of the Municipal Manager and urgent applications against parallel Council meetings.

The municipality continuously fails pay for services rendered by law firms representing the municipality in litigation and other matters leading to law firms refusing to take instructions on new matters involving the municipality. This poses a high risk in terms of default judgements with material negative financial impact on the municipality's finances.

There is a tendency to deliberately ignore certain legal opinions sourced at a cost to the municipality based on suitability to hidden agendas which are not advancing and protecting the interests of the municipality but are self-serving.

System of delegations:

The municipality does not have a system of delegation in place which is non-compliance with the Municipal Systems Act. There is lack of understanding within management of the rationale behind system of delegations. There is high disregard to compliance with laws and regulations by management.

By-laws and enforcement:

Most By laws currently at draft stage, the municipality is finalising the following by laws: - Parks and Gardens, Street tree, Sports & Recreation, Cemetery, Caravan & Camping policies which are also awaiting review and approval at a Policy workshop that is yet to take place. Revenue generation from by-laws is not satisfactory as there is selective enforcement and monitoring

which affects revenue generation. There is no reporting on revenue generated from enforcement of by-laws.

UIF&W and Consequence Management:

There is high level UIF & W as a result of non-compliance with supply chain management processes and legislation. The municipality did not conduct any investigation of instances of UIF&W expenditure and did not apply any preventative measures to limit re-occurrence of UIF & W expenditure. The municipality has also been incurring interest and penalties on late payments of creditors.

No section 32 MFMA investigations are conducted in the municipality and by implication no consequence management is meted against those who have caused the UIF&W expenditure.

Internal Audit and Audit action plans (internal and external):

The municipality has for the past three consecutive years obtained a disclaimer of opinion from the Audit-General.

Internal audit is headed by a manager: Internal Audit Unit has two vacant positions per organisational structure. The internal audit unit is dysfunctional and does not have the capacity to execute its functions and responsibilities due to lack of resources and incapacity.

The municipality does not have adequate implementation plan to address the audit findings and has slow response when it comes to attending to audit findings. An audit report was issued by Auditor General dated June 2024, however, none of the finding have been addressed. Implementation of audit action plan for 2023/24 had little progress with the implementation of recommendations from the External audit plan sitting at 1.7%. Since 2020/21, the municipality was advised to use electronic system (web-based system) however there is very little progress on implementing this system, there is no updating the web-based system.

Risk Management:

The municipality does not have a Chief Risk Officer or a separate risk unit to efficiently carry out the risk management function, in addition, the municipality does not have risk management framework and plans approved. Risks are therefore not identified, and no risk assessments are conducted. Management has inadequate understanding of the importance of regularly assessing and managing risks within the Municipality. Instability in the Municipality caused constant changes in administration making it a challenge to establish a process for risk identification, mitigation and monitoring.

Information & Communications Technology:

The municipality's ICT unit does not have a policy or framework to govern the IT operations since the council has not yet approved it. There is no ICT steering committee. The municipality has not performed IT risk and control assessments to ensure safety and integrity of information. The municipality's employees are making use of their own IT equipment and do not have corporate emails exposing the Municipality to cyber-crime. The municipality does not have appropriate ICT infrastructure.

Immovable Property Management:

Some Council properties are occupied by council staff. It could not be ascertained whether they are leased out at market related rentals or not. Rentals are deducted from salaries. There are weak controls in property management with some property records not being kept properly as some were missing and could not be located. Municipality has challenges buying additional unused land as a result of resistance by tribal authorities. Some investment properties listed in the investment asset register could not be physically verified. Building projects reported as completed could not be identified during physical verification.

The residential rental stock of the municipality is not leased on market related rentals but the employees who are tenants are paying 6% of their salaries which is far below market related rentals, and is a lost opportunity to utilise the rental stock to enhance the revenue of the municipality.

The municipality has five halls that are derelict or dilapidated which results in a loss of income as the community cannot rent space for events in its current state. The main reason is a lack of regular maintenance and lack of security to ensure that halls are not vandalised. Municipal offices are in the same derelict state as a result of a lack of maintenance.

The state of the facilities also impacts local economic development, preventing sporting events and tournaments, which can bring in visitors and generate revenue for local businesses and the municipality.

It is evident that regular inspections and maintenance to identify and repair structurally unsound structures are not conducted by the Municipality. This can become a concern and can result in contingent liabilities if someone is injured due to an unsound structure and the municipality may be held liable for damages.

Table 8: Key findings: Governance

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
GOVERNANCE MODEL (COUNCIL AND SECT. 79 & 80 COMMITTEES)	The municipality has a collective executive committee system The Council is hung and under a coalition government since 14 December 2022 by-elections after dissolution of the municipal Council Council in place with the Mayor, Council Whip and Speaker designated as full-time Councillors. The Council has 39 Councillors. Municipal Council not sitting to date for the financial year 2025/26 except for the special meeting held for the	There is limited public engagement as well as participation Policies, strategies, reports and plans are not approved including statutory reports Non-sitting of Council and committees paralyses the administrative component Service delivery failures Council does not provide oversight over the executive and the administration	Factional battles and power struggles amongst councillors Non-existent governance systems. No consequence management for delays in decision-making and poor performance. No implementation and enforcement of the code of conduct on councillors Historical Political and administrative instability. No quorum in Council meetings due to non-attendance by councillors	Workstreams meeting on 14 and 15 October 2025 IDP 2023/24

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	election of the Speaker and Mayor The municipality's council and its committees are not yet functional. Rules and Orders outdated Resolutions register or a system to track resolutions not updated	Ineffective setting of agenda and conducting of Council and committee meetings No set standards for the conduct of councillors during Council and committee meetings Inadequate framework for decision-making in Council and committees	Inadequate administrative and secretariat support to Council Lack of periodic review of Rules and Orders	
	The code of conduct that addresses ethical behaviour by councillors is not implemented. Councillors in arrears for service provided and rates in the amount of R1.1 million Staff in arrears for services provided and rates in the amount of R13 million	There are municipal accounts of councillors in arrears for more than 90 days Loss of revenue Non-compliance with Code of Conduct Promoting Culture of non-payment for services rendered There is persistent infighting within council Council sittings are often disrupted Committees of council do not quorate due to non-attendance of meetings by councillors There is no record of councillors' declaration of interest.	Lack of policies and systems in place to enforce Code of Conduct Historical Political and administrative instability Factional battles and power struggles Lack of accountability by councillors and staff affected No consequence management against councillors and staff in arrears	Workstream meetings held on 14 and 15 October 2025
	Forensic investigations conducted into allegations of Maladministration, Fraud and Corruption Investigations reports cannot be located No evidence that the recommendations of the investigations were implemented	There is Political Interference and free for all in recruitment process of staff and SCM functions Non-compliance with statutory prescripts Financial Crisis Failures in service delivery Loss of funds Limited access to basic services to the poor and the vulnerable Scare away investors and thus hindering	Unethical behaviour No consequence management Dysfunctional council and committees Financial systems not in place Weak internal controls in SCM processes and financial management Lack of accountability Poor record keeping	Litigation Register Court Pleadings Preliminary Report of the Public Protector

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
		economic growth leading to high unemployment rates and low revenue collection Erosion of public trust Undermining of the Rule of Law through prioritisation of private interests over the community and weakening governance Award of contracts to undeserving contractors with inflated project costs Non-compliance with procurement laws		
	Insecure and unsafe working environment.	Shoot-out in and around municipal premises leading to injuries of employees and endangering the lives of employees Sporadic hostage and kidnapping of officials Health Hazards in municipal building due to non-compliance with Occupational health and Safet Act Organised intimidation of staff	Lack of accountability on the part of councillors and senior management Factional battles and Power struggles amongst councillors to influence decisions and control the purse Criminal elements hijacked the governance of the municipality Unethical behaviour No strategic leadership and direction	Workstream meetings held on 14 and 15 October 2025
	Council has not approved and implemented a stakeholder engagement strategy and public participation policy although the draft is in place awaiting Council approval	Ineffective public participation. Community not informed of service delivery issues There is distorted information channelled to the public from councillors emanating from infighting. Trust deficit between the municipality and community Court applications by interested parties and non-profit organisations	Lack of accountability by decision-making structures Non functionality of Council and its committees Historical political and administrative instability	Workstream working session on 14 October 2025

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
		on behalf of Ditsobotla community Loss of private investments in the area of jurisdiction of the municipality		
	Non approval and Failure to timeously prepare and process statutory reports i.e. Section 71, Section 52(b) and (b) MFMA Reports, AFS, Annual reports, SCM Regulation 6 Reports and Section 32 investigation Reports Section 71 MFMA Report not approved in line with calendar of Council	Lack of Oversight Reports not submitted or considered by Council for approval Non-compliance with statutory prescripts	Lack of accountability on the part of the decision-making structures of the municipality Non-attendance of committee meetings by councillors due to ill-discipline Non establishment and non-functionality of the Disciplinary Board Lack of required competencies, skills and commitment to prepare AFS in BTO Political Infighting and factionalism Historical political and administrative instability	Consultative meeting with provincial Treasury, COGTA on 01 October 2025 Workstream meetings held at municipality offices on 14 and 15 October 2025
	Non-compliance and failure to fulfil the Constitutional obligations Local Economic Development strategy in draft form Town-planning Tribunal lapsed in November 2024	Persistent failures in the provision of basic services There were recent community protests on provision of water, roads and sewerage spillages. Community protests from the 06 December to 04 January 2025, from there March, April, May and June 2025 Opening of private bank accounts by resident's associations where community pays for rates and taxes instead of payment to municipal bank accounts (approximately R13 million to date) No strategic plan to promote social and economic development	Historical Political and administrative instability. Factional battles and self-serving interests Lack of consequence management Lack of training of councillors No defined roles and responsibilities for political structures, office bearers and the Municipal Manager No approved systems of delegations approved by the Municipal Council Failure to comprehend the constitutional responsibilities by councillors	Workstream meetings held at municipality offices on 14 and 15 October 2025 Draft LED Strategy Council resolution dated 30 Mat 2025 Court pleadings

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
		Appropriate structures necessary to consider town-planning applications not established discouraging private sector investment No stakeholder engagement strategy and public participation policy to facilitate maximum community participation and information sharing Infrastructure vandalism Economic decline and high unemployment rates		
	There is political and administrative instability.	Weakened Council oversight on the administration Irregular decisions due to irregularly and unlawfully convened Council meetings Intra litigation between councillors based on factions and internal fighting and between senior officials and councillors Appointment of acting senior managers who does not meet the minimum requirements Appointment of 70 employees at a cost of R1,89 million for a contract period of six months Non-compliance with regulations on appointment of senior officials	Dysfunctional council and committees Council not meeting the quorum for the approval of the SDBIP Instability and infighting within the council committees Non-attendance of Council and committee meetings by councillors Total disregard of statutory prescripts Self-serving interests by councillors through factional battles and power struggles Lack of accountability by councillors Factions and power struggles between councillors	Workstream meetings held at municipality offices on 14 and 15 October 2025 Court pleadings Report by PER
	Ward committees not functional	No monthly reports submitted to the Speaker's office. Monthly ward meetings are not being	Non-existent governance systems. Unavailability of venues / offices has been a	Workstream meetings held at municipality offices on 14 and 15 October 2025

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	Council approved ward committee operational plans were not provided	consistently held by ward councillors Ward Committees have been dysfunctional	challenge in all ward committees. Poor Coordination and Skills Set among committee members	
SYSTEM OF DELEGATION	No approved system of delegations by the municipal Council No sub-delegation of authority to staff No delegation register Selective acceptance of sourced external legal opinions based on personal interest	Administrative and operational inefficiencies Staff executing work without delegated authority No checks and balances Non-compliance with statutory prescripts No processes to confirm, vary or revoke decisions by staff taken without authority Litigation initiated and opposed without delegated authority Irregular and unlawful decisions	Political and administrative instability Factional battles and political infighting Inefficient administrative support to the political structures and office-bearers by the Accounting Officer and senior managers Unethical behaviour by councillors and senior managers	Workstream meetings held at municipality offices on 14 and 15 October 2025 Preliminary Report of the Public Protector
LITIGATION AND CONTINGENT LIABILITY	The municipality has a huge contingent liability potential exposure of about R63 770 076.34 million Amounts recorded under litigation and contingent liabilities could not be verified as there were no case files neither was their confirmations/correspondence from the attorneys. The completeness of contingent liabilities hence could not be ascertained. No litigation strategy in place	Ongoing high levels of litigation mostly against the Municipality, increasing its exposure. Root causes of litigation against the municipality not identified with concomitant measures to mitigate same	Non-payment for services rendered and goods supplied to the municipality by the Finance Directorate Administrative incapacity in the legal unit Lack of competencies, skills and experience by legal staff	AG Audit Report FY2023/24 Workstream meetings held at municipality offices on 14 and 15 October 2025
	Municipality does not have a capacitated legal division to effectively manage litigation and related matters; No delegated authority to initiate and oppose	Exposure to unauthorised expenditure Irregular and unlawful decisions by structures, executive and the administration due to	Inadequate staffing of the legal unit Administrative incapacity in the legal unit Lack of competencies, skills and experience by legal staff	Workstream meetings held on 14 to 15 October 2025

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	litigation for or against the municipality No proper filing systems in place for legal matters	inadequate legal advise/support. Undefended Court applications leading to Default judgements Writs of Execution Attachment of assets Attachment of bank accounts and equitable shares Non-representation of municipality during Court hearings and matters proceeding without the municipality's case being presented.	Lack of instructions on Court applications from Finance Directorate Non-payment of law firms Withdrawal by appointed attorneys due to lack of instructions from municipality Refusal by law firms to represent the municipality Collapse of arrangements between municipality, the Bank and the Sheriff Failure to honour settlement agreements with law firms for services rendered	Court Pleadings AG Audit report FY2023/24 Legal Assessment Report by Intervention Team dated 28 October 2024 Litigation Report/Register January 2025
	No updated litigation register High exposure of the municipality to avoidable litigation	Default Court judgements Unauthorised expenditure No reasonable prospects of success conducted on litigation against the municipality Litigation against the municipality mostly caused by contractual issues and non-payment for services rendered and goods supplied to the municipality	Unlawful termination of contracts No standard operating procedures Non-payment for services rendered and goods supplied to the municipality by Finance directorate Weak or non-existent demand management in SCM unit Procurement without confirmation of availability of funds in SCM unit	Litigation Register by PER dated January 2025 Quarter 1 Performance Report-Legal Services, July-September 2025 AG Audit Report FY2023/24
	The municipality incurs high professional and legal costs from litigation cases Legal fees paid by the Municipality to service providers in respect of legal services during the: 2022/23 financial year were R 5 020 401.06 million.	No fee structure agreed upon with law firms appointed No value for money Possible duplication of payments for legal services rendered Beyond instructions issued to law firms there is no oversight over the legal processes Failure to pay for services rendered	Incapacity in Legal Unit Inadequate record management system Lack of internal controls on payment for legal services Financial ill-discipline in Legal Unit Internal control deficiencies relating to case file management Invoice processing systems with checks and	Report by PER dated October 2024 Budget performance report for FY2022/23, FY2023/24 and 2024/25 Workstream meetings held on

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	Budget 2022/23 FY: R3.2 million 2023/24 financial year were R 1 310 345.26 million. - Budget 2023/24: R3.2 million 2024/25 financial year were R16 530 997.22 - Budget 2024/25 FY: R3.6 million 2025/26 financial year (First two months) R7 648 593.90 - Budget 2025/26 FY: R3.6 million Law firms submitting invoices where there is no (or minimal) paper trail to confirm services rendered Outstanding invoices to the value of R5 213 316.40 No records of work done Fruitless and Wasteful intra-institutional litigation against councillors by other councillors and between Municipal manager against the political office bearers of the municipality	Law firms refusing to represent the municipality Default judgements and associated costs awarded against municipality Writs of execution Costs awarded in the personal capacity from councillors not collected Loss and wastage of funds The liquidity and going concern of the municipality under severe threat from legal claims and the costs involved. Legal claim for (R 6 775 712.38) investigations into Maladministration, Fraud and Corruption. The municipality could have requested the MEC for COGTA to conduct the investigation in terms of section 106 of MSA to save costs for municipality	balances and payment validation collapsed Inadequate budgeting for legal costs Lack of competencies, skills and experience by legal staff No consequence management against the administrative officials Political and administrative instability Political infighting and factional battles	14 to 15 October 2025 Submission by the Head of Legal Services Litigation Register, 2025 Court pleadings Court judgements and Orders Legal submission by the Head: Legal Services Preliminary Report of the Public Protector
Powers and functions	The municipality conducts the following unfunded mandates: Libraries, Vehicle Control, Disaster Management and bulk water and Sanitation services).	The municipality does not have adequate funding to perform all its functions. The bulk of unfunded employee costs incurred by the municipality is on the Water and Sanitation directorate	Inadequate Mandate or Service Level agreement with specific reference to financial impact and related funding	IDP MOU with the District Municipality Workstream meetings held on 14 to 15 October 2025
	Department of SRAC funds directly for the provisions of library services Operational expenditure at a value of R1 768 361.36	Loss of funds Ditsobotla subsidising the provincial department of SRAC on library services leading to loss of funds	Inadequate mandate agreement with specific reference to financial impact and related funding	Workstream meetings held on 14 to 15 October 2025

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	Four staff members in library services funded by the municipality, Zero funding from the provincial SRAC at this stage due to financial crisis Services in buildings owed by the municipality used for library services is paid by the municipality Five libraries			
	The municipality performs vehicle registration services as well as processing the renewal of licences and permits on behalf of the department of transport. Traffic services through SLA providing for 80/20% sharing of revenue Revenue for 2024/25: R37 414 833.73 RTMC fee; R211 246.00 80% of province: R29 762 870.18 20% municipality: R7 440 717.55 Total operating expenditure: R4 119 629.62 Total operation costs: R24 754 303.32 Underfunding to the Value of R17 313 585.77	Ditsobotla does not get additional funding to conduct the required operations or finance the administration processes on behalf of the department of transport. The agency fees are inadequate to cover the operational costs of these services. Ditsobotla subsidising the provincial department of transport leading to loss of funds	Inadequate mandate agreement with specific reference to assessment on financial impact and funding	Workstream meetings held on 14 to 15 October 2025
	Ngaka Modiri Molema District is the Water Services authority MOU between municipality and District does not addressing the funding of the 128 staff members alternatively transferring of water services provision with the said staff as a going concern to the District. The MOU restrict the responsibilities of the	No business plan to implement the MOU occasioned by the Court judgement Ditsobotla subsidising the district on water services provision leading to loss of funds No clear obligations of the Ditsobotla municipality in the MOU	Section 78 not done by the District as a consequent to taking over the function Inadequate MOU	MOU Court Judgement IGR Workstream sessions held on 14 and 15 October 2025

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	municipality to provision of information. Unfunded mandate for operational costs, e.g. salaries for 128 staff members and tankering services Court judgement removed the municipality as a water service provider and given to the District municipality			
CONTRACT MANAGEMENT	Contracted services are R66 314 774 and the cost against the total operating expenditure is 10% No approved consultancy reduction plan in place	Over reliance on consultants Increased operational costs Duplication of costs No cost containment policy approved The percentage of contracted services against the total operating expenditure is way above the set norms and standards	Lack of internal skills, competencies and capacity No gap analysis conducted between employed staff and external support required Financial ill-discipline No skills transfer from external consultants No invoice payment control mechanisms	AG management report FY2023/24 AG Audit Report FY2023/24 Workstream meeting held on 14 to 15 October 2025
	A contract management committee was established but is not functional.	Poor contract management Loss of finances Expired contracts still in use Irregular procurement practices	Political and administrative instability Lack of accountability Poor work ethics	FRP approved in 2023 Workstream meetings held on 14 to 15 October 2025
	A contract management framework was developed by Provincial Treasury for use by the whole district, however there is no evidence that this framework was formally adopted by council	Costs overrun on service delivery projects Protracted legal disputes leading to litigation Overpayment of consultants for preparation of AFS Contract extensions not following proper SCM procedures	Administrative incapacity Internal control deficiencies Financial ill-discipline by office of CFO and Director: Corporate Services No consequence management Historical political and administrative instability	FRP approved in 2023 Workstream meetings held on 14 to 15 October 2025
	Ineffective management on contract for issuing of Cell phones No Cell phone approved policy	Most expensive cell phone gadgets are taken on contract	No control measures to validate invoices Administrative incapacity Internal control deficiencies	PER report dated October 2024 Workstream meetings held on

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
		Excessive high bill for cell phones at above R300 000 per month Potential fraud as non-qualifying individuals may be issued with cell phones Cell phones not registered as assets of municipality and by end of contract individuals take ownership	Financial ill-discipline by office of CFO and Director: Corporate Services No consequence management	14 to 15 October 2025
	Ineffective management on contract for Financial Systems SEBATA paid R180 000 per month for historical accounts before 2020 No service level agreement with SEBATA	Two service providers paid SEBATA withholding project information (data) due to non-payment. Inadequate and non-compliant contractual obligations	Internal control deficiencies Financial ill-discipline by office of CFO and Municipal Manager Political and administrative instability No consequence management	PER report dated October 2024 Workstream meetings held on 14 to 15 October 2025
	Ineffective management on contract for Prepaid Electricity Vendor Electricity Vending Contract expired but still being used for the past ten years No service level agreement with CIGI-CELL during the validity of contract	No reconciliation of money collected by service provider and paid to the municipality Irregular and unlawful usage of service provider Service provider threatening municipality to uninstall prepaid meters if contract terminated	Internal control deficiencies Financial ill-discipline by office of CFO and Municipal Manager Political and administrative instability No consequence management	PER report dated October 2024 Workstream meetings held on 14 to 15 October 2025
	Ineffective management on contract for Security Services Two security companies submitted invoices to the value of R1 500 000 per month Only one security company now providing services	Litigation by one security company for payment of service rendered R16 020 763.03 Accumulation of claims for payment by security companies	Internal control deficiencies Financial ill-discipline by office of CFO and Municipal Manager Political and administrative instability No consequence management No demand management system	PER report dated October 2024 Workstream meetings held on 14 to 15 October 2025
	Municipality does not compile monthly performance monitoring reports on contracts	Inefficient use of resources Poor performance by contractors as there are	Dereliction of duties by line departments	AG management Report FY2023/24

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
		no monitoring measures in place. Over payments Costs Overrun No assurance of value for money Service delivery failures Negative public perception	Political and administrative instability Lack of skills and competencies across directorates No system of expenditure control Inadequate record keeping	AG Audit Report FY2023/24
	The municipality has a contract register; however, it is not updated with the latest contracts. Contract register last updated FY2022/23 The contract Register for FY2023/24 and 2024/25 is empty	Contract register has some suppliers with no contract value despite having expenditure to date Irregular Month to Month contracts No audit trail of authorization of certain contract extensions and instances where contract extensions were not approved by a sanctioned official All contracts on the contract register have expired Irregular contracts and unlawful procurement Costly procurement practices	Lack of accountability Poor records management and keeping Lack of competencies, capacity and/or experienced skill in the SCM division of the municipality Supply chain management systems collapsed	FRP approved July 2023 Contract Register 2023/24, FY2024/25 and FY2025/26 Workstream meetings held on 14 to 15 October 2025
UIF&W EXPENDITURE	UIF & W policy still at draft stage The municipality has not developed and implemented a UIF&W expenditure reduction plan. The municipality's UIF & W is very high Expenditure identified: Unauthorised Expenditure for 2023/24: Zero declared 2022/23: R 281 824 404 Fruitless & Wasteful expenditure for 2023/24 was R 43 368 869	Insufficient appropriate evidence to determine extent of UIF& W expenditure Non-compliance with statutory prescripts Disclaimer of opinion Municipality cannot account for UIF&W expenditure incurred. Poor governance practices Overspending on budget. Incurring of interests and penalties on late payments of creditors.	Poor record keeping Lack of systems and standard operating procedures Incapacity and inadequate competencies, skills, experience and qualifications Inadequate budget and financial management skills Lack of proper planning to appoint service providers in line with SCM policies Disregard of laws and regulations by management resulting in	AG Audit Report FY2023/24 AG Management report FY2023/24 Workstream meetings held on 14 to 15 October 2025

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	Irregular Expenditure FY2023/24: R311 million Cumulative Values Unauthorised Expenditure: R 556 381 637 Fruitless & Wasteful expenditure: R 357 663 888 Irregular Expenditure: Zero declared		non-compliance with SCM Regulations Inefficient financial management system	
	No investigations for unauthorized, irregular and fruitless and wasteful expenditure for the balance related to the 2022/23 financial year: Fruitless & wasteful expenditure: R314 295 019 Irregular expenditure: R409 321 811 Unauthorised expenditure: R556 381 637	No consequence management Loss of funds Non-compliance with statutory prescripts Continued involvement of officials who caused UIF&W expenditure No guidelines on how to treat UIF&W expenditure	Lack of effective oversight by Council and its committees	AG Management report FY2023/24
	Quarterly reports to the Mayor and annual reports to Council on UIF&W expenditure are not submitted	No oversight conducted on UIF&W expenditure	Historical political and administrative instability Factional battles and powers struggle amongst councillors Non-attendance of committees by councillors Lack of accountability by decision-making structures	Workstream meeting held on 14-15 October 2025
Risk Management	There is no separate risk unit to efficiently carry out the risk management function Risk management responsibilities currently being executed by the Manager: Internal Audit There is no Chief Risk Officer (CRO) appointed.	Risks are not identified, and no risk assessments are conducted. There is no process for risk identification, mitigation and monitoring. Risk management not institutionalised	Lack of capacity to set up standalone risk management unit Inadequate understanding of the importance of regularly assessing and managing risks in the Municipality Instability in the Municipality led to constant changes in administration making it a challenge to establish a functional risk unit	Workstream meetings held on 14 to 15 October 2025

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	No risk management documents approved for 2025/26 There is no approved risk management policy risk management strategy, risk management implementation plan, Risk register was compiled but it is not regularly updated There is no approved business continuity plan in place.	Risk monitoring, mitigation, and reporting not adequately implemented. Failure to institute risk management processes Decision making on strategic and operational issues is adversely affected Non-existent process to report on Fraud and other financial risks Municipality vulnerable and exposed to all risks	Instability a challenge to establish a process for risk identification, mitigation and monitoring Non-existence of an independent risk management unit to follow through risk issues Poor internal Control Deficiencies. Lack of capacity, skills and competencies for risk management	Workstream meetings held on 14 to 15 October 2025
Information & Communications Technology	IT unit does not have a policy or framework to govern the operations only exist in draft form. The Municipal Corporate Governance Information Communication Technology policy framework (MCGICTPF) has not been approved and adopted by Council	No oversight or guidance on ICT There is no proper implementation of ICT including taking the necessary precautions to prevent unforeseen accidents and damage to ICT No ICT steering committee	Lack of accountability by the decision-making structures Non sitting of Council and committee meetings	AG Management Report. FY2023/24 Workstream meetings held on 14 to 15 October 2025
	The IT environment has weak internal controls	No IT risk and control assessments have been performed to ensure safety and integrity of information Employees have to make use of their own IT equipment and do not have corporate emails exposing the Municipality to cyber crime Personal laptops being used and gmail accounts	Inadequate staff and financial resources within the IT unit Unavailability of ITC equipment for employees to use	AG Management Report. FY2023/24 Workstream meetings held on 14 to 15 October 2025
	No ICT security policy approved	ICT systems vulnerable to cyber-attacks, data breaches, financial losses and legal and reputational damage Poor access control	Incapacity in ICT Unit Administrative instability Lack of financial resources Lack of accountability by decision-making structures	AG Management Report FY2023/24 Workstream meetings held on 14 to 15 October 2025

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	Ineffective User access management There is no policy governing user access control in draft form There is no formal access request documentation being completed for registering users, changing access rights, password resets and termination of access on all financial / performance information systems)	Formal access documents are not used. There are no user access reviews done. No formally documented process in place for the independent reviews of activities of the person responsible for granting users access to the network, application systems and performance reporting systems in place.	No standard operating procedures Incapacity in ICT Unit Administrative instability ICT control deficiencies	AG Management Report FY2023/24 Workstream meetings held on 14 to 15 October 2025
	Municipality does not have an approved backup and retention strategy or a disaster recovery plan in place	Patch management software has not been effectively installed as some computer's updates failed to install and the municipality had to deploy Windows Server Update Services (WSUS) to accomplish the task. The municipality's antivirus software is non-existent, and the license is not reviewed thus depend on the "Free packaged Windows Defender". The municipality has not taken the necessary precautions to prevent unforeseen accidents and damage to municipal's ICT No risk management unit that assists departments to assess risk.	Lack of financial resources Lack of IT governance structures Lack of funds to invest in infrastructure as a result of cash flow challenges Failure to perform IT risk and control assessments ensure safety and integrity of information	AG Management Report. FY2023/24 Workstream meetings held on 14 to 15 October 2025
	Lack of funding to invest in appropriate ICT infrastructure	Stores have no network cables and financial system resulting in recording and some processing being manual. There is the risk of errors and mismanagement	Inadequate staff and resources within the IT unit Lack of funds to invest in infrastructure as a result of cash flow challenges	AG Management Report. Workstream meetings held on 14 to 15 October 2025

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	SAGE evolution system in place with different modules which are not adequately applied by line departments	Poor customer care Costly operational costs Diminished productivity Difficult to access information by the community	Lack of training by and by HR unit to line departments System incompatibility	Workstream working session on 15 October 2025
Audit action plans (internal and external)	Inadequate implementation of the audit action plan and slow response Poor quality annual financial statements Stagnation in unfavourable disclaimer of opinion outcomes with material findings on predetermined objectives and compliance with laws and regulations. The municipality has an audit plan in place however, however there is slow movement in the progress of addressing the misstatements and other findings identified by AGSA No oversight over the preparation and implementation of the PAAP	Non submission of information and supporting documents The municipality does not adequately report progress Monthly/regular reconciliation of accounting records remain a challenge.	Lack of appropriate coordination on the implementation of audit action plan. Lack of leadership to oversee required basic control disciplines Administrative instability with prolonged vacant positions of CFO and section 57 senior managers Lack of accountability by Finance directorate management. Insufficient monitoring of internal controls which result in slow progress. Inadequate skills capacity in Finance Directorate to prepare proper annual financial statements The audit committee and internal audit functions lack initiative and skill in handling the audit action plan.	Workstream meetings held on 14 to 15 October 2025 AG Audit Report FY2023/24
Internal Audit	Internal audit is a unit established headed by a manager. Internal Audit Unit has two vacant positions per organisational structure	Internal Audit not functional due capacity constraints Non-compliance with statutory prescripts	Lack of accountability by the decision-making structures. Historical political and administrative instability Poor record keeping	Workstream meetings held on 14 to 15 October 2025
	Internal audit plan not signed and the Charter has not been approved	No audit reports are submitted to Council	Lack of accountability by the decision-making structures. Historical political and administrative instability Insufficient staff in IA unit	Workstream meetings held on 14 to 15 October 2025 Internal Audit Plan and Charter

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
			Weak internal controls resulting in failure to comply with key laws	
	The term of the Audit Committee ended on the 28 Feb 2023. Audit committee is not established	No oversight role is provided on financial reporting, internal controls, risk management and compliance with laws. At the time the Audit Committee's term ended it was not functional due to non-payments of sitting allowance.	Political and administrative instability	AG management Report FY2023/24
Immovable Property Management	Investment properties amount to R122 852 004 million Annual revenue amount to R1 million The municipality cannot account for all its immovable property portfolio Title deeds of some properties not in place	Some property records could not be found Some properties (land, buildings and infrastructure) reported as owned/assets could not be verified Some investment properties listed in investment asset register could not be physically verified	Poor record keeping Poor asset management practices. Weak internal controls in property management Lack of capacity, review, and supervision mechanisms for maintenance of credible asset registers.	Workstream meetings held on 14-15 October 2025 Outdated lease register dated 04 August 2022 AG Audit Report FY2023/24 AFS FY2023/24
	The municipality conducted audit of Council owned land parcels consisting of parks, farms, business space, sports clubs, residential stands, agricultural land The municipality does not have an updated register of leased assets. Some Council properties are occupied by council staff. Rentals are deducted from salaries at 6% of the employee salary which is way below market related rentals There are 69 lease agreements most of which have long expired	The rental on leased immovable properties is not market related All but four lease agreements have long expired Massive loss of revenue Non-compliance with statutory prescripts There is no system of determining rentals for immovable properties Lack of review of lease agreements. No lease agreements in place with tenants in municipal's properties	Lack of accountability by the decision-making structures. Historical political and administrative instability Poor record keeping for immovable property portfolio Lack of immovable property management systems and standard operating procedures Incapacity and inadequate competencies, skills, experience and qualifications Outdated lease agreements	Presentation on Land audit Register of leased immovable properties dated 04 August 2022

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	Two 99-year leases for Golf clubs at R1-00 per annum and one for animal resort at 10 Cent per annum. Others for 99 years at R2-00 per annum One Rugby Club for 25 years at R10-00 per annum Nineteen 9-year leases at rentals ranging at R1-00, R10-00, R480-00, R500, R120-00, R1000-00 per annum respectively One contract for 40 years at R10 Cent per annum Some lease agreements are on a month-to-month basis at R100-00 per month and some at R10-00 and R60-00 per annum			
	Municipality owns five halls that are derelict or dilapidated	Loss of revenue Depreciation of value Vandalism Structural integrity compromised	Lack of maintenance Inadequate security of Council owned buildings	Workstream meetings held on 14 to 15 October 2025
By Laws and Enforcement	Most By laws are currently at draft stage and therefore there is no enforcement.	Ineffective regulation of local government matters Investment repulsion and disinvestment with material impact on the socio-economic conditions in the jurisdiction area of municipality Lawlessness Decline in revenue collection Infrastructure vandalism Illegal electricity and water connections Illegal dumping and decline in cleanliness and health hazards Loss of revenue	Dysfunctional council Council sitting schedules disrupted by instability Political and administrative instability Inadequate institutional arrangements Lack of capacity, competencies and skills	Hand Over report by PT

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	No reporting on revenue generated from enforcement of by-laws.	Not leveraging and maximising on revenue enhancement sources Loss of opportunity for increase in revenue	Inadequate financial management systems	Workstream meetings held on 14 to 15 October 2025

5.4. Institutional

A significant challenge confronting Ditsobotla Local Municipality is its organisational culture, which is not conducive to value creation, as neglect of duties has become a frequent occurrence among the majority of employees. The municipality has been characterized by irregular appointments, with numerous temporary positions filled in 2025, despite its inability to meet salary obligations on time.

The municipality's failure to pay salaries, coupled with its excessive staffing levels, continues to pose a substantial risk. Acting appointments across all management levels are unsustainable and do not meet the required competencies necessary for value creation. This risk is further exacerbated by parallel appointments of managers, with only the Municipal Manager appointed in the senior management team. Third-party payments are in arrears for over 11 months, amounting to R68 million, underscoring the municipality's severe financial constraints.

Organisational Structure

The municipal council approved the revised organisational structure during its May 2025 meeting. However, the structure is unfunded and bloated; it can still be streamlined to be more efficient, considering the municipality's size and budget. Key functions are included in the Organisational structure, but unfunded mandates related to powers and functions could hinder the municipality, unless a thorough review of the operating or service delivery model is conducted to address these issues. The current structure was costed at R296 million with 724 employees, while the new proposed structure is projected to cost R300 million with 836 employees.

Employee-related costs

Employee-related costs are the primary cost driver of operating expenditure, accounting for 50% of the total operating budget; however, this exceeds the norm of 25-40% according to treasury guidelines. Excessive overtime expenditure cannot be justified because of insufficient controls, and there are no tools of trade to justify the work performed. The time and attendance procedures, including employee leave management, were not being regularly audited. The total incurred overtime expense for the 2024/25 FY amounts to R24 619 792 million. In June 2025, they are R2 037 532, while the actual employee costs remain R338.6 million. The municipality faces serious challenges due to the projected non-payment of salaries for November and December 2025, if the national treasury withholds the distribution of equitable shares.

The municipality further approved annual salary increases for 2024/25 for all employees, adding to the already burdened employee costs a decision that could have been avoided. R17 million for councillor remuneration has been recorded for 2024/25 FY. Councillors submitted upper limit salaries to the MEC, awaiting approval; however, the Council is considering implementing upper

limits without MEC and Ministerial approval.

3rd party payments are in arrears for 11 months at R68 million. The following areas pose a threat to the projected fund growth and a risk to employee benefits.

Management of Overtime:

The AGSA report indicates that they were unable to obtain sufficient and appropriate audit evidence supporting employee-related costs due to the poor condition of the accounting records. R24 619 792 Overtime costs, recalculations did not agree with the payroll figures for the 2024/25FY, projected to be at R20 million. Overtime payments claims are made for work that cannot be proved/ascertained. Additionally, it was noted that employees claiming overtime did not have the necessary tools of trade to perform the work for which the overtime was claimed

Human Resources Strategy:

There is no human resources strategy for the municipality. This strategy would assist by forecasting the Municipality's human resource needs to put plans in place to meet staffing needs as they arise. At present, several senior positions have been vacant for more than a year. Had there been a plan, strategies would have been in place to fill key positions quickly to ensure efficient operations.

Performance Management:

The municipality lacks approved internal policies and procedures to manage the collection, recording, processing, monitoring, and reporting of performance information. This results in inaccurate performance reporting, which in turn affects service delivery. The 2020/21 overall performance results reflect a **50%** underperformance rate, caused by a combination of administrative challenges and financial constraints. The overall performance for 2024/25 dropped to **45%**, indicating no performance improvement for the municipality. PMS contracts have been signed, but no assessment has been conducted. The council approved the policy framework, but there was no material improvement in performance.

The overall quality of the annual performance report remained unchanged from the prior year. The significant root cause is the lack of management's understanding of the requirements of the performance management reporting framework. For example, most of the indicators are not well-defined, and inconsistencies between the SDBIP and APP limit the testing of the reliability of the performance indicators and their related targets.

Furthermore, poor record-keeping in the municipality hampers the ability to monitor the performance of various departments. The lack of effective records management has been the primary cause of the repeated disclaimers opinions based on performance information issued by the AGSA over the past three consecutive financial years.

Cascading performance to a level below the senior manager has not been achieved in the financial year 2024/25

Consequence Management

The municipality has no consequence management framework/policy in place. The promotion of fundamental principles for the effective and efficient utilisation of public resources, along with

transparent and accountable financial management practices, has been compromised by a lack of senior managers and challenges of oversight by the Council.

Staff discipline and Disciplinary Board:

The disciplinary board was established, but it is not functional because the Council has not approved the terms of reference. The municipality did not adopt systems (policies) to investigate allegations of misconduct and disciplinary procedures to determine the prospects of success during litigation. There is no consequence management for misconduct.

Three employees were charged with fraud by transacting in the municipal account without the municipal manager's authorization. Ten employees were charged with misconduct, malicious damage to property, and violent behaviour. Suspensions of senior management members (including the chief financial officer, the Director of Corporate Services, and the acting municipal manager and PMU manager) resulted in instability and a lack of accountability at the senior management level.

The manager of water services is on prolonged sick leave, and the municipality is failing to take corrective measures or apply policy to manage the environment. Dereliction of duty by Managers and employees, due to a lack of tools of trade, to the extent that employees had to bring their household tools to assist the municipality.

Sporadic incidents of crime were also reported in DLM (e.g., holding people hostage, riots, kidnappings, etc.) No municipality can function in a chaotic and unsafe environment. This behaviour was influenced amongst others by the non-payment of salaries and by management's lack of consistent communication on matters of mutual interest.

Filling of Critical Positions

All senior positions are currently vacant, except for the position of Municipal Manager. These critical positions have been vacant for periods exceeding three to nine months. The municipality has resorted to acting appointments because it struggles to attract talent due to its financial state and unethical reputation across the municipal sectors.

Irregular employment practices have characterized the municipality, including the hiring of 70 temporary employees who were later terminated due to financial constraints. The municipality lacks a recruitment plan, has not identified its critical service delivery positions, and has not planned to fill those positions. The municipality made parallel appointments for the following positions:

- Manager Human Resources
- Manager Water and Sanitation
- Manager Traffic and Licensing

The following acting appointments were made, causing a chain reaction across the organization, which, in turn, violated the municipal staff regulation.

Acting appointments

Senior managers.

- Acting Director, Planning and LED
- CFO

- Acting Director, Infrastructure.
- Acting Director, Community Services.
- Acting Director, Corporate Services.

Acting appointments in middle management.

- Acting Manager, Health
- Acting Manager, Parks and Cemeteries.
- Acting manager, Administration.
- Acting Manager, Housing.
- Acting Manager, Electricity
- Acting Manager, Expenditure
- Acting Manager, Itsoseng Satellite office
- Acting Manager, Satellite Coligny.

High vacancy rate in management levels and high vacancy rate in all technical services areas. (Electricity, Water Sanitation, and Roads)

Employee Verifications

40 employees could not be verified in the previous audit conducted by Cogta. The municipality must conduct an employee headcount and identify any ghost employees or employee surplus to the organization and its payroll. The qualifications audit has been conducted; however, the results do not include all employees, since some did not participate.

Skills and Competency Audit

The Cogta provincial department conducted a skills audit; however, the results have been rejected, and the project could not be completed. The preliminary results indicate a lack of capacity across all divisions at various employee levels. Capacity constraints and a lack of operational skills result in a reliance on consultants/contractors to perform the work, particularly in the AFS.

Occupational Health and Safety

Municipal buildings do not comply with occupational health and safety, and the Department of Labour has already issued a non-compliance letter to the municipality for its buildings.

Records Management

The municipality lacks a proper system to ensure the safekeeping of documentation supporting the financial statements and the annual performance report, as required by the MFMA. There is no record management policy, system, or procedure. Document management is lacking across all departments. Some of the municipal information and records are found in personal computers and personal emails. The use of **Gmail** across the municipality compromises the integrity of the information and its optimum use.

Employees' records and system exist, but are not updated. The employee leave records management system is dysfunctional (manual forms are transferred into the system). The SAGE Electronic System is operational but not optimised by the municipality.

The table below reflects on matters that have been noted under this segment and provides a diagnostic analysis of the problems:

Table 9: Key Findings: Institutional and Organisational Development

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
Operating Model	The review of the operating model has not been conducted. Over-reliance on contractors The municipality has two satellite offices and the central office DLM and NMMDM have signed an MOU (for a period of 5 years), effective from 1st September 2025, ending 30th June 2030, for the provision of water and sanitation. There is no internal capacity to manage and provide electricity. A possible MOU is planned for Eskom; however, no final discussions have been held.	The municipality has not assessed the alternative methods of service delivery Most of the municipality's core functions are contracted out without proper SLAs and value-for-money assessments. The municipality provides decentralized services to cover the municipal boundaries The MOU necessitates the improvement of services between Ditsobotla municipality and Ngaka Modiri Molema District Municipality (NMMDM), which is a Water Services Authority, to address water supply provision The inability of the municipality to attract technical managers due to its financial challenges	The municipality lacks the capacity to review the operating model. Insufficient skills and capacity within the municipality to perform the functions. Ensure equal distribution of services Collapse of services due to insufficient management capacity and funding. The municipality has no internal capacity and competencies to manage Electricity, water, and Sanitation.	AGSA management report Workstream meetings held on 14 to 15 October 2025
Organisational structure	The municipal council approved the revised organizational structure during its May 2025 meeting. However, the structure is unfunded and bloated. The current structure was costed at R296 million with 724 employees, while the new proposed structure is projected to cost R300 million with 836 employees. The migration and placement policy has been agreed upon, and consultation with labour has been finalized for implementing the new structure.	The municipality did not map all the necessary Business processes and best practices for the reviewed costs' effective Organisational structure The new organizational structure is unaffordable considering the municipality's size and budget. Matching of current employees with critical posts for possible placement has not started, and this delays the implementation of the new structure	The design process did not benchmark for a cost-effective and efficient organizational structure Unfunded budget No strategic leadership or management to manage the placement process CoGTA deployed resources had a 24-month	Organisational Structure Report AGSA Management Report Ratio Analysis Workstream meetings held on 14 to 15 October 2025

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	Job evaluation has not been conducted DLM still utilises the Van der Merwe system of Job evaluation Job descriptions are not yet finalised; Only the level of managers' job descriptions is completed	CoGTA assistance was pulled out prematurely to complete the process of Job Evaluation and Job Descriptions due to the contract expiry of the deployed resources. No internal capacity to draft job descriptions	Contract, which was not extended The JE system championed by SALGA and Ngaka Modiri Molema, but has no sufficient capacity to facilitate the process, and the JE processes have collapsed in the province	
Employee costs	Employee-related costs are the primary cost driver of operating expenditure, accounting for 50% of the total OPEX, which exceeds the norm of 25-40% as per Treasury Circular 71. Excessive overtime expenditure cannot be justified, as the municipality's controls are insufficient The total incurred expenses for overtime for the 2024/25FY R24 619 792 million and June 2025 costs are R2 037 532, while the actual employee costs remain R338,6million. 40 hours overtime as per the BCEA reduced to 20 hours overtime as part of the cost containment strategy Segregation of roles between functions between Finance Payroll, and HR Payroll needs to be clarified as there are overlapping areas of concern Leave management controls are insufficient and possess a risk in the management of the leave system and employee leave balances	Irregular employment practices which saw the municipality employing additional 70 general workers, Parallel appointments and undue acting arrangements. Lack of management control on time and attendance system Abuse of overtime due to a lack of management controls No SOP between finance and HR on payroll internal controls. No SOP on leave management process Unfunded budget Unfunded budgets The unfunded budget and the rate of revenue collection is very low	Lack of Management controls on operational costs Abuse of overtime by employees No tools of trade (personal equipment's used by employees for municipal work) Insufficient capacity to manage the function in two different departments Lack of cost containment measures by the municipality Revenue streams limited to improve cash flow elayed intervention or support by provincial government, based on the	Management of overtime reports AFS

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	Annual salary increases approved for 2024/25 for all employees. Councillors also submitted upper limit salaries to the MEC, waiting for Concurrence from Cogta. 3rd party payments not up-to-date for 11 months to the value of R68 million Only medical aid paid up to 1 month in areas (September in areas) The Municipality missed the payment of salaries for May, June, and July, and was only paid in August 2025 after the equitable share was paid by the National Treasury. NO guarantees for salary payment for Nov and Dec 2025 due to insufficient budget, since all salaries are dependent on the equitable share	Critical dependency on equitable shares and special grants to fund salaries	challenges of the municipality The risk being the grand might be withheld by NT	
Filling of critical vacancies	The accounting officer was appointed only after the financial year-end in July 2024. All senior management positions remain vacant. Parallel Appointment of officials in similar positions Manager HR; Manager Traffic and licensing and Manager Water and sanitation Lack of vacancy prioritization in line with the affordability ratio of the municipality The council approved the appointment of 70 additional temporary workers in July 2025; however, they were terminated due to financial constraints. Family-related appointments	Management instability Delays in filling critical vacant management roles Failure to adhere to the recruitment policy and processes Critical vacancies are not prioritized All temporary positions terminated due to financial constraints. The municipality is viewed as the only source of sustainable employment in the area	Council and Management Instability Inability to attract and retain talent Appointments were made without allowing the disciplinary processes to conclude. Struggling to attract talent due to the nature of the municipality's financial situation and negative reputation in the sector The municipality is failing to create a conducive	

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	Irregular appointment in acting positions and exceeded the regulated acting period of 3 months. Acting appointments Senior managers. - Acting Director, Planning and LED - CFO - Acting Director Infrastructure - Acting Director Community Services - Acting Director Corporate Services Acting appointments in middle management. - Acting Manager's health for 4 months. Current incumbent - Acting Manager Parks and cemeteries for 3 months, the current manager is on retirement. - Acting manager of administration for 4 months due to the current incumbent being on suspension. - Acting Manager Housing for 2 years due to the retirement of the current incumbent. - Acting Manager Electricity for 3 months due to vacancy - Acting Manager Expenditure - Acting Itsoseng satellite office manager for 3 months - Acting Manager Coligny for 3 months. There is a high vacancy rate in all technical services	Limited pool of employees to act in different positions The Municipality is plagued by acting appointments across all departments. The Municipality is contravening the acting policy Managers appointed to act with qualifications not relevant to their acting positions. No internal capacity with technical competencies to manage technical and infrastructure roles. The CFO assumed the role of manager of expenditure, which poses the risk of accountability to the municipality No capacity in Strategic areas of service delivery and customer No internal capacity to manage technical functions	environment to create jobs The municipality struggles to appoint due to an unfunded budget and the critical skills required Acting is permitted for more than the required period Non-compliance with the Acting policy Unfunded budget	Workstream meetings held on 14 to 15 October 2025

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	areas. (Electricity, Water, Sanitation, and Roads)			
Staff discipline and Disciplinary Board	Code of conduct not enforced Three employees were charged with fraud for transacting in the municipal account without the authorization of the municipal manager. The employees were found guilty 10 employees were charged with misconduct, malicious damage to property, and violent behaviour. Suspensions of senior management members, including the chief financial officer, the Director of Corporate Services, and the acting municipal manager and PMU manager, result in instability and a lack of accountability Manager of water services on prolonged sick leave Dereliction of duty by Managers and employees, Sporadic incidents of crime were also reported in DLM (e.g., holding people hostage, riots, kidnappings, etc.) No municipality can function in a chaotic and unsafe environment. Employer / Employee trust relations are compromised by a lack of communication and the perceived process of purging due to political slates or preferences	Lack of strategic leadership in the municipality The organizational culture is not conducive to enforcing the code of conduct Management of disciplinary cases is not prioritised by management The municipality does not assess the prospects of success before defending a case in court. The municipality did not follow the procedural aspects of the leave policy Lack of management control over their functional responsibilities Employees are not following proper grievance procedures to raise their concerns This issue arose due to non-payment of salaries; however, it continued even after these issues were resolved.	Lack of management accountability Fear of enforcing the code of conduct by acting managers due to perceived threats outside the organization Non-implementation of policy due to politicised administration Lack of accountability No tools of trade Unethical behavior on the part of employees Lack of proper and timely communication by management on issues of common interest	Workstream meetings held on 14 to 15 October 2025 AG Management Report.
Consequence Management	There is a general disregard for compliance with key legislation. No updated consequence management policies Non-Ethical behavior of employees	No disciplinary board in place. Instability of the council to provide oversight Lack of change, management	Lack of Capacity General disrespect for the rule of law	AG Management Report 2020/21. SCM Implementation Report Q3

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
Performance Management	The municipality lacks approved internal policies and procedures to manage the process of collecting, recording, processing, monitoring, and reporting performance information. The lack of effective records management has been the primary cause of the repeated disclaimers of opinions on performance information issued by the AGSA over the past three consecutive financial years. PMS is not cascaded to staff below S56/57 managers.	The performance management unit lacks sufficient capacity to plan, manage, and report on Organisational performance. Gaps in document and record management hinder the proper assessment of performance. The Performance Management Framework has been approved; however, implementation challenges remain. No internal resources to facilitate the PMS to all levels of the Municipality	Lack of reliable information to measure organizational performance Lack of formalized Standard Operating Procedures to manage performance reporting, and the effective monitoring of performance evaluation of reported performance information.	AG Report 2020/21. SDBIP
HR Strategy	The Municipality does not have an approved HR Strategy to support its operations	The HR has no capacity or competency to draft the HR strategy in line with the demands of the organization	HR lacks the capacity to develop an HR strategy Inadequate training.	AG Management Report 2020/21 Draft Annual Report 2020/21.
Records Management	The municipality does not have a proper system to ensure the safekeeping of documentation that supports the financial statements and the annual performance report There is no record management policy, system, or procedure. Document management is lacking across all departments Employees' records and system exist, but are not updated The employee leave records management system is dysfunctional (manual forms are transferred into the system)	Records management policy and practice gaps exist in the municipality due to skills and resources Record Management has remained a main contributor to Disclaimers of Opinion over the years SOP for the movement of employee records is not established Lack of automated systems to manage the employee leave application process A dysfunctional leave system challenges the leave audit process. Leave balances from the old system continue to	Lack of Internal controls and accountability. There is no experienced resource dedicated to records management No internal capacity to manage personnel records Management's failure to implement the leave policy Using a two-leave system creates	Risk Register AG Management Report 2020/21.

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	The leave management policy is not adhered to in some of the departments Leave audit not done Sick leave not properly managed (eg, manager of water and sanitation) The SAGE Electronic System is operational, but not optimised by the municipality	be taken by employees without proper checks and balances in the new records The SAGE module for leave is not functional.	management challenges	
Key HR Policies	Council has approved key HR Policies in May 2025 The municipality fails to properly implement approved Policies. Abscondment policy Policies not tabled for review The municipality is in contravention of the Occupational Health and Safety Act, as most of its buildings are not conducive to a productive organisation.	Policies approved include -Travel and Removal Policy -Overtime Policy - Acting policy --Annual Leave policy --Housing Allowance Policy - Student Assistance Policy -Attendance and Punctuality Policy - Chronic illness Policy - Code of Conduct for Municipality Employees - Confidentiality Policy - Dress Code Policy - Employee Assistance Policy -Employing Non-Fulltime Staff Policy -Exit Management Policy -Gift Policy -Imprisoned Employee Policy -- Incapacity due to poor work performance policy -Legal Aid Policy for Councillors and Employees- Nepotism Policy --Occupational Health and Safety Policy -Payroll Management and Administration Policy -Personal Protective Equipment Policy -Policy on Acting in Other Positions - Private work policy - Recruitment and Selection Policy - Retirement Policy -Scare Skills Policy - Secondment Policy - Sexual Harassment	Lack of policy enforcement Lack of training on policy and procedures Lack of a defined SOP on approved policies Poor maintenance of buildings	Workstream meetings held on 14 to 15 October 2025 Draft HR Policies

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	The Department of Labour has already issued a contravention notice to the site offices of the municipality	Policy -Smoking policy - Study Aid and Leave Policy -Substance Abuse Policy -Succession Policy -Training and Development Policy - Poor upkeep and maintenance of buildings, Lack of OHS officers and safety reps per building Lack of consequences for employee vandalism and unethical behaviour		
Physical Verification of staff and qualifications	The employee verification exercise was conducted but not completed. To date, 40 employees have not been verified. The payroll audit was not conclusive and remains outstanding.	There is no documented evidence of regular physical verification of employees against their payroll records.	Poor Human Resource management practice.	Workstream meetings held on 14 to 15 October 2025
Skills & Competencies	The municipality lacks skilled employees in critical operational functions within service delivery and corporate support. Lack of critical skills in Finance departments (procurement, AFS, Revenue management, and Expenditure management Lack of Skills in all Technical services (Electricity, Water, Waste management, and Roads) No employee development plans. Cogta conducted a qualification and skills audit; however, it did not include all employees. The Skills Development plan has been approved and submitted to the SETA	Skills and competencies are not aligned with the municipality's needs. Limited capacity and skills to facilitate compliance with the Municipal Minimum Competency Framework Inability of the municipality to attract talent due to unfunded budgets and the municipal reputation Unfunded budgets Employees are misplaced across the organization with relevant skills and competencies	Inadequate skills levels and inadequate qualifications. Lack of training Lacks the requisite skills to perform key and core functions. CoGTA withdrew its resources because the contract ended.	Workstream meetings held on 14 to 15 October 2025 Draft Annual Report 2020/21.
	The Training Committee is in place. Work Skills plan in place.	Training was provided for only for ten roadworks staff in 2020/21.	Lack of training facilitated by the municipality.	

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Source of Information
	The training and development policy is in place; however, it remains unfunded	No training was performed to upskill staff despite the lack of skills and experience in most departments No employee development plans. Competency assessments performed for Finance officials only (none in SCM)	Budget constraints in the implementation of the WSP	
Change Management	The municipality has no Internal capacity to deal with change management The psychological effect of non-payment of salaries has affected employee morale and trust 3 rd party areas have created an unfavorable environment in employee relations Employee personal differences compromise professional relationships. The culture in DLM is not conducive to creating an effective and efficient municipality. Impunity, disregard for legislation, rules, processes, etc., have been raised as concerns	Lack of strategic drive towards best employer practices due to management instability Employees are demoralised by salaries and also the tools of trade Employee protection has been compromised by personal intimidation Lack of employee relations and professional staff compliments Lack of consequence management	Lack of strategic leadership Lack of internal resources that are experienced in change management Lack of management communication on issues of common interest	Workstream meetings held on 14 to 15 October 2025

6. CONCLUSION

The status quo assessment concentrated on identifying major problems and the root causes for the current financial and service delivery crisis in the municipality. This was done through stakeholder engagement and desktop examination of documents to articulate findings that will be used to inform remedial actions in the FRP to assist the municipality overcome its shortcomings.

Several findings were made in the SQA with the sole aim of delving deep into challenges faced by DLM. The identified challenges had resulted in deep rooted problems at the municipality.

The municipality's financial standing is worrisome hence the need to timeously plan and execute strategies to recover from the situation. However, the dedication and involvement of all stakeholders, including elected officials, private sector, citizens, and community organisations, are necessary for the municipality's recovery plan to be successful.

This report will be used to prepare a mandatory financial recovery plan (FRP). The success of the FRP will be dependent on the leadership commitment, stability, stakeholder validation, participation, monitoring, and strategic direction. To gain the confidence of the community and draw in investment, the resultant financial recovery plan should promote an atmosphere of cooperation, openness, and responsibility.