

# O. R. TAMBO DISTRICT MUNICIPALITY

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## REPORT PREPARED BY THE EXECUTIVE MAYOR IN ACCORDANCE WITH THE DISCIPLINARY REGULATIONS FOR SENIOR MANAGERS, 2010

### 1. SUBJECT

Allegations of financial misconduct and mismanagement against the Municipal Manager

### 2. PURPOSE

To request the council to consider and make resolutions on the allegations of financial mismanagement and misconduct against the municipal manager of the OR Tambo District Municipality

### 3. DISCUSSION

The office of the executive Mayor has received complaints of financial irregularities, mismanagement and unorthodox financial practices. These allegations, if proved at a later stage, exposes the municipality into serious and compromising financial position. Viewed altogether, these allegations suggest corrupt financial practices or theft of municipal finances. The situation is also alarming with the suggestion of money laundering, alternatively, unauthorized municipal loans disguised as advance payments to companies for members of the public. In certain instances,

project managers who must confirm whether a project exists or does not exist make payments without concurrence. In this report, I highlight some of those identified projects and payments.

When all the allegations are viewed, I considered them to be so serious and thus constitute an act of serious misconduct on the part of the accounting officer, our Municipal manager. Accordingly, I table this report to this council. In view of the seriousness of these allegations, I propose an investigation by an independent investigator who must focus on:

- Municipal projects;
- Payments to contractors and service providers;
- The existence of these projects & other exposing financial practices by the municipality.

I have no doubt that the investigator would focus on deliberate or negligent actions of the accounting officer. We have obligations in terms of the municipal finance management act. It must be a decision of the council whether to proceed with the investigations whilst the affected municipal officials are within the institution but this matter is sensitive. It involves junior staff as witnesses like security guards, clerks in the finance department, finance staff and project managers, the safety and wellbeing of those who approached my office, the integrity of investigations and an opportunity to do investigations without hindrances and interference.

The following is the summary of some of the allegations reported to me:

- a) An amount of R12, 622,000 paid to RUWACON for the supply of material to the Signal Hill in Mthatha. The material remain undelivered. The payment was processed and the company received the money.
- b) R10, 361, 500 paid to Gcinasonke Construction for the Mqanduli Bulk Sewer. No work done although payment was done. A completion certificate was presented although work was not done.

- c) A sum of R9, 990,000 paid to Khwalo Construction for Mqanduli Bulk Sewer. No work done although the monies were paid in full.
- d) The delivery of tanks to Mhlontlo. Monies were paid to the subcontractors although they did not participate in the project. There is no evidence that they helped in the delivery of tanks and yet monies were paid to them. These are the payments:
- |                  |   |              |
|------------------|---|--------------|
| a) Valotone      | : | R2, 503, 467 |
| b) Phoenix Tanks | : | R1, 040, 314 |
- e) Unexplained (Advance) Payments:
- These amounts paid to Amatola
- |                  |
|------------------|
| a) R28, 020, 506 |
| b) R91, 182, 757 |
| c) R14, 800, 930 |
- f) There have been threats to the CFO because of his refusal to process illegal payments. He has now hired his own bodyguards because he fears for his life. He is always expecting to attack anytime
- g) The Municipal Manager did not bring court judgements against the municipality resulting in the attachment of municipal vehicles and other property by the sheriff, for example, OR Tambo District Municipality Vs Kubukeli to the attention of the council. These judgements resulted in financial losses for the municipality.
- h) As at 8 June 2020, the projected underspending of MIG at the end of June 2020 is R157, 1 million and for WSIG is R71, 5 million. The District Municipality has already lost a total amount of R48, 7 million from RBIG and Drought Relief Grant combined, that is, R36, 7 million for RBIG and R12 million for Drought relief grant. This District Municipality cannot afford to lose another money.

#### 4. ORGANISATION AND PERSONNEL IMPLICATIONS

None

## 5. CONSTITUTIONAL AND LEGAL IMPLICATIONS

- Labour Relations Act of 1995
- Local Government: Municipal Systems Act
- Local Government: Municipal Structures Act
- Local Government: Municipal Finance Management Act

## 6. RECOMMENDATIONS

It is recommended that the Council:

- a) Notes and consider the allegations against the municipal manager as serious and thus, if proved constituting serious misconduct.
- b) Authorizes investigations by independent investigator within a period of 7 days
- c) Must consider suspending the Municipal Manager as a precautionary measure to prevent more mismanagement and wastage of municipal funds and, further, to protect potential witnesses.
- d) Gives the Municipal Manager until 22 June 2020 to give reasons or show cause why he cannot be suspended pending investigations on the allegations set out in the report and other allegations which may emerge during investigation.

## RESPONSIBLE SOURCE

The Executive Mayor submits the report to council