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**OPENING REMARKS BY THE EXECUTIVE MAYOR, CLR. SELLO 'DADA' MORERO AT THE  
PARLIAMENTARY STANDING COMMITTEE ON PUBLIC ACCOUNTS ON 9 JUNE 2026 AT CAPE TOWN**

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**GREETINGS TO YOU CHAIR, HON. ZIBI**

**GREETINGS TO HONOURABLE MEMBERS OF THE STANDING COMMITTEE ON PUBLIC  
ACCOUNTS (SCOPA)**

**GREETINGS TO HONOURABLE MEMBERS FROM THE PORTFOLIO COMMITTEE ON  
COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS**

**GREETINGS TO ALL THE GUESTS PRESENTS AND THOSE WHO ARE WATCHING AND  
LISTENING TO THIS SESSION**

**CHAIR OF THE MUNICIPAL PUBLIC ACCOUNT COMMITTEE (MPAC), DEPUTY EXECUTIVE  
MAYOR, CITY MANAGER AND TEAM, ONCE AGAIN GOOD MORNING**

**FELLOW JOBURGERS LETS US APPRECIATE THIS OPPORTUNITY TO PRESENT AND  
ACCOUNT TO THE JOINT SITTING OF SCOPA AND COGTA**

**HONOURABLE CHAIR,**

On a lighter note, please note that this is the first time I appear in front of SCOPA. If I had to go by the media, this moment feels like being summoned to the Principal's office. Added pressure is the famous love letters from the Minister of Finance, but no one leaks or talks about the 6 love letters we have written to Treasury and Auditor-General (AG).

I would like to thank you for inviting us to your portfolio committee. Mostly importantly, I would like to thank you for your understanding in allowing the rescheduling of this session. At the time of the request, we were undergoing public consultation for the our Integrated Development Plan (IDP) and budget; preparing for the State of the City and Budget Speech.



For us this is an important moment. Not only is it an opportunity for us to account and exercise this important democratic function. It is an opportunity to tell our story, receive advice from the committee so that we can better the lives of the people of Johannesburg.

**HONOURABLE CHAIR,**

Please allow me to introduce Team Joburg. I am the Executive Mayor of City of Johannesburg, Clr. Sello Enoch 'Dada' Morero. Today I am supported by:

1. Chair of MPAC
2. Deputy Executive Mayor, Clr Loyiso Masuku
3. City Manager, Dr Floyd Brink
4. Chief Operation Officer, Mr Tshepo Makola
5. Group Chief Financial Officer, Mr Tebogo Moraka
6. Group Corporate and Shared Services, Mr Mbulelo Ruda
7. Group Risk and Assurance, Ms Sinaye Nxumalo
8. Group Strategy, Policy, Coordination and Relations, Mr Zayd Ebrahim
9. Chief of Staff, Mr Chris Vondo
10. Managing Director of Johannesburg Water, Mr Ntshavheni Mukwevho
11. Acting Managing Director of City Power, Mr Charles Tlouane

Our delegation may seem large and thank you for accommodating us.

**THROUGH YOU CHAIR,**

We received your request for information, and my office tells me that we complied. Every document was submitted. Today, we structured our presentation based on your request. Your request expects us to account on the following:



## **1. The state of governance, including audit outcomes, over the past three years.**

For the year ended 30 June 2025, the AGSA issued an unqualified audit opinion for the City of Johannesburg Metropolitan Municipality on its consolidated Group Annual financial statements; and a qualified audit opinion on the City's performance and information report. The annual financial statements of the core administration (parent municipality) were qualified. Although the City had lodged a dispute with the AGSA, not all the issues of the dispute could be satisfactorily resolved for the period under audit. Management led by the Group CFO is in the process of developing a remedial action plan that will address the underlying causes for all the findings. The resolution of the AGSA audit findings may be impacted by the delayed finalisation of the FY2024/25 audit and therefore the final management report. However, in respect of the two findings that formed the basis of the qualification, i.e. year-end cut off dates and sundry debtors, the resolution actions require implementation of financial accounting procedures that management should be able to resolve. Details will be elaborated by the City Manager and the Group CFO.

## **2. Infrastructure projects compliance, project management, and overall status.**

This City functions through a group function. There is the core and municipal entities. The City Manager's presentation will cover this area of their audit outcomes. Entities are our implementing agencies. With this complex structure, which is an outcome of an institutional review, we understand that our challenges are structural, systematic and financial. The City's Operating model is built Igoli Strategy. In 1999, Johannesburg appointed a city manager to address the city's deteriorating financial situation. Together with the Municipal Council, they developed a blueprint called "Igoli 2002" — a three-year plan that called on the city to sell non-core assets, restructure certain utilities, and require all others to become self-sufficient.



The plan successfully took the city from near insolvency to an operating surplus of R153 million. A critical component of the plan was also the move to a single-tier metropolitan system with an executive mayor, through which the city could address the problem of fragmentation in political governance.

The central innovation of Igoli 2002 was the creation of a series of Municipal Owned Entities (MOEs) — essentially ring-fenced companies wholly owned by the City — to deliver services on a business footing. The city bus service, the Johannesburg Zoo, the Civic Theatre, the Fresh Produce Market, and the city's property holdings were turned into corporations with the city as the single shareholder, each run as a business with management hired on performance contracts.

In total, fourteen Municipal Owned Entities were created for effective service delivery. These were divided into three categories: agencies, utilities, and corporatised entities. The three categories of entities:

- Utilities — including City Power (electricity), Johannesburg Water (water and sanitation), and Pikitup (solid waste) — are registered companies run on business lines. They must be self-funding, receiving no annual grants from the city, and provide billable services directly to individual households.
- Agencies — including Johannesburg Roads, City Parks, and the Johannesburg Development Agency — each perform a service to the public at large with no direct charges to individual consumers. They are structured as separate companies but are reliant on the council for funding.
- The corporatised entities such as the Zoo, Civic Theatre, bus service, Fresh Produce Market, and property company each compete in the open market.



The City is the sole shareholder of all these entities, but they operate under the Companies Act and are semi-autonomous. Each entity has a board of directors to whom the managing director or chief executive reports. Financially, the city operates a centralised model — known as the iGoli 2002 delivery model — that centrally procures a single banking partner for use by all departments and municipal entities, sweeping funds daily to optimise cash flow, reduce transaction costs, and ensure strategic investment of idle balances.

We understand the root causes articulated the Auditor-General. We must bear in mind the population we are servicing, taking into accounting aging infrastructure and budget constraints. To date we note and addressing the challenges related to:

- Johannesburg Water Non-revenue losses of 44.7% amounting to R3.8 billion
- City Power's total electricity losses of 30%. Non-technical losses amounting to R4 billion which is 21%. Technical losses are 9% amounting to R1.7 billion
- JOSCO has a deficit of R559 million.

We do have good stories to tell:

- Joburg Market with a clean audit; surplus of R117 million, which is 46.3% of the national markets share.
- JPC has a surplus of R114.5 million
- JTC has a surplus of R21.4 and JCT has a surplus of R3 million. Both continue to maintain clean audits.

Like all metropolitan municipalities, we are undergoing the metro trading reform process. This process is going assist the City to Turn around trading services by



addressing structural problem causing a split in accountability, a lack of financial transparency and management accountability. Secondly governance failures that erode management skills, and drive inefficiencies and leakages. Thirdly, low cash revenues. Lastly low investment due to inappropriate allocation of grants, inefficient expenditure and inability to raise loan finance

### **3. Irregular, unauthorised, fruitless, and wasteful expenditure over the past three years.**

The 2024/25 financial year reflects meaningful progress in addressing the City's UIFW legacy, with total accumulated UIFW balances declining by 44% from R23.7 billion to R13.3 billion. This has been achieved principally through aggressive Council-approved write-offs; most significantly in Unauthorised expenditure, where the balance was reduced by over 70%. However, the City's attention is drawn to the following ongoing concerns which this House should note:

- New unauthorised expenditure remains at approximately R9 billion per annum- indicating systemic budget management challenges that write-offs alone cannot resolve.
- New irregular expenditure of R3.7 billion continues to be recognised, with 1 741 matters still under investigation.
- Fruitless and wasteful expenditure spiked to R938 million in 2024/25, largely due to interest and penalty charges across entities, pointing to cash flow and payment discipline challenges at entities such as City Power and Metro Trading Company.
- Recovery of fruitless and wasteful expenditure from responsible parties declined sharply, raising accountability concerns.



The Administration remains committed to strengthening internal controls, improving budget compliance, and accelerating consequence management to address the root causes of UIFW expenditure.

#### **4. Deviations and contract expansions**

Deviation details will be addressed by the City Manager.

Contract extension under Section 116 is a formal, regulated process that requires council transparency and community participation. It is not something a municipality can do quietly or unilaterally. National Treasury Circular 62 sets limits on how much a contract may be expanded or varied: not more than 20% for construction-related goods, services, and infrastructure projects, and not more than 15% for all other goods and services, relative to the original contract value.

For longer-term extensions: Where an amendment or extension has a budgetary implication for a term longer than three years, Section 33 of the MFMA will also apply alongside Section 116(3).

A typical extension might be on a month-to-month basis from the expiry date until a new service provider is appointed, usually for a period not exceeding six months. The aim is to prevent irregular expenditure and ensure accountability in municipal contracting.



## **5. Implementation of audit action plans**

As guided by the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora), management is addressing findings raised by the Auditor-General as contained in the Auditor General's Report. In this report there are actions to be taken and preventative controls to deal with the finding; the departments that will be responsible for implementing the required actions and the officials that will drive the implementation of that action.

## **6. Detailed information on consequence management being implemented.**

Consequence management is a challenge. Both political and administrative instability may be the root cause of this challenge. However, the City does implement consequence measures, officials have been disciplined and others dismissed. Details will be covered by the City Manager.

## **7. Any other matter to the attention of the Committee by the AGSA.**

During your session with the AG, raised concerns about the commitments made by the Speaker, myself and the City Manager. The AG said they are in progress. We say some areas are done. The City does have a Disciplinary Board that is functional. The City does have turn around strategy. This strategy was articulated in the State of City Address. It is supported by the Presidential Working Group, private sector, labour, civil society and of course the Bomb Squad. Finance has a war room, which is implementing its turnaround plan. City Power and Johannesburg Water are also implementing their turn around. It is these strategies that are keeping the lights on. Ensuring that water comes out of taps and revenue gets generated.



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I would like to draw the Committees attention to the COGTA Upper Limits Notice. The Scope of the Upper Limits Notice regulates total pay for municipal managers and managers reporting to them. It does not automatically apply to municipal entities CEOs, who report to their boards. Municipal entities are separate legal persons but operate under municipal oversight

Municipal managers are directly governed by the notice and accountable to council. CEOs of municipal entities are governed mainly by the MFMA, Municipal Systems Act, and governance instruments like service agreements and shareholder compacts. Municipalities influence CEO remuneration indirectly through shareholder oversight, appointment powers and governance controls.

As we deal with salaries of senior managers. We have a responsibility to deal with the salary structures of the labour force in the City. The historical battle known as the Political Facilitated Agreement, is reaching implementation stage. Ignoring our workers is not strategic because service will not be provides and revenue will be affected. This a ten year battle had to come to an end.

As we engage with the review of Local Government Framework, we must review and unpack the limitation of the scope of the Notice. Non-compliance with governance or remuneration policies may pose governance, audit, or irregular expenditure risks.

The City has 3 Audit Committees, these are Group Audit, Risk and Performance Committees. These Committees produce an Integrated Audit report, which is submitted to Council. The latest being 31 May. These Committees are governed by



Section 166 of the MFMA read with Circular 65 of the MFMA, the Terms of References of Committees, the number of meetings held and their purpose, the Advisories made to Management, the Maycom and MPAC.

These committees perform a crucial role. They assist us to oversee the City and complex environment by providing:

- Advise to the Accounting Officer, Mayoral Committee and other political oversight structures on amongst others.
- Advice on the adequacy and effectiveness of the City performance management framework, policy and processes.
- Review the City's Integrated Development Plan (IDP) and the Service Delivery Budget Implementation Plan
- Assess whether the annual performance targets and key performance indicators can be relied upon to appropriately monitor and measure the achievement of the City's Service Delivery Budget Implementation Plan, as approved by Council.
- Assess the reliability of the performance information submitted in evidence of attainment of organizational objectives, wherein the Committee relies on the independent assurance audits carried out by Internal Audit on a quarterly basis;
- Assist management in identifying bottlenecks that hinder attainment of the Mayoral Priorities, and recommending possible interventions to senior management and the Accounting Officer.
- Evaluation of senior management's performance scorecards, i.e. employees appointed in terms of section 56 of the Municipal Systems Act; and monitoring of actual performance.



- Assess outcomes of the year-end audit of organizational performance information by the Auditor General SA.

## **8. Any matters referred to the relevant law enforcement agencies for further investigation.**

Cases are highlighted in the City Manager's presentation. In relation to by-law enforcement, we continuously sent to court, and we continue to win. Latest victory is our battle with Marble Towers.

## **HONOURBLE MEMBERS**

This Committee is about accounting on public funds. Not only is the City performing its core functions, but it is also responding to the needs of the people of Johannesburg. To date we are resolving queries:

- Region F absorbed the largest share of issues (1,050 cases, 24% of all logged), highlighting the operational weight of this area. Despite the high caseload, resolution efficiency was only 68%, leaving a backlog of 331 unresolved issues. This confirms Region F as the most resource-intensive and performance-critical area.
- Region G was the second-highest contributor (1,168 cases, 26% of all logged) and achieved a strong 85% resolution rate. Its backlog of 174 unresolved cases is proportionally smaller, showing effective closure and strong operational coordination.
- Region E handled 895 issues (20%), resolving 745 (83%). This places Region E among the strongest performers, combining high volume with high efficiency.



- Region B logged 491 issues (11%) and resolved 368 (75%), making it one of the stronger regions. Its backlog of 123 unresolved cases is relatively modest compared to its caseload, demonstrating effective translation of operations into service closure.
- Region C managed 244 issues (6%), resolving 150 (61%). While above the citywide benchmark of 60%, its backlog of 94 unresolved cases indicates moderate efficiency. Region C's performance highlights progress but also the need for improved closure rates to reach the >75% threshold achieved by Regions B, E, and G.
- Region A handled 202 issues (5%), resolving 123 (61%). The weaker resolution rate suggests coordination or resource gaps, particularly with JRA and Joburg Water, where closure rates were low.
- Region D achieved full resolution (390 issues, 100% resolved) despite a smaller caseload (9% of total). This demonstrates effective closure and sets a benchmark for operational efficiency.

## **IN CONCLUSION**

This morning, we looked at the media monitoring report so that we do not get accused of living in the sky. Online media: 16% negative and 24.2% positive. Radio: 3.3% negative and 8.5% positive. TV: 2.3% negative and 5.2% positive. Newspaper: 2.9% negative and 2.9% positive. Magazine: 0.02% negative and 0.09 positive. Total 24.6% negative. 34.3% neutral and 40.9% positive. It may sound strange, but we must be doing something right. A lot still needs to be done. The foundation is laid our task is to focus on implementation.

I would to handover to the City Manager for his presentation.