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Support to local government

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The DCoG has been allocated critical roles and responsibilities in terms of outcome 9 of the MTSF, which seeks to bring about a responsive, accountable, effective and efficient developmental local government system. The DCoG, its provincial counterparts and the Municipal Infrastructure Support Agent (Misa), which is a government component of the DCoG, are to play a pivotal role in creating an enabling environment for local government to flourish, and to provide a context for oversight and support to municipalities.

We assessed these departments to determine whether they have implemented or put processes in place to ensure that the relevant monitoring and support initiatives as envisaged per the revised chapter 9 of the MTSF can – or will – be achieved.

The revised chapter 9 of the MTSF constitutes the strategy and contains the proposed initiatives to be implemented by the DCoG with respect to support to local government, and forms the basis of the sector audit procedures that we performed. We discuss the progress towards the implementation of the sub-outcomes of the revised MTSF initiatives (pertaining to the support to local government) in the rest of this section.

Progress towards the implementation of the revised Medium-Term Strategic Framework initiatives pertaining to support to local government

Sub-outcome 1: Members of society have sustainable and reliable access to basic services

According to the revised chapter 9 of the MTSF, the core focus and purpose of sub-outcome 1 is to ensure that 'members of society have sustainable and reliable access to basic services'. Access to services is constrained by a number of factors, not least the absence of sound asset management in the local government sphere. The high replacement cost of municipal assets makes it necessary to emphasise the critical importance of effective asset management and care in local government.

Programme management office

A programme management office comprising sector departments (Water and Sanitation, Energy, Environmental Affairs, and Transport) as well as the National Treasury, the Department of Planning, Monitoring and Evaluation (DPME), the DCoG and Misa is to be established to **oversee and coordinate** various matters relating to service delivery, such as new infrastructure projects and maintenance interventions. The DCoG indicated that a programme management office had been established and that the roles and responsibilities of each sector department had been clearly defined; however, evidence to corroborate the establishment and proposed functioning of the programme management office was not provided.

Municipal asset management

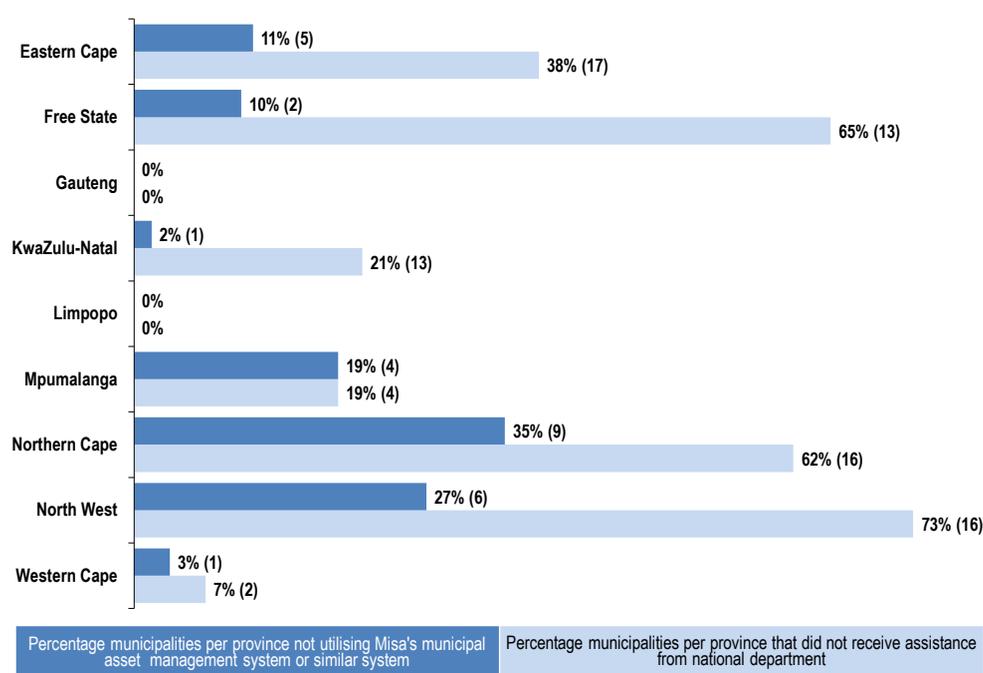
Municipalities are to be encouraged to increase their expenditure on maintenance and asset management over the life cycle of the asset. The following indicator was included in the 2015-16 annual performance plan of **Misa**: *Number of municipalities supported to develop, review and implement operations and maintenance plans, including spending of minimum 7% of the budget for operational expenditure.* Although Misa indicated in their performance report that this indicator had been achieved and that the targeted 21 municipalities received this support, we were unable to verify the actual achievement reported with regard to the operations and maintenance plans. Additionally, Misa was unable to reliably measure the operational expenditure spending given that the indicator and target had not been well defined upfront. Sections 5.2 and 5.3 detail the limited spending on maintenance during the 2015-16 financial year, including the fact that 50% of municipalities did not have maintenance plans, highlighting the need to enhance and expedite support initiatives in this area.

Support by national Department of Cooperative Governance

Municipalities are to be supported by the DCoG to establish municipal asset management systems. To this effect, the Municipal Infrastructure Performance Management Information System was developed under the control of Misa for implementation by municipalities in 2015-16. Implementation was largely successful, as only 28 municipalities had not implemented Misa's municipal asset management system or a similar system for purposes of asset management. However, support is still clearly required to ensure that these systems are effectively utilised to improve asset management in local government.

Figure 1 depicts the percentage and number of municipalities per province that did not utilise this or a similar system for **asset management**. It also depicts the percentage and number of municipalities per province that did not receive assistance from the DCoG with regard to Misa's Municipal Infrastructure Performance Management Information System or another similar system that serves the same purpose.

Figure 1: Percentage of municipalities per province not utilising municipal asset management systems and that did not receive related assistance from the national department



Delivery of basic services

Municipalities are to be supported by national and provincial cooperative governance departments, provincial treasuries and the National Treasury to improve their ability to deliver services. A total of 45 municipalities (17%) did not receive any support from the cooperative governance departments or any of the treasuries. The highest number of municipalities that did not receive the necessary support was in the Free State (nine municipalities – 45%), the Northern Cape (10 municipalities – 38%) and KwaZulu-Natal (12 municipalities – 20%). The lack of support could adversely affect the ability of these municipalities to improve service delivery.

Sub-outcome 2: Strengthened intergovernmental arrangements for a functional system of cooperative governance for local government

Strengthening the capability of provincial Cogtas will provide a solid institutional platform for the provision of effective context-specific institutional development and capacity-building support to municipalities as well as improved monitoring and oversight to ensure that high standards of public service and good governance are maintained at local government level.

The DCoG put processes in place to undertake the **organisational evaluation** of provincial Cogtas. The effectiveness of provincial departments is evaluated to improve their functioning in terms of monitoring, supporting and empowering municipalities to fulfil their mandate. The process is, however, still ongoing and as a result actions to facilitate envisioned improvement had not yet commenced.

Sub-outcome 3: Democratic, well-governed and effective municipal institutions capable of carrying out their development mandate as per the constitution

Municipalities should have fundamental institutional and management processes and practices in place to deliver quality services and to be responsive to the needs of communities. The following are two key outputs for this sub-outcome:

- Putting people first (ward committees to engage in participatory ward-level planning to produce ward-level service delivery plans and municipalities to have responsive and viable community complaints systems)
- Good governance (strengthened accountability and functional executive structures; as well as key risk areas associated with corruption and/or weak governance identified and responded to, including political interference, non-compliance with tender rules and reducing the high levels of unauthorised, irregular as well as fruitless and wasteful expenditure)

Key output 1: Putting people first

The DCoG reported in its 2015-16 performance report that the target relating to monitoring the functionality of ward committees in line with the implementation of the ward operational plans had been achieved; however, we were unable to obtain sufficient appropriate evidence to support the reported achievement. The department reported that a national analysis was conducted on the current ward committee functionality to inform the next generation after the 2016 local government elections.

Customised indicators were developed to measure public participation for inclusion in the annual performance plans of all provincial Cogtas. While these departments in Gauteng, Limpopo, Mpumalanga, the Eastern Cape and the Western Cape validly reported their achievement of these indicators, table 1 sets out our findings in the remaining provinces.

Table 1: Provinces that did not achieve the relevant customised indicators relating to public participation (putting people first)

Finding	Province			
	Free State	KwaZulu-Natal	Northern Cape	North West
The target relating to the following matters was not achieved				
Number of ward committees supported on implementation of ward operational plans	Not achieved	Indicated as achieved; however, we were unable to obtain sufficient appropriate audit evidence to support the achievement reported	Indicated as achieved; however, we were unable to obtain sufficient appropriate audit evidence to support the achievement reported	Target not included in performance plan
Number of municipalities supported on development of ward-level database with community concerns and remedial actions produced	Reliably reported as achieved	Reliably reported as achieved	Indicated as achieved; however, we were unable to obtain sufficient appropriate audit evidence to support the achievement reported	Target not included in performance plan
Report on the number of community report-back meetings convened by councillors in each ward	Reliably reported as achieved	Indicated as achieved; however, we were unable to obtain sufficient appropriate audit evidence to support the achievement reported	Indicated as achieved; however, we were unable to obtain sufficient appropriate audit evidence to support the achievement reported	Target not included in performance plan

Sub-outcome 3 lists as one of its key outputs that ward committees should engage in participatory ward-level planning to improve ward-level service delivery. Furthermore, municipalities should have responsive and viable community complaints systems. These elements should then be addressed through a comprehensive ward-level improvement plan. Table 2 lists the number of municipalities (excluding district municipalities) per province where we identified findings relating to this key output.

Table 2: Number of municipalities per province with findings relating to ward committees

Province	No ward-level improvement plans submitted for auditing	Ward committees not established for each ward	Ward-level improvement plans developed but did not address basic concerns	Ward-level improvement plans not developed
Eastern Cape	5	1	3	6
Free State	1	-	2	3
Gauteng	-	1	-	-
KwaZulu-Natal	1	-	-	2
Limpopo	-	-	-	1
Mpumalanga	1	-	-	7
Northern Cape	1	2	-	10
North West	5	2	-	8
Western Cape	1	1	-	5
Total	15	7	5	42

Key output 2: Good governance

We were unable to obtain information from the DCoG to determine whether appropriate actions had been taken to ensure that the targets as set out in the revised MTSF relating to the curbing of unauthorised, irregular as well as fruitless and wasteful expenditure, monitoring and reporting on the functioning of executive structures, and undertaking management performance assessments, would be achieved over the MTSF period.

We assessed that the DCoG and/or the National Treasury did not have a significant impact in respect of support in investigating and curbing unauthorised, irregular as well as fruitless and wasteful expenditure at 37% of the municipalities. Limited impact was also reported at 33% of the municipalities where support was provided towards ensuring that the municipalities had and applied clear tender rules, monitored adherence thereto and enforced compliance. This was predominantly noted in the Eastern Cape and KwaZulu-Natal.

Sections 4.2.1 to 4.2.3 further detail the distribution and value of unauthorised, irregular as well as fruitless and wasteful expenditure.

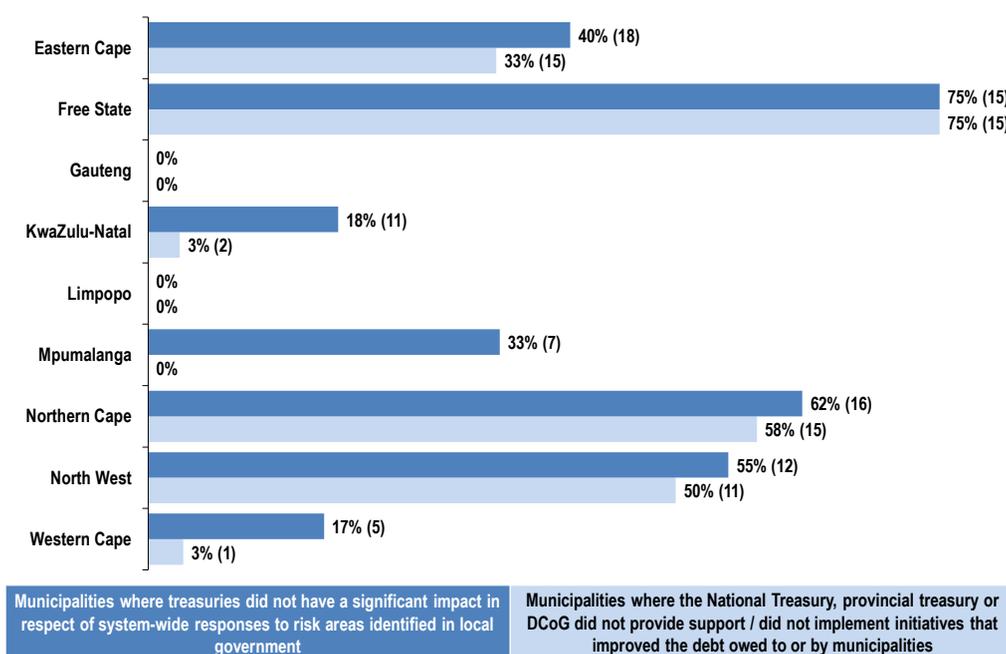
Sub-outcome 4: Sound financial and administration management

The fundamental aim of this sub-outcome is to attain a robust and sound financial management regime at local government level. Municipalities in Gauteng and Limpopo reported a high level of support with regard to sound financial and administration management – best practices in these provinces should be shared with the remainder of the sector to implement where appropriate.

We assessed that there was a lack of support in the following critical processes at a municipal level in the remainder of the provinces, as detailed in figure 2:

- Provide support to municipalities relating to the identification and addressing of transversal financial risk areas in local government.
- Provide support to municipalities regarding the resolution of concerns surrounding long-outstanding debt owed to and by municipalities.

Figure 2: Percentage of municipalities per province that reported a lack of support with regard to improving financial management



Municipalities are supported by provincial and national government (including treasuries and cooperative governance departments) through a number of different programmes, direct support to targeted municipalities, the provision of funding for consultants, and the municipal audit support programme of the South African Local Government Association (Salga). By improving the monitoring and reporting by municipalities, risk areas in local government finances will be identified. This will make it possible for appropriate system-wide responses to be investigated and developed and the issue of debt owed to and by municipalities to be addressed by the DCoG to find viable solutions to the problems of low collection, debt older than 90 days, and municipalities not paying creditors within 30 days. This will eliminate the weaknesses in the system that compromise the ability of municipalities to fulfil their service delivery obligations and developmental mandate.

Implementation of the back-to-basics programme

The DCoG continued its B2B programme during the year under review. This programme came into existence in 2014 and adopts the B2B approach as an urgent action plan to strengthen local government by getting the basics right. B2B is based on the following five pillars, which are aligned to the MTSF sub-outcomes:

- Putting people and their concerns first
- Supporting the delivery of municipal services of the right quality and standards
- Promoting good governance
- Ensuring sound financial management and accounting
- Building institutional capacity and administrative capability

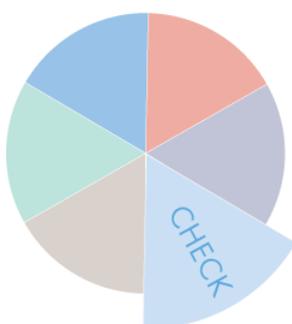
Municipalities were initially classified into three categories to aim the focus of the programme: those that are functioning well and getting the basics right (111 municipalities); those that are fairly functional with average performance and the potential to do well (86 municipalities); and those that are dysfunctional and require intervention (81 municipalities). The DCoG indicated that no significant changes were made to the B2B categorisation of municipalities during 2015-16. This was as a result of certain challenges that municipalities still faced, including weaknesses in the delivery of basic services, weak citizen engagement, incomplete and inaccurate data being provided by municipalities, uneven participation in provincial task teams, and a lack of central coordination and standardisation of the work of provincial task teams, which led to problems with the quality of information and B2B action plans.

The DCoG developed a 10-point plan of B2B priority actions during the third quarter of 2015-16 to guide ongoing activities and the next phase of the B2B programme.

During the year under review, 222 municipalities (84%) reported on a monthly basis on the B2B programme. The highest number of municipalities not reporting on the B2B programme was in the Eastern Cape (14 municipalities). The DCoG is currently still using the manual system used in the previous year for monthly reporting on B2B and for populating dashboard reports. The DCoG did not have processes in place to ensure that the monthly B2B reporting was accurate, as the department did not have capacity to verify all monthly responses received from municipalities. The department indicated that going forward, municipal managers would be required to sign off on the monthly reports submitted to ensure a higher level of control and accountability. Although it would initially have been completed by April 2016, the dashboard was not yet available for public viewing although it was being used for internal monitoring purposes. The DCoG plans on automating this process in the near future.

The B2B programme is the DCoG's key initiative and encompasses the proposed actions for support to local government to improve its functioning. It is therefore critical for municipalities to provide their B2B feedback for the programme to succeed. We thus included an audit procedure at MFMA level to determine the participation of municipalities in the programme.

Support plans had to be drafted to address the key challenges by municipalities that were classified as 'potential to do well' and 'dysfunctional'. B2B support plans were not drafted by 42 municipalities (which included 14 municipalities in the Northern Cape), while support plans were not adequate at only 23 municipalities (which included 16 municipalities in the Free State). These 16 municipalities also formed part of the 29 municipalities where the B2B support plans had not been implemented or monitored.



Conclusion

The departments of cooperative governance's oversight of, and support to, local government are not at the desired level, as evident from the matters highlighted in this section, particularly the fact that the categorisation of municipalities as part of the B2B programme remained unchanged in 2015-16. This indicates that, from the departments of cooperative governance's perspective, there had not been any material improvement in the functioning of local government during the 2015-16 financial year. While we acknowledge that leadership instability at the DCoG, who is primarily responsible for coordinating cohesive oversight and support initiatives to municipalities, has had a negative impact on the activities of the departments of cooperative governance, a concerted effort will have to be made to ensure the achievement of support interventions proposed in the MTSF by 2019.

