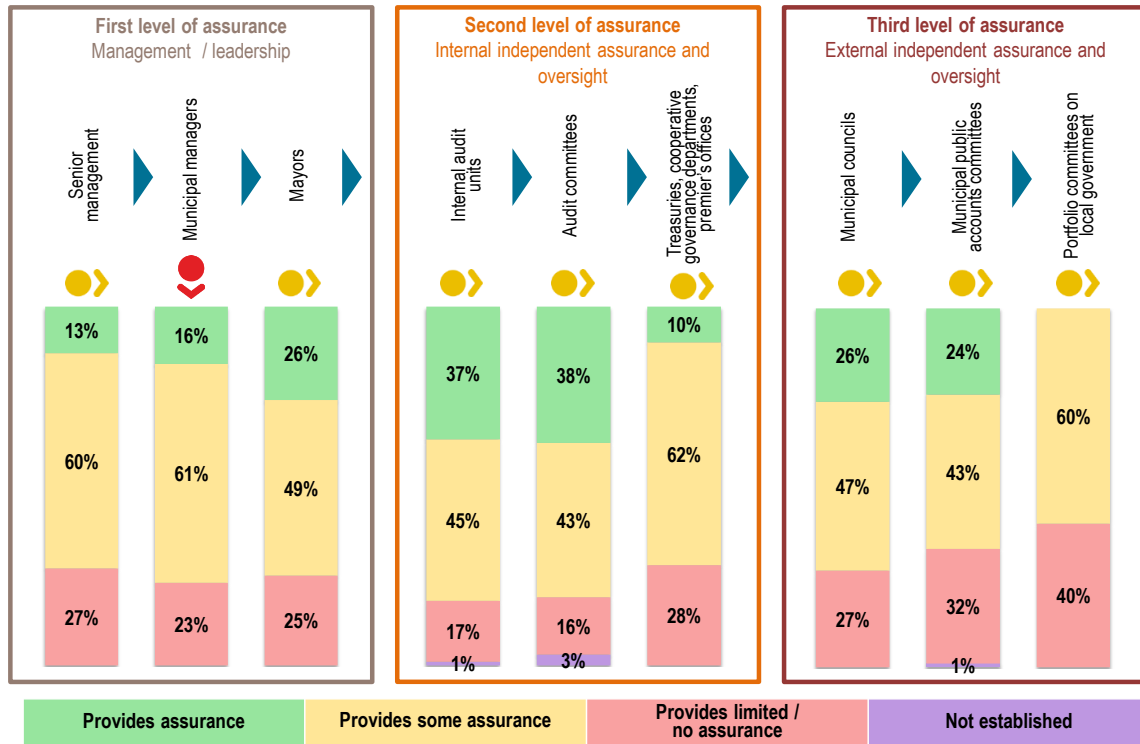


## **9** Assurance providers

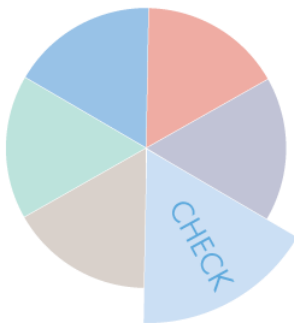
## 9. Assurance providers

Figure 1 shows our assessment in 2015-16 of the **assurance** provided by the management/leadership of municipalities and those that provide independent assurance and oversight. The arrows show the movement in assurance levels since 2014-15. We determined the movements, taking into account either increases in 'provides assurance' or reductions in 'provides limited/no assurance'.

Figure 1: Assurance provided by key role players



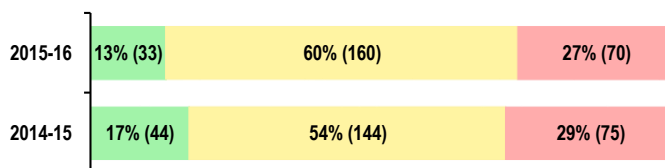
The assurance provided by these key role players had remained unchanged since 2014-15, except for the regression in the assurance provided by municipal managers.



Low levels of assurance show that there is a breakdown in a crucial element of the improvement cycle, being the monitoring to ensure that internal controls are adhered to, risks are managed and outcomes are achieved.

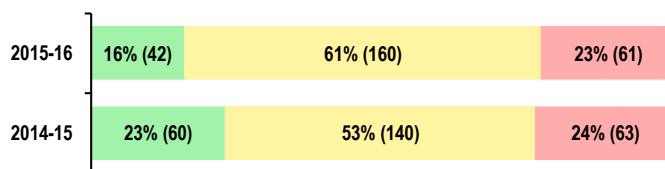
We provide an overview of the level of assurance provided by the different role players in the rest of this section. Refer to section 13.1 for further detail on the role of each role player providing assurance and the assessment thereof. We also reflect on the status of commitments made and key initiatives that will be undertaken by the offices of the premier, treasuries and departments of cooperative governance to address the audit outcomes. We further detail the commitments made (whether honoured or not) and the impact thereof by the DPME and Salga.

## Senior management



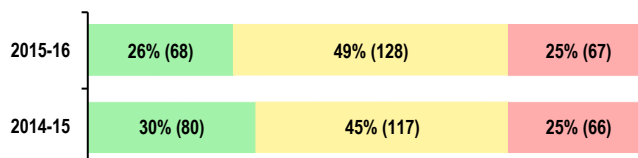
Senior management at 87% of the municipalities did not provide the required level of assurance in 2015-16 – a slight regression compared to the 83% in the previous year. The number of municipalities where senior management is providing limited or no assurance decreased slightly.

## Municipal managers



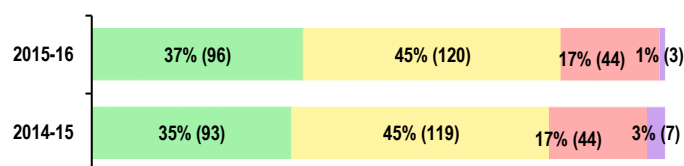
The assurance provided by municipal managers had regressed since the previous year, and municipal managers at 84% of the municipalities (2014-15: 77%) still did not provide the required level of assurance by 2015-16. We noted a regression in the assurance provided by municipal managers at municipalities in the Free State, Gauteng, KwaZulu-Natal and Limpopo. This was due to inadequate monitoring and evaluation of action plans as well as ineffective oversight of financial reporting to ensure credible financial reports.

## Mayors



The mayors that provided the required level of assurance slightly regressed in 2015-16 and mayors did not yet provide the required level of assurance at 74% of the municipalities – a slight regression compared to the 70% in the previous year. This slight regression is evidenced by the overall status of leadership controls (as detailed in section 2.2). At some municipalities, the mayor did not provide adequate oversight of the implementation of action plans to address prior year findings, while not all of the commitments made by mayors to improve audit outcomes were honoured.

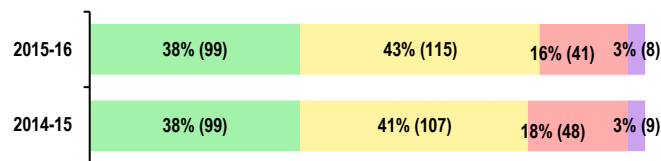
## Internal audit units



At some municipalities, well-resourced and effective internal audit units have helped to improve internal controls and have had a positive impact on audit outcomes. We assessed that in 2015-16, 44% of the internal audit units

had a positive impact on the audit outcomes (2014-15: 50%). The main reason for the lack of positive impact was management's failure to address internal audit findings.

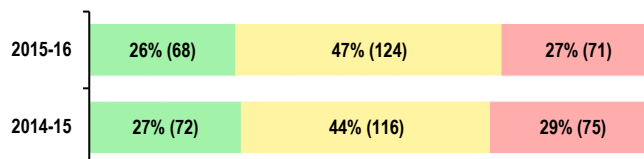
## Audit committees



At 38% of the municipalities, audit committees provided full assurance, which remained unchanged compared to 2014-15.

The audit committees of 58% of the municipalities had a positive impact on the audit outcomes (2014-15: 59%). The number of audit committees that interacted with the mayors and/or councils had increased to 232 (91%) from 226 (90%) in 2014-15.

## Municipal councils



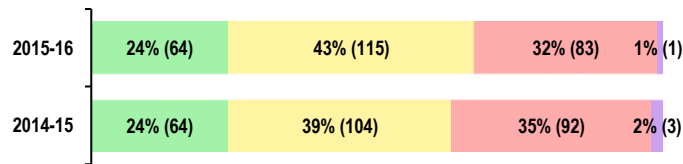
The council can provide extensive assurance through its monitoring and oversight role. Although councils are becoming more aware of the important role they have in this regard, most were not functioning at the required level, with only 26% of the municipal councils providing the required level of assurance by 2015-16. This is a slight regression compared to the 27% in 2014-15.

We participated in the national councillor induction programme that took place from September to October 2016 across all provinces. The programme concentrated on the following modules, among others:

- Legislative and policy framework
- Understanding sound financial management and governance
- Municipal planning and strategy
- Municipal finance management
- Municipal performance and accountability
- Role players and stakeholders
- The skilled municipal councillor
- The ethical municipal councillor
- Municipal procedures and protocols

As part of the handover process, all our audit business units engaged the new councillors (where MPAC chairpersons were in attendance) on the MFMA audit outcomes. There was a general appreciation of the handover report, which provided a glimpse of the issues that the new leadership would need to monitor towards attaining improved audit outcomes in the following year.

## Municipal public accounts committees and the Association of Public Accounts Committees



At 24% of the municipalities, MPACs provided full assurance, which is unchanged from the previous year. Only one municipality had failed to establish an MPAC, compared to three in 2014-15.

The following are some of the challenges that affected the work of MPACs:

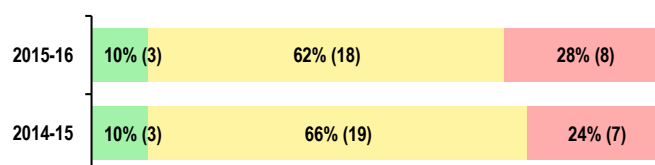
- Lack of capacity and awareness of MPAC roles and responsibilities, mainly because most MPAC members were new councillors largely due to the high turnover of MPAC members.
- Problems relating to effective administrative support – most of the committees still depended on support provided by the offices of the speaker or the municipal manager.
- Delayed submission of reports and information from the administration in some cases.

The new MPACs will require further support in capacity building and guidance to ensure improved oversight and assurance provision at local government level.

During our interaction with the Association of Public Accounts Committees (APAC) on the 2015-16 MFMA audit outcomes, the following initiatives were put forward:

- All provincial public accounts committee chairpersons must conduct joint hearings with MPACs to share best practices.
- The APAC leadership will conduct capacity building of MPACs and engage relevant institutions such as the DCoG and Salga to support the initiative.
- APAC to engage the minister responsible for cooperative governance to initiate a bill that will provide a clear legal provision for the existence of MPACs.
- APAC to engage the provincial speakers' forums to provide support in championing oversight through MPACs.
- APAC to coordinate provincial indabas to discuss the current MFMA audit outcomes and develop solutions. In preparation for the indabas, the following should be considered:
  - Provincial speakers, MECs responsible for cooperative governance and for finance, public accounts committees and MPACs should be in attendance.
  - An APAC exco planning workshop should be organised to craft a common approach.
  - Our support to provide insights on transversal issues should be prioritised.

## Treasuries, offices of the premier and departments of cooperative governance (coordinating/monitoring departments)



Only 10% of the coordinating/monitoring departments provided the required level of assurance in 2015-16, while 28% provided limited or no assurance in the year under review.

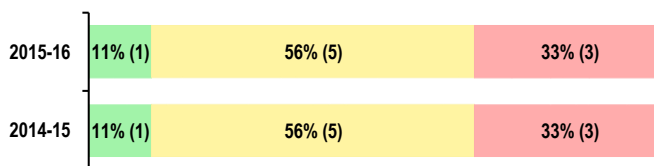
Our country's constitution stipulates that national and provincial government must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers, and to perform their duties. The MFMA further requires national and provincial government to assist municipalities in building capacity to support efficient, effective and transparent financial management. Both the MFMA and the Municipal Systems Act (MSA) define the responsibilities for monitoring financial and performance management.

The departments with specific coordinating and monitoring responsibilities are the National Treasury, the provincial treasuries, the offices of the premier and the departments of cooperative governance. We assessed the impact of these departments on the controls of municipalities based on interactions with them, commitments given and honoured by them, and the impact of their actions and initiatives. We also looked at the role of the DPME and Salga, although we did not assess them as assurance providers.

There had been a slight regression in the assurance provided since 2014-15. The assurance provided by both the provincial treasury and the premier's office regressed in North West. In Limpopo, the assurance provided by the premier's office improved.

The MTSF emphasises the involvement and collaboration by various role players in national and provincial government in addition to the municipalities. These include the DCoG, the National Treasury as well as provincial Cogtas, provincial treasuries and offices of the premier. Our assessment of these assurance providers based on the work done to support local government, as well as commentary on their role in implementing the MTSF outcomes, is detailed below and in section 8.

## Offices of the premier



The level of assurance provided by the offices of the premier had remained unchanged from the previous year, with only the premier's office in the Western Cape providing the required level of assurance. The premier in the Western Cape continued to use the premier's coordinating forum to coordinate and monitor provincial oversight as well as interactions with MECs on a monthly basis to monitor progress towards clean administration. The premier improved the oversight of the implementation of the municipal governance review and outlook process, which is coordinated by the provincial treasury and the provincial Cogta.

The premier's office in Limpopo had improved the level of assurance from the previous year to provide some assurance in 2015-16. The level of assurance provided by the premier's office in North West had regressed from providing some assurance in the previous year, as they played no role in improving the audit outcomes. The provincial treasury and the provincial Cogta had to implement some of the initiatives planned by the premier. The level of assurance provided by the rest of the offices of the premier had not improved from 2014-15, due to the slow response to our messages and the commitments made in the previous year not always being honoured.

Table 1 lists the commitments previously made and the status thereof, while table 2 lists the key initiatives agreed on in response to the 2015-16 audit outcomes.

**Table 1: Status of previous year's commitments**

Offices of the premier										
Outline of commitments		Province								
Number	Previous year's commitments	EC	FS	GP	KZN	LP	MP	NC	NW	WC
1	Eliminate disclaimed opinions.									
2	Ensure a sound control environment - provincial executive leadership's recommitment to B2B programme.									
3	Address the competency shortcomings of municipal managers and CFOs.									
4	Implement consequences for poor performance and transgressions against all employees.									
5	Improve key controls over record management.									
6	Exercise oversight of the implementation of service delivery war rooms across departments and municipalities by tracking and monitoring instances of service delivery protests and government rapid response.									
7	Promote a culture of accountability at municipalities.									
8	Address the lack of consequence management and lack of action taken against transgressors through the newly established consequence management committee under the leadership of the MEC responsible for finance.									
9	In line with the prior year commitments, the premier continued to use the premier's coordinating forum to coordinate and monitor provincial oversight as well as interactions with MECs on a monthly basis to determine the progress towards clean administration.									

**Completed**

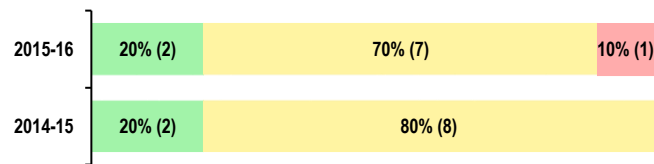
**In progress**

**Not implemented**

**Table 2: Key initiatives agreed on in response to the 2015-16 audit outcomes**

Offices of the premier										
Outline of key initiatives		Province								
Number	Key initiatives	EC	FS	GP	KZN	LP	MP	NC	NW	WC
1	Detect and prevent irregular expenditure as an executive priority.									
2	Focus on local economic development during outreach programme.									
3	Implement consequence management in the absence of improved audit outcomes for 2016-17.									
4	Exercise oversight of the implementation of service delivery war rooms across departments and municipalities by tracking and monitoring instances of service delivery protests and government rapid response.									
5	Strengthen coordinating role by strengthening the institutional arrangements through the intergovernmental framework.									
6	Seek visible actions to address poor outcomes.									
7	Focus on strategic interventions (including the acceleration of provision of water and education in the 2017-18 Medium-Term Expenditure Framework period, finalisation of comprehensive integrated development plan / budget review by municipalities, improvement of infrastructure planning and programme management, development of capacity in the provincial and municipal administration towards a creation of a developmental state, and revitalisation of operation clean audit programme).									
8	Prioritise accountability and service delivery at municipalities through Troika's commitments.									
9	Assist municipalities through provincial Cogta and provincial treasury.									
10	Apply a concentrated and focused approach regarding financial management issues (move the financial management unit from provincial Cogta to provincial treasury).									

## Provincial treasuries and the National Treasury



The assurance provided by the treasuries regressed over the past year due to the limited or no assurance provided by the provincial treasury in North West.

The provincial treasury in the Western Cape and the National Treasury continued to provide the required level of assurance in 2015-16. The National Treasury demonstrated a proactive and consistent approach in using our reports on audit outcomes as one of its indicators to respond to, among others, identified control weaknesses.

We assessed the remaining provincial treasuries as providing some assurance. At some of the provinces, officials from the provincial treasuries were involved during the audit process and attended audit steering committee meetings; however, their involvement was not sufficient to drive positive outcomes. We noted improvements at some municipalities, but others still submitted financial statements with material misstatements.

Table 3 lists the commitments previously made and the status thereof, while table 4 lists the key initiatives agreed on.

**Table 3: Status of previous year's commitments**

National Treasury and provincial treasuries											
Outline of commitments		Province									National Treasury
Number	Previous year's commitments	EC	FS	GP	KZN	LP	MP	NC	NW	WC	
1	Capacitate the municipal finance unit within provincial treasury.										
2	Establish an audit intervention forum chaired by the MEC responsible for finance to discuss transversal audit matters, to intervene where required, to facilitate conclusion of unresolved outstanding matters, and to provide the necessary political leadership during the audit process.										
3	Intensify the implementation of the municipal finance hands-on support programme with specific emphasis on assisting municipalities in budgeting.										
4	Enhance local government support initiatives through CFO forums.										
5	Provincial Cogta and provincial treasury to assist district municipalities to improve basic disciplines through a joint support plan and the implementation of the B2B programme in the districts.										
6	Improve the availability of quality supporting documentation to support the financial statements and management information.										
7	Assess the financial sustainability of municipalities and, where necessary, assist in developing and monitoring a financial recovery plan.										
8	Develop action plans to address the root causes of findings contained in management and audit reports.										
9	Office of the MEC at the provincial treasury to appoint a liaison person to warn the MEC when units providing support to the municipalities are defaulting from the agreed programmes.										
10	Create capacity and an understanding of issues that the new councillors should be driving.										



National Treasury and provincial treasuries											
Outline of commitments		Province									National Treasury
Number	Previous year's commitments	EC	FS	GP	KZN	LP	MP	NC	NW	WC	
11	Formulate a shared service model at district level to enable the sharing of expertise and best practices.										
12	Municipalities to compile draft annual financial statements by June 2016 to be reviewed by the treasury; this will reduce material misstatements in the financial statements submitted for auditing on 31 August 2016.										
13	Implement a creditors' payment initiative to ensure that all service providers are paid within 30 days.										
14	Sustain the implementation of the municipal governance review and outlook process to ensure that control measures are institutionalised to sustain clean administration.										
15	Remain committed to sustaining and refining supervisory functions over financial management in local government.										
16	The centralisation of procurement by government is a current initiative flowing from the Office of the Chief Procurement Officer at the National Treasury. The development of the e-tendering platform by this office must be adequately tracked and monitored to ensure timely roll-out to local government and a positive impact in strengthening SCM controls, seeking to achieve better value for money in the government procurement system and mitigating financial mismanagement and errors.										

Completed In progress Not implemented

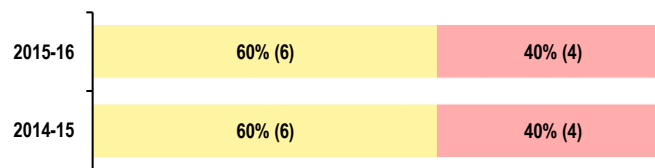
Table 4: Key initiatives agreed on in response to the 2015-16 audit outcomes

National Treasury and provincial treasuries											
Outline of key initiatives		Province									National Treasury
Number	Key initiatives	EC	FS	GP	KZN	LP	MP	NC	NW	WC	
1	Analyse the use of consultants where there is internal capacity to determine the value that the government is deriving from the use of consultants.										
2	Together with the departments of cooperative governance and Salga, continue with coordination efforts to ensure municipalities focus on the AGSA's recommendations.										
3	Focus on deviations granted by municipalities to ensure that effective controls are in place.										
4	Review credibility of budgets to reduce the level of unauthorised expenditure.										
5	Investigate capacity of internal audit units and audit committees.										
6	Focus on issues raised by the AGSA on financial health as well as unauthorised, irregular and fruitless and wasteful expenditure.										
7	Focus on municipalities that moved from disclaimed to unqualified opinions with findings to maintain sustainability of the audit outcome.										
8	Intensify implementation of the municipal finance hands-on support programme with specific emphasis on assisting municipalities with budgeting.										

## National Treasury and provincial treasuries

Outline of key initiatives		Province									National Treasury
Number	Key initiatives	EC	FS	GP	KZN	LP	MP	NC	NW	WC	
9	Continue to roll out mSCOA training to municipal officials.										
10	Closely monitor the use of consultants by municipalities to implement mSCOA.										
11	Standardise financial management systems to be implemented at all Limpopo municipalities by 2020 (mSCOA implementation).										
12	Improve availability of quality supporting documentation to support financial statements and management information.										
13	Develop action plans to address root causes of findings contained in management and audit reports.										
14	Together with the departments of cooperative governance, submitted an intervention report on unauthorised, irregular as well as fruitless and wasteful expenditure to exco, which included recommendations for investigation.										
15	Continue with the municipal governance review and outlook process.										
16	Together with the DCoG, commenced work in aligning the MFMA and MSA to provide better focus, clarify roles and responsibilities, reduce potential duplication of effort, and streamline implementation actions on financial management and governance arrangements in municipalities.										
17	Together with provincial treasuries, focus support over the medium term in assisting municipalities with the implementation of the various reforms based on gaps identified and strategic priorities as they relate to financial management and supplementary governance issues. The immediate initiatives relate to support and capacity building of newly elected councillors to better understand their role and responsibility on finance management relating to the duties of finance committees and MPACs, as well as councils' general oversight functions.										
18	Provided support both in technical and non-technical form, covering the following areas: mSCOA readiness, hosting of regional sessions to train and update municipal officials in producing credible and funded budgets, reforms in the accounting framework related to re-demarcated municipalities and other Standards of Generally Accepted Accounting Practice applications, review of audit action plans to assist and improve audit outcomes, process to address allegations of financial misconduct, treatment and process to address unauthorised, irregular as well as fruitless and wasteful expenditure, support for the minimum competencies and review of the regulations thereon, preparation of financial recovery plans, and updating and encouraging use of the central supplier database, transversal contracts and cost containment.										

## National and provincial departments of cooperative governance



The assurance provided by the departments of cooperative governance had shown no improvement from the previous year, with no or limited assurance being provided by the DCoG and the provincial departments in the Free State, the Northern Cape and North West.

The DCoG was assessed as not having provided the required level of assurance as an oversight institution during 2015-16, based on their support initiatives not having been implemented to such a degree to bring about positive outcomes at all municipalities (also refer to section 8). Furthermore, we noted a number of instances in the department's annual performance plan where information was either not provided or not valid to support the actual achievements reported by the department. In our interactions with the new minister, only one commitment was received, namely to ensure that the department and its entities in the portfolio implement their respective action plans.

Table 5 lists the commitments previously made and the status thereof, while table 6 lists the key initiatives agreed on.

**Table 5: Status of previous year's commitments**

Provincial departments responsible for cooperative governance										
Outline of commitments		Province								
Number	Previous year's commitments	EC	FS	GP	KZN	LP	MP	NC	NW	WC
1	Induction of new councillors and oversight structures.	Completed		Completed	In progress					
2	Track, review and monitor progress on operation clean audit, provide and coordinate support (including the placement of technical advisors, audit steering and audit committee meetings - LP), and strengthen district monitoring committees.	In progress		In progress		In progress				
3	In respect of unauthorised, irregular and fruitless and wasteful expenditure, provide support to improve compliance and address irregular expenditure at those municipalities recording high amounts.				Not implemented					
4	Engage with municipalities that utilised consultants for the preparation of financial statements and performance reports to establish reasons for adverse findings despite such support, and introduce remedial measures to ensure value for money and mitigation.				Not implemented					
5	Provide specific support on performance management to address the regression in findings on predetermined objectives.				In progress					
6	MEC to convene several engagements with municipalities owing money to Eskom to sign repayment plan agreements and monitor the implementation thereof.					Completed				
7	Office of the CFO in the department will be taking a lead in capacity-building programmes for the municipalities.						In progress			
8	Establish a project management unit within the department to enable assistance at various municipalities without resources.						In progress			
9	Involvement with the provincial treasury in the municipal governance review and outlook process.									Completed

Completed      In progress      Not implemented

**Table 6: Key initiatives agreed on in response to the 2015-16 audit outcomes**

Provincial departments responsible for cooperative governance										
Outline of key initiatives		Province								
Number	Key initiatives	EC	FS	GP	KZN	LP	MP	NC	NW	WC
1	The detection and prevention of irregular expenditure will be a focus area of the Cogta roadshows with councils.									
2	Focus on intensifying monitoring at municipalities.									
3	Work with treasury on areas of joint responsibility.									
4	Continue to support capacitation of oversight structures.									
5	Track, review and monitor progress on operation clean audit and provide technical support (assist municipalities with their planning).									
6	Ensure that the B2B programme becomes a standing item for all key engagements at municipalities.									
7	Ensure that the audit committee's recommendations are implemented by municipalities.									
8	Train MPACs to manage unauthorised, irregular, and fruitless and wasteful expenditure.									
9	Set up meetings with municipalities that had obtained poor audit outcomes, during which the mayors of those municipalities have to present turnaround strategies.									
10	Strengthen the roles of district municipalities.									
11	Monitor municipalities and assess the progress made to address matters raised by the AGSA.									
12	Together with the provincial treasury, submitted an intervention report on unauthorised, irregular as well as fruitless and wasteful expenditure to exco, which included recommendations for investigation.									
13	Continue with the municipal governance review and outlook process.									

### **Department of Cooperative Governance’s progress on implementing our prior year recommendations**

We made a number of recommendations to the DCoG in the prior year for them to enhance their level of oversight and support. The following were noted with regard to the progress made:

- The department completed the reorganising of their functions within the organisational structure, which was approved in March 2016. A local government support and interventions branch was established with five chief directors to have a more hands-on approach to cooperative governance. We could not yet assess the effectiveness of this unit due to it being fairly new – the implementation of this recommendation was thus still in progress.
- The 2016-17 customised indicators include a new indicator requiring municipalities to report on the implementation of the B2B support plans. This indicator was added to enhance full cooperation by the entire sector in driving the impact of the B2B support plans. The implementation of this recommendation was in progress.
- The department made limited progress towards the implementation of the corporate governance of information and communication technology framework at municipal level. As was the case in the previous year, the lack of progress was due to capacity challenges. The implementation of this recommendation was thus still in progress.

- Misa displayed some improvement in the development of its indicators and targets by articulating the intended level of performance in providing support. However, reliable documents to support the actual achievement of these targets were not maintained. Misa should implement proper performance management systems and processes that will allow for complete, accurate and reliable performance reporting. The implementation of this recommendation was in progress.
- Misa continued to utilise consultants to provide technical infrastructure support to municipalities during 2015-16. No progress had been made with regard to Misa implementing proper tracking and monitoring systems and processes to enable them to regularly assess the performance of consultants and to measure the impact of the consultants' support. This recommendation had thus not been implemented.

## Department of Planning, Monitoring and Evaluation

A primary aspect of the DPME's mandate is to measure and support improved management performance in municipalities. This mandate does not include monitoring and overseeing local government regarding audit-related matters and, accordingly, we do not assess them as an assurance provider.

Through its outcomes planning, monitoring and evaluation work, the DPME has developed the local government management improvement model. The model has been used from 2014-15 to measure and benchmark the performance of selected municipalities across key performance areas that are critical for improving service delivery and productivity.

Table 7 lists the key commitments that were undertaken in respect of this model during 2015-16 and the level of performance achieved, while table 8 lists the DPME's key initiatives to improve the effectiveness of this model.

**Table 7: Prior year commitments for the local government management improvement model**

Department of Planning, Monitoring and Evaluation		
Outline of commitments		
Number	Previous year's commitments	
1	Produce 25 local government management improvement model scorecards based on the model's assessments, performed by municipalities on a voluntary basis per year.	
2	Submit an annual progress report on the local government management improvement model to the implementation forum for outcome 9.	
3	Annually review and update the standards for the local government management improvement model for approval by the director-general by the end of September of each year.	

### Completed

Municipalities are enrolled on a voluntary basis after consultation with, and nomination by, the provincial Cogtas. Municipalities in distress and municipalities under administration are not targeted as part of these assessments to avoid duplication with programmes initiated by other role players in this environment, including the DCoG and Salga.

The effectiveness of the tool is highly dependent on the commitment from municipal management to utilise the results of the model as critical management information to develop and monitor improved action plans in the areas where performance gaps are identified.

**Table 8: Key initiatives for the implementation of the local government management improvement model**

Department of Planning, Monitoring and Evaluation		
Outline of key initiatives		
Number	Key initiatives	
1	Increase the targeted score sheets from 25 to 30 per year from the 2017-18 Public Finance Management Act cycle.	
2	Replace the current Excel assessments with a live web-based platform, which will allow for real-time monitoring by the DPME team of the activities of both municipal management as well as the provincial cooperative governance support teams on the system during assessments.	
3	Provide training to ensure that provincial departments are knowledgeable of the resources required to effectively implement the initiative.	
4	Select municipalities in conjunction with provinces, and clearly outline the requirements from municipalities prior to their participation in the assessment.	
5	Track activities of identified provincial champions and coordinators, to strengthen reporting on the level of commitment and interaction of the provincial cooperative governance support teams in respect of the assessment of the local government management improvement model.	

Completed
In progress
New

## South African Local Government Association

Salga’s mandate does not include monitoring and overseeing local government regarding audit-related matters and, accordingly, we do not assess them as an assurance provider. However, Salga has launched initiatives aimed at supporting local government to improve audit outcomes.

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Salga introduced its municipal audit support programme on 31 July 2014. The programme aims to support all municipalities with poor audit outcomes so that they may improve their audit outcomes, but with a specific focus on municipalities with disclaimed or adverse opinions, or whose audits had not been finalised by the legislated deadline. These are classified as ‘red zone’ municipalities. Thirty-nine municipalities were classified as ‘red zone’ municipalities in 2015-16, based on their audit outcomes in 2014-15.

In terms of the municipal audit support programme, Salga aims to influence the improvement of the audit outcomes of municipalities while maintaining a strategic balance between a focus on audit outcomes and service delivery / institutional viability by concentrating on the root causes and main risks of poor audit outcomes identified by us. They base their support on a multidisciplinary approach focusing on four pillars, namely institutional capacity, financial management, leadership, and governance. These pillars are aligned to the B2B initiative of the DCoG.

Table 9 lists the key initiatives that were undertaken as part of the municipal audit support programme during 2015-16 and the status thereof, while table 10 lists Salga’s other continuing initiatives and the status thereof as well as new initiatives and commitments.

**Table 9: Status of previous year's commitments**

South African Local Government Association		
Outline of commitments		
Number	Previous year's commitments	
1	Hold workshops in seven provinces with provincial treasuries, provincial Cogtas and offices of the premier to strengthen collaboration in the support of municipalities. This has led to a stronger working relationship between Salga and these departments, which also translated into more effective and efficient support to identified municipalities in these provinces.	
2	Develop support plans for 39 municipalities in the red zone and share such plans with provincial treasuries and provincial Cogtas to ensure collaboration of the support effort.	
3	Provide hands-on support to 43 municipalities to improve audit outcomes. Improved audit outcomes were noted at eight of these municipalities.	
4	Initiate an online support portal and finalise the proof of concept. Salga presented the online portal concept at various forums with municipalities and the feedback has been very positive in terms of the need for the portal. Salga is thus gathering evidence that the online support portal is feasible for implementation across local government.	

**Completed**

**In progress**

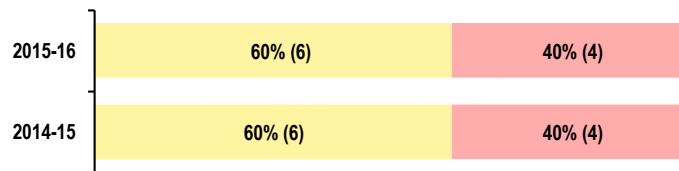
**Table 10: Key initiatives agreed on in response to the 2015-16 audit outcomes**

South African Local Government Association		
Outline of key initiatives		
Number	Key initiatives	
1	Support municipalities comprehensively in IT governance.	
2	Hold workshops on revenue and debt management as well as capacity development of councillor oversight in the provinces.	
3	Focus on those municipalities that are perennially attaining disclaimed audit opinions with the emphasis for 2016-17 to be on asset management.	
4	Work closely with the Office of the Chief Procurement Officer to assist in communication and education around procurement reforms.	
5	Provide record management training to municipalities to address a key root cause of disclaimed audit outcomes.	
6	Assess the implications of new reforms at local government, such as new accounting standards or legislation. In addition, communicate in a timely fashion to municipalities the impact of proposed new regulations or standards and how to ensure readiness.	
7	Develop processes that municipalities should follow when they encounter underfunding and unfunded mandates, and assist with alternative funding proposals. Coordinate this with treasuries to eliminate a duplication of effort.	
8	Continue with workshops, similar to the ones conducted in 2015-16, in all nine provinces during 2016-17 to further strengthen collaboration in the effort to support local government.	
9	Operationalise the first phase of the online support portal throughout local government.	

**In progress**

**New**

## Portfolio committees on local government and the National Council of Provinces



In 2015-16, only 60% of the portfolio committees provided some assurance. This remained at the same level as in 2014-15, with the portfolio committees on local government in the Free State, Limpopo, the Northern Cape and North West providing limited or no assurance.

### National Council of Provinces

The National Council of Provinces (NCoP) is one of the two houses of Parliament. The NCoP is constitutionally mandated to ensure that provincial interests are taken into account in the national sphere of government. This is done through participation in the national legislative process and by providing a national forum for the consideration of issues affecting provinces.

The NCoP also plays a unique role in the promotion of the principles of cooperative governance and intergovernmental relations. It ensures that the three spheres of government work together in performing their unique functions in terms of our country's constitution and that, in doing so, there is no encroaching on each other's area of competence.

### Committee of chairpersons of the National Council of Provinces

During the year under review, no roadshow was held with the collective leadership of the NCoP, but the auditor-general constantly interacted with the house's chairperson responsible for the committee. During the tabling of the previous MFMA general report, the house chairperson made the following commitments:

- Select committees on finance and local government to intensify oversight on issues raised in the 2014-15 general report.
- Continuous engagement with Salga and the DCoG to ensure that all issues pertaining to the 2014-15 general report are followed up.
- Undertake various initiatives to fast-track capacity building of municipalities.
- Support the establishment and functioning of MPACs after the local government elections.

The following is a summary of the activities undertaken by the select committees in response to these commitments.

### Select committee on local government

During the year under review, the committee held various oversight interventions aimed at municipalities that had challenges meeting their performance targets. As required by section 47 of the MFMA, the committee held hearings with the provincial Cogtas in Mpumalanga, the Northern Cape and KwaZulu-Natal as priority provinces identified by the committee for the year under review.



During these hearings, the committee raised the following key issues that required the attention of all the departments that appeared before them:

- Poor functioning of councils in holding departments accountable.
- Poor capacitation of MPACs.
- Ongoing service delivery protests owing to a lack of service delivery in some of the identified municipalities.
- Use of consultants without demonstrating a value-add.
- Lack of public meetings/forums in most municipalities leading to a disconnect between citizens and government in the local sphere.
- Slow progress in implementing the audit action plans.
- Late submission of financial statements for auditing.
- Poor recruitment and retention strategies leading to key staff leaving municipalities.

The committee further took part in oversight visits to municipalities to seek first-hand evidence of the service delivery and governance challenges faced by some of the municipalities. While the committee's oversight interventions focused on key issues in local government, they need to intensify their focus on how the DCoG has assisted municipalities.

## **Select committee on finance**

The committee's mandate is to oversee the expenditure of government funds in the local government sphere, particularly the progress made in balancing expenditure and service delivery. During the year under review, the committee undertook various initiatives to enhance financial management in local government, including participating in the amendment of the following:

- Finance Intelligence Centre Bill
- Draft amendments to the Supply Chain Management Regulations
- Amendments to the 2017 fiscal framework and revenue

The committee also held a hearing with the City of Cape Town and the provincial treasury in the Western Cape on the city's integrated development plan, service delivery and budget implementation plan as well as local economic development. During this interaction, the committee raised the following key issues:

- Matters relating to water and property rates.
- Engagement by the provincial treasury with the city about debtors and creditors.
- The city's dependency on capital grants.
- The increased borrowing and increased spending of capital grants.
- Budget control challenges in Western Cape municipalities that needed intervention.
- The city's policy of withholding tenders by those who owe the city, while withholding payment to suppliers.
- The city's economic growth as it related to overall economic growth.

The committee provided adequate assurance in relation to its mandate, keeping in mind that part of its work was put on hold as the committee undertook a study tour to Mexico. Overall, this committee remains a good model of holding municipalities accountable for their expenditure.

## Select committee on appropriations

The committee's mandate is the allocation and expenditure of government funds in the local government sphere. The committee executes its mandate through various initiatives, including undertaking oversight visits to provinces to check how municipalities are functioning. During the year under review, the committee undertook such oversight visits as well as participated in the processing of the following key money bills:

- Adjustment Appropriation Bill
- Division of Revenue Amendment Bill

The committee further held a hearing with the provincial Cogta in the Western Cape on municipal projects in Saldanha Bay. The following matters arose during the hearing:

- The performance of Saldanha Bay was reported as excellent and above 90%.
- Saldanha Bay and Cederberg were reported to have stood out in their commitment to spending in relation to other municipalities in the province.
- In Saldanha Bay, the overall expenditure for the second quarter under review accounted for 44% of the total municipal allocation, which was above the benchmark of 40%.
- The planned expenditure for the remainder of the financial year was at 88%.
- Presentation on the MIG projects scheduled for the site visit, including total project cost, MIG-registered amount, counter funding (municipal funding), number of beneficiaries, and current status of construction.
- The challenges faced by the municipality included the termination of the main contractor due to non-performance, delays in the appointment of the new contractor, securing funding from Transnet, and excessive underground water seepage that delayed the construction and necessitated the use of pumping equipment with a much larger capacity.
- Misa-assigned support in revenue management strategy where required.

For the year under review, the committee only focused on municipalities in the Western Cape owing to their good performance in the past. Overall, the committee provided adequate assurance for the year under review in line with the oversight activities planned for the year.