



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

LOCAL GOVERNMENT WEEK NEWS BULLETIN

2020 EDITION 2

ENSURING CAPABLE AND FINANCIALLY SOUND MUNICIPALITIES



Some municipalities will not be financially viable – Deputy Minister Tau

Approximately 100 municipalities are in financial crisis, with the same number adopting unfunded budgets

The Deputy Minister of Cooperative Governance and Traditional Affairs, Mr Parks Tau, has argued that while there is a need to intervene in municipalities in some instances, the history and track record of these interventions show they have not always yielded intended results, **writes Malatswa Molepo.**

Mr Tau participated in a panel discussion on “Developing a

framework and tool to improve the quality of the outcomes of interventions in local government” as part of the National Council of Provinces’ Local Government Week.

Systematic financial challenges within municipalities were raised as the main impediment to municipalities achieving their developmental objectives. “Sometimes, when we intervene in these municipalities,

we do not always acknowledge that in fact we have designed a municipality that is not always going to be financially viable,” Mr Tau said. Approximately 100 municipalities are in financial crisis, with the same number adopting unfunded budgets

To address the problem of nonviable municipal finances, an in-depth reflection of what causes this problem is required. According to a report by

the Public Affairs Research Institute, the White Paper on Local Government assumed that 73% of all operating expenditure requirements in local government could be funded through property rates and service charges. But research suggests that local government is able to fund less than 50% of operating expenditure from property rates and service charges.

“So, what we have designed is not the same as what we have. Unfortunately, we continue to judge ourselves against design and not what we have. So we need to confront that and ask ourselves what needs to be done to deal with issues municipalities are facing.”

In addition, Mr Tau believes that the implementation of Section 139 is not

always the correct tool. He argued that effective local government is the collective responsibility of government and every role-player must collaboratively work to respond to the challenges caused by structural and organisational problems. As a solution, Mr Tau suggested that the government must heighten monitoring and support as key pillars in support of municipalities.

“We need to institutionalise Section 154 that calls on government to provide support to local government before we even think of invoking Section 139. So in order to institutionalise Section 154, we have introduced the District Development Model as a framework to ensure that we are able to provide direct support to local government,” Mr Tau said.

Furthermore, there are moves to interpret Section 139 of the Constitution through the Intergovernmental Monitoring & Support Intervention Bill, which addresses a gap in legislation. “The way it is written is the way it is intended to function. The first is to impose a responsibility on the municipality to monitor what happens. Equally, the provincial and national government are obligated to monitor and support municipalities. So you start by monitoring. You ensure that you give adequate support and, in instances where you need intervention, you invoke an intervention,” emphasised Mr Tau. 🇿🇦



Auditor-General (AG), Mr Kimi Makwetu.

The lack of proper project implementation plans in municipalities has been identified by the Auditor-General (AG), Mr Kimi Makwetu, as an impediment in implementing necessary controls that are vital in ensuring project success and preventing fruitless and wasteful expenditure in municipalities, **writes Malatswa Molepo.**

Predictive value of planning key in getting audits right

“It is very seldom we find project plans including implementation plans of those projects that have been budgeted for in municipal integrated development plans.”

Mr Makwetu shared his views during the National Council of Provinces’ (NCOP’s) Local Government Week. “It is very seldom we find project plans including implementation plans of those projects that have been budgeted for in municipal integrated development plans. We never say as an institution, what is the plan, what are the resource requirements in terms of the people that are going to implement that project? If we did this, the council of a municipality will be empowered to ensure transparency and accountability and will ensure that the money allocated achieves what it was intended for,” Mr Makwetu emphasised.

The AG suggested to participants that having project plans prior to releasing funds is a preventative measure against fruitless and wasteful expenditure at local government level. “The suggestion I am making is that we need to start saying we will only release the R20 million you need to refurbish the water treatment plan when you have clearly articulated the plan. How long is it going to take to build or refurbish the plant? Then, after we have satisfied ourselves as council that you have an effective plan, then we will release the money. This to me is a start of ensuring transparency and accountability,” Mr Makwetu said.

The idea presented was to reverse the trend of simply hoping for the best, a tendency that has contributed to unfinished projects and overspending.

For Mr Makwetu, the value of planning is that it allows for the assemblage of skills and expertise to ensure project achievability. "With planning, we end up generating more information, and information when given to us has predictive value. It also means that we can predict and manage upfront other things that might prevent us from achieving our objective," Mr Makwetu suggested. The AG also emphasised that planning should not only have to do with compliance, but a predictive control to ensure that it stops any wrongdoing.

Meanwhile, the Auditor-General has announced that in September 2020 the Office of the Auditor General together with National Treasury will launch preventative control guides dealing with supply chain and contract management, payments, and many other disciplines within the local government sphere. The AG hopes that the guides will trigger the necessary conversations within the state.

The preventative controls are aimed at ensuring that risk factors are dealt with before they manifest. "For us, this is the best way to position an institution to proactively manage audit outcomes without having to look at the set of financial statements. Prevention is so much better than healing, because it saves the labour of being sick," Mr Makwetu concluded. 🏛️

Political parties have a role to play to ensure that experience is retained after elections

These challenges call for strengthening of oversight structures and a more active role by various legislative houses, including the NCOP.



During a discussion on the topic, "Developing a Framework and Tool to Improve the Quality of the Outcome of Interventions in Local Government", the South African Local Government Association's national executive committee member Councillor Thami Ngubane suggested a paradigm shift in the implementation of Section 139, **writes Malatswa Molepo.**

He said the national Department of Cooperative Governance and Traditional Affairs and National Treasury must be part of planning at local government level through Section 154. These two departments need to be involved, not to take over planning within a municipality, but purely to provide needed and necessary assistance to municipalities to ensure it is done on time. He mentioned the failure of the interventions to

put plans in place so that when the intervention is lifted the municipality can continue on its own on a sustainable basis. He said, currently and in most cases when the intervention is lifted, the municipality deteriorates to where it was before.

He criticised what he called the use of the administrative and legislative tool to address what is mainly a political challenge. He also highlighted that political experience and institutional memory in the municipalities is missing as a result of deployment of new councillors after every local government election. He referred to the 2016 local government elections as a case in point, he said two thirds of the councillors deployed by their parties after the elections were new to the job. 🏛️

“The implication of this is that the sector will permanently be in a learning curve, because by the time people start to think about legislation in an integrated and coordinated fashion, the term comes to an end. They are replaced by new deployees.” He called on all political parties to play a role in ensuring the retention of experience and institutional memory

in the municipality after the local government elections.

Responding to questions and suggestions that were made during the discussion after he made his presentations, Deputy Minister of Cooperative Governance and Traditional Affairs Mr Parks Tau said nation government should take the

lead in strengthening support for structural changes in municipalities, as local government cannot be expected to perform when the conditions and enabling regulatory environment are not conducive. 🇿🇦

Coordination a driving force behind the District Development Model

“We must put systems in place to ensure we establish a people-centred culture of service delivery and customer care,” reiterated Mr Dodovu.



Chairperson of the Select Committee on Cooperative Governance and Traditional Affairs, Water and Sanitation, Mr China Dodovu.

The Chairperson of the Select Committee on Cooperative Governance and Traditional Affairs, Water and Sanitation, Mr China Dodovu, has argued that the District Development Model (DDM) is a good and a solid intervention to help us to perfect the challenges that the country is facing, especially in the local government sphere. Mr Dodovu said this during a Local Government Week panel discussion hosted by the National Council of Provinces’ (NCOP), **writes Malatswa Molepo.**

Mr Dodovu emphasised that the local government sphere must play a critical role, as a vehicle of development, towards establishing an ideal future state.

But in order to succeed, he said there is a need to learn from the past 25 years in order to improve systems and make municipalities viable. “Local government has been one of the most complex projects of state transformation since 1994 and all the interventions

and programmes, namely, Project Consolidate, Operation Clean Audit 2014, and Back to Basics, should have sharpened our understanding of problems and challenges in the local government sphere, and that has led us to the conclusion that we need to mainstream hands-on support and coordination to local government going forward,” Mr Dodovu said.

The emphasis on coordination is central in his support of the DDM. “To me, the District Development Model is a game changer and is necessary to address many of the challenges that are facing municipalities, and the essence of it is that we need to improve coordination. We need to work together, have joint planning and joint implementation to achieve the desired goals,” he emphasised.

For the DDM to be effective, Mr Dodovu advocated for a development of a process plan by every district, which identifies the different needs of each district. The process plan will identify what needs to be done

and at what cost. “But this journey needs champions, both political and administrative, as we work towards coordinating our efforts to ensure effective municipalities,” Mr Dodovu suggested.

He emphasised that the DDM is a complementary intervention and does not replace anything but complements policies and procedures at local government, currently. Furthermore, Mr Dodovu emphasised the important role of the NCOP to ensure oversight, law-making and public participation. “We must put systems in place to ensure we establish a people-centred culture of service delivery and customer care,” reiterated Mr Dodovu. 🇿🇦

NCOP CHIEF WHIP CALLS FOR MECHANISMS TO ENSURE INTEGRATED SERVICE DELIVERY

It will be impossible to implement a sustainable turnaround strategy for municipalities without first resolving these challenges,”



Chief Whip of the NCOP - Mr Seiso Joel Mohai

In wrapping up day two of the Local Government Week Programme on “Plans to improve service delivery, financial management and develop capacity in the local sphere of government, especially in municipalities under Section 139”, the Chief Whip of the NCOP said it was clear in presentations from cooperative governance MECs that government must urgently develop mechanisms to ensure integrated service delivery and implementation across all municipalities, **writes Sakhile Mokoena.**

“At the core of this task,” Mr Mohai said, “is providing necessary support to municipalities; strengthening oversight mechanisms to promote responsible leadership; minimising mismanagement and fighting corruption. There is universal consensus across all stakeholders represented here that the challenges facing municipalities genuinely require all spheres of government

for their resolution and that urgent interventions are needed to ameliorate the situation in municipalities.”

Mr Mohai added that although municipalities face common challenges across the country, municipality-specific interventions may be necessary in some instances. In this regard, he said, national and provincial governments’ role in monitoring, supporting and strengthening the capacity of municipalities cannot be overemphasised.

He also highlighted the difficulty experienced by small and rural municipalities who depend on transfers, saying this reality that makes them unsustainable considering the bulk of services they need to provide. “The aggregate municipal consumer debt is also extremely high; this relates to the money municipalities have been unable to collect. This money could be utilised to realise a lot of change in some municipalities,” Mr Mohai said.

He told delegates that issues requiring urgent attention relate to political instability and interference; disregard for supply chain legislation; abuse of conditional grants; wasteful and unauthorised expenditure; mismanagement of funds and corruption. He also suggested that capacity building should be considered to strengthen municipal public accounts committees and ensure

consequence management.

“This is necessary to fix non-functioning municipalities and rid them of corrupt employees. This must be occasioned by an intentional process of acquiring properly skilled professional and improving financial management. It will be impossible to implement a sustainable turnaround strategy for municipalities without first resolving these challenges,” he said. He also emphasised that all these instruments will be insignificant without dedicated public servants and representatives to implement them. 🌟



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- MR MOHAI

VARIOUS CHALLENGES RENDER MUNICIPALITIES UNABLE TO DELIVER SERVICES



MPAC meetings do not take place, because members do not attend, audit remedial plans are not implemented and recommendations to improve the municipalities' position are not adopted.

MECs for cooperative governance and traditional affairs painted a bleak picture of municipal administration as they made presentations on “Plans to improve service delivery, financial management and develop capacity in the local sphere of government, especially in municipalities under Section 139”, **report Rajaa Azzakani and Felicia Lombard.**

Eastern Cape Cooperative Governance and Traditional Affairs (Cogta) MEC, Mr Xolile Nqatha, informed members of the NCOP that amalgamation of certain municipalities in the province has led to serious challenges, rather than offering solutions. These amalgamated municipalities require more assistance from provincial government and impact negatively on residents. He also highlighted the problem of non-adherence to supply chain management policies. However, turnaround plans are in place.

The Free State's MEC for Cogta and Human Settlements Mr Thembeni

Nxangisa noted problems including political instability and a lack of internal audit units and audit committees. High vacancy rates in certain municipal departments and poor revenue collection is also impacting negatively on budgets. Mr Nxangisa also highlighted the challenge of lack of funds and staff for municipal public accounts committees (MPACs).

Mr Basikopo Makamu, the Limpopo's MEC for Cooperative Governance, indicated serious challenges, but he said the province is doing well on certain basic services such as sanitation and electricity supply. Water and refuse collection is less successful. Mr Makamu said Capricorn Local Municipality received a clean audit due to the effective manner in which it was run compared to other municipalities in the province.

Mr Mandla Msibi, Mpumalanga Provincial Government's MEC for Cooperative Governance and

Traditional Affairs, highlighted the challenge of revenue collection, with one municipality owing Eskom over R2 billion. Plans are now in place to rectify the situation. He also stressed the problem of illegal electricity connections and land invasions.

North-West Province's MEC for Cooperative Governance, Ms Boitumelo Moilola told the NCOP that municipalities have capacity challenges. In certain municipalities, the problems of poor accountability, corruption and poor financial management have led to violent service delivery protests. These municipalities include Ramotshere Moilola Local Municipality where junior officials are acting in the positions of the municipal manager and the chief financial officer.

She said MPAC meetings do not take place, because members do not attend, audit remedial plans are not implemented and recommendations to improve the municipalities' position are not adopted.

In Kwazulu-Natal, the MEC for Cooperative Governance Mr Siphon Hlomuka said intervention under Section 139 in nine municipalities in the province has been extended due to the lack of improvement. Suitably qualified administrators have been appointed to run those municipalities and performance agreements have been aligned to their terms of reference. He administrators submit monthly reports to the provincial department. 🇿🇦



Select Committee on Cogta Chairperson unhappy with reasons for municipal underperformance

“Most of the municipalities that are underperforming were best performers in the past. Where did the capacity go? I don’t think lack of capacity is the main problem. There is a bigger problem that needs to be looked at. There are governance and political issues that need to be confronted,”

Day two of Local Government Week focused on “Plans to improve service delivery, financial management and develop capacity in the local sphere of government, especially in municipalities under Section 139”, **writes Sakhile Mokoena.**

The nine provincial MECs for Cooperative Governance and Traditional Affairs (Cogta) gave presentations outlining the situation in their municipalities. The presentations were followed by a thorough engagement by NCOP delegates, South African Local Government Association (Salga) members and other stakeholders who attended the virtual session.

The Chairperson of the NCOP’s Select Committee on Cogta, Water and Sanitation and Human Settlements Mr China Dodovu expressed dissatisfaction with the explanation by some of the MECs that the main reason

for poor financial management in municipalities was lack of capacity. “Most of the municipalities that obtain clean audits, unqualified and better audit opinions are those in urban areas. Rural municipalities are not doing well and the MECs claim the reason is lack of capacity. Are we saying 25 years after democracy, we still don’t have capacity? That we cannot deliver?” asked Mr Dodovu.

Mr Dodovu argued that the lack of capacity was a manifestation of a bigger problem that needed to be confronted. “Most of the municipalities that are underperforming were best performers in the past. Where did the capacity go? I don’t think lack of capacity is the main problem. There is a bigger problem that needs to be looked at. There are governance and political issues that need to be confronted,” he said. 🇷🇷





NATIONAL COUNCIL OF PROVINCES LOCAL GOVERNMENT WEEK

The MECs highlighted the lack of internal audit functions that have in some municipalities resulted in non-compliance with supply chain management laws going undetected.

This in turn has led to an escalation in irregular expenditure.



Both political and administrative leadership are failing municipalities

Municipalities also failed to address the billing and collection of arrears, while facing challenges in respect of service charges, rates, taxes and levies.

During yesterday’s discussions it was observed that both political and administrative leadership were failing to implement measures to improve oversight, accountability and remedial action to improve financial management in municipalities.

Municipalities also failed to address the billing and collection of arrears, while facing challenges in respect of service charges, rates, taxes and levies. These placed most municipalities in a financial crisis, which resulted in them being unable to deliver basic services to the people as required by the Constitution.

In their presentations, the MECs highlighted the lack of internal audit functions that have in some

municipalities resulted in non-compliance with supply chain management laws going undetected. This in turn has led to an escalation in irregular expenditure. Non-compliance becomes a breeding ground for maladministration, fraud and corruption, they observed.

Today’s panel discussions focus on “Section 139 interventions: A critical reflection on its application, successes and challenges”. Participants will look at the state of financial management and governance in municipalities with coalition governments; the impact of municipal boundary re-determinations on municipal governance; service delivery, financial sustainability and effective performance of local government; professionalisation of

local government: political leadership, professional administration and good governance for building capable local government. 🇿🇦



Non-compliance becomes a breeding ground for maladministration, fraud and corruption, they observed.

- DAY 2 RECAP