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**PRESENTATION TO THE PORTFOLIO COMMITTEE
OF COOPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS**

DATE: 16 APRIL 2013

**FOCUS AREA: FIRST IMPLEMENTATION REPORT
ON THE LOCAL GOVERNMENT TURN-AROUND
STRATEGY**

OVERVIEW

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inception

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1. INTRODUCTION

1.1 This is the first draft of a report meant to be finalised by mid-June 2013, thereby paving a way for alignment with the 2013/2014 Financial year.

1.2 Stakeholders invited to note and make inputs, extending the slogan: “Local Government is everybody’s business

1.3 Engagement programme, as follows:

1.3.1 Brief to Cabinet for noting and input

1.3.2 Brief to Portfolio Committee: 16th April 2013: for noting and input

1.3.3 Brief to NEDLAC for noting and input

1.3.4 Brief to Provinces with all Municipalities, for validation and input, as follows:

(a) Limpopo 03 May 2013

(b) Gauteng on the 2nd of May 2013

(c) Eastern Cape on the 9th May 2013

(d) Mpumalanga: 10 May

(e) KZN: 14 May

(f) North West: 17 May

(g) Western Cape 27 May

(h) Brief to MINMEC Special Meeting for noting and input: 19 April 2013

(i) Brief Business Formations for noting and input

1.4 Presented in volumes, as follows:

1.4.1 Volume 1: National picture

1.4.2 Volume 2: Eastern Cape

1.4.3 Volume 3: Free State

1.4.4 Volume 4: Gauteng

1.4.5 Volume 5: Kwazulu-Natal

1.4.6 Volume 6: Limpopo

1.4.7 Volume 7: Mpumalanga

1.4.8 Volume 8: Northern Cape

1.4.9 Volume 9: North West

1.4.10 Volume 10: Western Cape

1.4.11 Volume 11: Responce Package

1.5 Presented in three parts, as follows:.

Part 1: focusing on general development, policy development, State coordination arrangements and multi-stakeholder engagements (Local Government as everybody's Business);

Part 2: Focusing on profiling all Municipalities in terms of the Five Priority areas to accelerate the implementation of the Local Government Turn Around Strategy, viz: Accelerating service delivery, Promoting good governance, Enhancing sound financial management, Fostering infrastructure development and maintenance, Intensifying the fight against corruption.

This part also deals with matters of the role of the institutions of Traditional rule, in dealing with such questions as the effective role of Traditional leaders and their institutions in developmental and service delivery questions, the question of public participation in decision-making processes in traditional, governance mechanisms of both royal houses and traditional councils, budgets, infrastructure, revenue generation and matters of financial management on traditional affairs, as well as the fight against lawlessness, crime and corruption in traditional communities.

Part 3: Focusing on the LGTAS roll-out programme to accommodate response plans for part 1 and part 2 issues.

2. BACKGROUND

2.1 The State of Local government at LGTAS inception

In 2008, an assessment of all municipalities was conducted, as part of compliance with Section 48 of the Local Government: Municipal Systems Act, which requires that a Minister of Local Government should

write Annual reports on the State of Local Government. This assessment culminated in the State of Local Government Report, which reflected some of the following challenges as follows:

- Poor coordination between the three spheres of government;
- The lack of co-ordination in planning, project and programme implementation, and reporting between district and local municipalities;
- Lack of financial and human resource capacity to address service delivery backlogs;
- Lack of participation by sector departments in the development of Integrated Development Plans (IDPs) as well in their implementation;
- Political interference with the administration of municipalities;
- Poor revenue collection and lack of revenue enhancement strategies;
- Large influx of people from neighbouring countries which resulted in out-dated indigent registers and expansion of communities;

- Capacity challenges due to critical vacant positions of Section 56 and 57 managers;
- Poor Local Economic Development (LED) project planning and implementation due to lack of funding and skills and;
- Lack of and/or poor communication by municipalities on municipal programmes and projects due to lack of capacity and skills, which at times leads to unnecessary community protests; and
- Poor public participation system in municipal governance.

2.2 IDENTIFIED AS CAUSES

The report further indicated that the following issues emerged as key root causes for the state of affairs as alluded to herein:

- (a) Systemic factors linked to model of local government;
- (b) Policy and legislative factors;
- (c) Political factors;
- (d) Weaknesses in the accountability systems;
- (e) Capacity and skills constraints;
- (f) Weak intergovernmental support and oversight;
and
- (g) Issues associated with the inter-governmental fiscal system.

2.3 WHAT WAS SUPPOSED TO BE DONE

- (a) National Government (including state enterprises) should organize itself better in relation to Local Government;
- (b) Provinces should improve their support and oversight responsibilities over Local Government;

- (c) Municipalities should reflect on their own performance and identify their own tailor-made turnaround strategies from January to June 2010. *These strategies had to be included in their municipal Integrated Development Plans (IDPs), as well as Service Delivery and Budget Improvement Plans (SDBIPs) for 2010/11 and 2011/12;*
- (d) All three spheres of government should improve Inter-governmental Relations;
- (e) Political parties should promote and enhance the institutional integrity of municipalities; and
- (f) Public participation should be enhanced through a set of core values (Ubuntu).

2.4 THE APPROACH TO DO THINGS DIFERENTLY: A TURN-AROUND STRATEGY WITH TWO BROAD AIMS

- Restore the confidence of the majority of our people in our municipalities as the primary delivery machine of the developmental state at a local level and make municipalities the pride of our people; and
- Re-build and improve the basic requirements for a functional, accountable, responsive, effective, efficient, developmental local government.

3. REPORT IN PERSPECTIVES

VOLUME 1:

- From learning to stabilisation

STATE OF MUNICIPALITY AFTER 2009: IMPACT OF LGTAS

In this section of the report, we are making observations on how the issues raised as things to be done were responded to in terms of the LGTAS.

MODEL OF LOCAL GOVERNMENT

A decision was taken to develop a Green Paper on Cooperative Governance so as to facilitate developments occasioned by the shift from a focus on the Provincial and Local Government dispensation to that focusing on matters promoting inter-sphere coordination, to give effect to the features of the

distinctiveness, interrelatedness and interdependence of the three spheres of Government.

The draft Green Paper is being considered for finalisation during the last quarter of the 2013/2014 financial year. One of the issues of critical importance in the debate is the option of continuing with the Green Paper process or the advancement of the developmental character of Local Government currently provided for in the White Paper on Local Government, through the review of Inter-Governmental Relations legal framework, and any other relevant legislation.

POLICY AND LEGISLATIVE FACTORS

A need was identified for the review of the Municipal Systems Act, with a view of providing for a move towards a Single Public Service as well as the professionalization of the Local Government systems. Accordingly the Act was amended and recently, the Regulations have been published for public comment.

It was also decided that legislation be developed to deal with matters to enable the implementation of Section 139 of the Constitution, which provides for support, monitoring and intervention in the affairs of Local Government.

A number of pieces of legislation were identified as impeding service delivery and a decision taken that such should be reviewed. These are:

- To insert the information

A Bill is being developed to provide for the amendment of the identified sections of the said pieces of legislation.

POLITICAL FACTORS

One of the political factors considered as needing attention was the fact that the lack of synchronisation of elections was perceived as entrenching a notion of a Nation always in a mood to prepare for elections, and that more time is thus spent in electioneering and managing developments related thereto, in that only National and Provincial elections are held at the same time, whilst Local elections are held outside the time period. A decision was taken that a possibility of synchronising should be considered.

Subsequent to noting such a possibility, a decision was taken that the current system should be maintained.

CAPACITY AND SKILLS CONSTRAINTS

An observation was made that there was a need to establish a Special Purpose Vehicle to deal with questions of capacity enhancement through a dedicated mechanism established for this purpose, if the situation at Local Government was to be turned around. A Government Component was thus established, called Municipal Infrastructure Support Agent (MISA), with the following objectives:

- To insert the information

The roll-out of MISA started with a programme of diagnosis wherein xxxx Municipalities were assessed and the following findings recorded:

- To insert the information

Progress to-date is that MISA is now building on the diagnosis done and successfully managing the following projects:

- Deployed sixty seven (67) engineers to respective municipalities to provide technical expertise in the areas of municipal infrastructure programme management;

- Recruited and trained 200 artisans and placed them with needy municipalities;
- Provide engineering expertise in the assessment of natural disaster-related damages to fast-track the processing of claims and reduce the cost of involving external service providers;
- Gradually becoming a Project Management Unit of choice for Municipalities;
- Assigned Service Delivery Facilitators as a community engagement arm for quick detection of service delivery challenges and also as a mechanism for rapid response to challenges identified.

It was also considered as a useful intervention to address skills development through the introduction of systems, standards and policies, such as the Minimum Competency Levels as per the Proclamation by the Minister of Finance in consultation with the Minister of Cooperative Governance and Traditional Affairs, which

stipulates that key officials in Municipalities should meet prescribed minimum competency levels by 2013.

WEAK INTERGOVERNMENTAL SUPPORT

The question of intergovernmental support for the development and strengthening of the Local Government sphere was identified as a critical limitation that more often than not, the role that COGTA plays is not considered visible, robust and helpful, creating a feeling that the Local sphere is over-regulated without central coordination.

The role of COGTA should also extend to deal with questions related to the application of Section 106 of the Municipal Systems Act in dealing with questions of corruption and maladministration if we are to succeed in breaking the complex web of corruption.

Reflections on “Governance” as one of the priority issues in the implementation of the Local Government Turn-Around Strategy also point out that COGTA has not lifted their weight fully to provide for a mechanism to guide the establishment and management of generic administrative processes at Municipal level as well as the support to the sphere by Provincial and National

Departments, as well as demonstrating the ability to pull extra-governmental actors in support to the sphere. One of such processes that need close coordination is the question of organisational design to ensure that there is perfect alignment between the functions of the municipalities and the configuration of their Organisational structures. In this regard, the absence of norms and standards for organisational design developed at a central level is a missing link that requires urgent attention. Equally important is a need for the development of an Information Technology (IT) architecture as a governance tool.

Since the LGTAS remain business as usual, particularly in dealing with cooperative governance, a question may be asked as to what exactly accounts for this state of affairs? Is it solely the role of COGTA? Is it due to the weakness of COGTA? Is it because we devolved so much power to the local and provincial structures and limited those of the National level?

We should find a lasting solution, hence the inclusion of this item in the Local Government Stabilisation package.

2.2 OTHER IMPORTANT MATTERS TO REMEMBER

Having identified in the conceptualisation of the LGTAS that there was a list of those things that we had to give priority to for the strategy to succeed, it is critical that we use same as a mirror against which we reflect.

In this regard, the following issues should remain in focus as we radar developments:

2.3.1 NATIONAL GOVERNMENT (INCLUDING STATE ENTERPRISES) SHOULD ORGANISE ITSELF BETTER IN RELATION TO LOCAL GOVERNMENT

The central message communicated in terms of the Constitutional provisions that the three spheres of Government are characterised as being distinct, interdependent and inter-related binds the spheres to work together in a complementary manner.

The question that we are dealing with in this case is whether National Departments understand that they should each be organized in a particular manner in relation to the local sphere of Government. In the period under review, we heard of cases where some national sector Departments were not well-aligned with the Municipalities in the development of Integrated Development Plans (IDPs) as well the implementation thereof. As a result of this, the Local sphere, being at the

coalface for service delivery, has to account for work they have no jurisdiction over.

(g) Provinces should improve their support and oversight responsibilities over Local Government;

Municipalities should reflect on their own performance and identify their own tailor-made turnaround strategies from January to June 2010. *These strategies had to be included in their municipal Integrated Development Plans (IDPs), as well as Service Delivery and Budget Improvement Plans (SDBIPs) for 2010/11 and 2011/12;*

IMPLEMENTATION OF THE LGTAS

In February 2012, The Department identified an approach to accelerate the implementation of the LGTAS in accordance with the following five focus areas which, if successfully implemented, would have a catalytic effect on the turnaround of local government, namely:

- (a) Accelerating Service Delivery;
- (b) Promoting Good Governance;
- (c) Enhancing Sound Financial Management;
- (d) Intensifying the fight against Corruption; and
- (e) Fostering Sustainable Infrastructure Development and Maintenance.

The successful implementation of the five agenda items is aimed at restoring, in the quickest possible time, the confidence of South Africans in our municipalities on the path towards becoming a capable local government sphere that is able to fulfil its developmental role.

The acceleration of LGTAS was also informed by the identification of 108 municipalities for targeted support. The 108 targeted municipalities were endorsed by MINMec during May 2012. This initiative ensured that a renewed focus and emphasis on LGTAS was created by sensitising and mobilising stakeholders from National and Provincial Government to support the identified municipalities in the five focus areas.

An intergovernmental approach was created to support the renewed focus of LGTAS through the establishment of coordinating structures. In order to realise this, the Department gave priority to 23 district municipalities where most of these 108 municipalities were located.

These district municipalities are: Amathole, O.R. Tambo, Alfred Nzo, Chris Hani, Joe Gqabi, Xhariep, Ngaka Modiri Moiloa, Dr Ruth Segomotsi, Mompoti, Kgalagadi, Mopani, Vhembe, Capricorn, Greater Sekhukhune, Ugu, Uthukela, uThungulu, iLembe, Sisonke, Umzinyathi, Amajuba, Zululand, and Umkhanyakude.

1.1. Progress with Accelerating Service Delivery

Two critical obstacles to accelerating basic services are the lack of critical infrastructure in rural areas, and the proliferation of informal settlements in urban areas. Both these obstacles are beyond the sole capabilities (institutional and fiscal) of the powers and functions of municipalities to confront by themselves.

Legislation

The 2009 State of Local Government Report also identified policy and legislative gaps impacting on the optimal functionality of municipalities, and the LGTAS then identified priorities relating policies and legislation that impede service delivery.

In order to address breakdowns in effective, transparent, accountable and coherent governance in the provincial and local spheres of government, the Constitution makes provision for processes of intervention by the national / provincial sphere in circumstances where a province or municipality fails to fulfil certain constitutional or statutory obligations. These processes are dealt with in section 100 and section 139 of the Constitution.

Section 100 provides that the national executive may intervene in a province if the province cannot or does not fulfil an executive obligation imposed on the province in terms of the Constitution or legislation, whilst section 139 enables the provincial executive to intervene in a municipality if the municipality cannot or does not fulfil an executive or budgetary obligation imposed on the municipality in terms of the Constitution or legislation. The Department will be introducing the Intergovernmental Monitoring, Support and Interventions Bill in the 2013 Parliamentary programme for finalisation.

The strategic focus of the Municipal Demarcation Amendment Bill is to provide for mechanisms to effectively manage the municipal demarcation process. The primary purpose of the Bill is to review the establishment of the Demarcation Board, the process

and mechanisms of municipal demarcation, and to allow the Minister to promulgate regulations in this regard.

The strategic focus of the Service Delivery Facilitation Bill is to amend laws that have been found to be impeding service delivery and to provide for a conducive environment for service delivery. The Bill will have a positive impact on the facilitation of service delivery in that it will *inter alia* seek to:

- align various government processes that are duplicated across various pieces of national legislation; and
- cut back the red tape contained in various pieces of national legislation in order to improve the delivery of services in communities.

The strategic focus of the Municipal Systems Amendment Bill is to provide for further conditions in the professionalisation of local government administration, and provide clarity on the permanent appointment of managers reporting to the municipal manager.

In order to strengthen the implementation of the reviewed IDP framework, consideration will be given to amend the relevant sections of the Municipal Systems Act to enable a differentiated approach.

Section 43 of the Municipal Systems Act empowers the Minister to develop general key performance indicators that can be applied to local government. Similarly, sections 106 to 108 provides for national and provincial and government to set indicators for monitoring the performance of municipalities. The annual municipal performance reporting in terms of section 46 relies heavily on the effective implementation of the performance management system as required by sections 39 to 41 of the Municipal Systems Act.

The Department investigated the relevance of the current key performance indicators and a proposed new set of indicators were developed. The draft indicators were consulted widely with provinces, municipalities and sector departments. In addition, draft reporting templates were also developed and these will be reviewed in consultation with the National Treasury, the Auditor General, and the Department of Monitoring and Evaluation in the Presidency to align with the Municipal Performance

- To insert the information

In the Minister's 2012 budget speech, it was stated as follows:

“We set ourselves a target to review pieces of legislation that are said to be impeding service delivery, in terms of the Local Government Turn-around strategy.

Progress report on this point is that we have now identified more than three hundred sections of legislations that fall under this category and we are moving ahead to propose reviews.

Yes, there has been a delay in finalising this matter, chiefly because those who identified these laws do not go far beyond mentioning them.

We have put together a team of law experts to deal with this matter in that, we either establish facts and validate the claims and then continue to review the laws, or we fail to validate and then remove such laws from the list.

This, we will have to complete by August 2012.”

Progress to date:

During 2012 CoGTA requested all sector departments, which were identified during the review project to be administering problematic pieces of legislation, to provide CoGTA with a progress report, and more specifically a report on any work done so far as well as the progress arising from their departmental Legislative Programme for 2012. To this end, CoGTA only

received progress reports from National Treasury and the Department of Human Settlements.

The Department of Environmental Affairs introduced the National Environmental Management Laws Amendment Bill, 2012 on 4 May 2012 into Parliament. The purpose of the Bill is, amongst others, to review environmental legislation that was identified during the Legislative Review process as impeding service delivery. The legislation that will be amended, include:

- National Environmental Management Act, 1998 (Act No. 107 of 1998);
- National Environmental Management: Biodiversity Act, 2004 (Act No. 10 of 2004);
- National Environmental Management: Air Quality Act, 2004 (Act No. 39 of 2004);
- National Environment Management Laws Amendment Act, 2009 (Act No. 14 of 2009); and
- National Environment Management Laws Amendment Act, 2009 (Act No. 15 of 2009).

The draft Bill ON SERVICE DELIVERY FACILITATION proposes the amendments to the following Acts:

- Constitution of the Republic of South Africa, 1996 (separate Bill as per the requirements of the Constitution);
- Public Finance Management Act, 1999 (Act No. 1 of 1999);
- Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
- State Information Technology Agency Act, 1998 (Act No. 88 of 1998);
- Marine Living Resources Act, 1998 (Act No. 18 of 1998);
- National Health Act, 2003 (Act No. 61 of 2003);
- Choice of Termination of Pregnancy Act, 1996 (Act No. 92 of 1996);
- South African Schools Act, 1996 (Act No. 84 of 1996);
- South African Police Service Act, 1995 (Act No. 68 of 1995);
- Prevention of Illegal Eviction from and Unlawful Occupation of Land Act, 1998 (Act No. 19 of 1998);

- Conservation of Agricultural Resources Act, 1983 (Act No. 43 of 1983);
- National Building Regulations and Building Standards Act, 1977 (Act No. 103 of 1977);
- Water Services Act, 1997 (Act No. 108 of 1997);
and
- Employment of Educators Act, 1998 (Act No. 76 of 1998).

The Bill does not include aspects of local government legislation (e.g. Local Government: Municipal Demarcation Act, 1998 or Local Government: Municipal Systems Act, 2000), that are listed separately in the Legislative Programme. These Acts will be amended by the relevant Branches with the support of Legal Services.

In 2009 we set ourselves targets regarding access to basic services mainly because these are essential services which, when delivered, will make a noticeable difference to the lives of all citizens in South Africa.

There is some progress made by local government in accelerating access to basic services for the poor. However, there is still more to be done considering the backlog that remains and the demand pressures

emanating from population and economic growth. A number of challenges that hinder the achievement of the commitment made centres around poor coordination across the three spheres.

The slow pace of eradicating backlogs can be ascribed to moving targets due to the continuous influx of people to urban areas; the ageing infrastructure at municipalities; as well as the establishment of new traditional communities. This state of affairs therefore increases the demand for services.

Despite the slow pace mentioned above, government has recorded steady progress, as per census data of 2011.

Households that gained access to electricity:

Households using electricity for lighting increased from 58.2% in 1996 to 84.7% in 2011, while those using paraffin and candles decreased over the same period from 12.7% to 3.0%, and from 28.7% to 11.4%, in 1996 and 2011, respectively.

Households that gained access to refuse removal:

Census data of 2011 shows that the percentage of households that have their refuse removed by the municipality weekly, have increased consistently from 52.1% in 1996 to 62.1% in 2011, while those removed less often declined from 2.2% in 2001 to 1.5% in 2011.

Household that gained access to sanitation:

The percentage of households that were without toilets declined significantly to 5.2% from 13.3%.

Households that gained access to water:

Access to piped water inside the dwelling or yard has increased significantly since 1996 when only 60.7% of households reported access then, compared to 73.4% in 2011. During the same time, the percentage of households with no access to piped-water decreased from 19.7% in 1996 to 8.8% in 2011.

1.2. Promoting Good Governance

The amendment of the Municipal Systems Act in 2011 was aimed to professionalise local government and to ensure that systems and procedures for recruitment and mobility between municipalities were developed. The regulations envisaged in the amended Municipal

Systems Act will be promulgated in June 2013 for implementation.

The amendment to the Systems Act also provides that a staff member dismissed for misconduct cannot be re-employed elsewhere for a certain period of time. In essence, the Act sets a moratorium on the re-employment of such staff by other municipalities. These Regulations, once finalized, will prescribe a period that a senior manager may not be employed in a municipality when found guilty of misconduct.

The Department is in the process of developing an on-line database case-management system that will require municipalities to load cases of misconduct as and when they take place.

The Regulations will therefore make it mandatory for all municipalities to clear all appointments with this database before any appointments may take place.

For the next financial year, the Department will embark on a process to develop uniform norms and standards for all other municipal employees.

Improvement of Audit Outcomes

The Departments plans to improve audit outcomes by ensuring that there is an increase in the number of municipalities with unqualified audits. While National Treasury's role is mainly focused on improving financial capabilities of municipalities, **DCoG**'s role is to facilitate the improvement of the administrative component.

In this regard, the Department will ensure that Municipal Public Accounts Committees are established and are functional; that External Municipal Audit Committees are appropriately constituted according to the size of a municipality; and to support municipalities to establish internal audit functions.

We also plan to assist municipalities to develop action plans to address previous audit outcomes, particularly policies and processes in high risk areas such as procurement (supply chain) and asset management.

Filling of posts

To this end, the following critical posts were filled as at the end of September 2012:

- 219 (79%) out of 278 Municipal Manager posts;
- 225 (81%) out of 278 Chief Financial Officer Posts;
- 182 (74%) out of 245 Technical Services and Engineer posts;
- 210 (76%) out of 276 Corporate Services posts; and
- 149 (78%) out of 190 Community Services posts.

It is a known fact that having the right skills is critical to municipal effectiveness. Skills gaps exist in important technical and management positions which results in poor governance and lack of delivery of service.

The top posts of Municipal Manager, Chief Financial Officer, Development and Town Planning Services, Engineering Services, Community Services, and Support Services are critical and should be filled with qualified and competent staff.

In order to overcome these challenges the **DCoG** has developed a competence framework and competency requirements to ensure that persons being appointed

have the relevant skills and expertise. This will be finalised as part of the process to finalise the regulations emanating from the Municipal Systems Act.

We believe that if these things are done the financial and administrative capabilities will improve.

Initiatives to improve financial management at municipalities:

DCoG, in conjunction with National Treasury, SALGA and MISA, facilitate and ensure that there are credit control policies and measures in place, and ensure that municipalities are able to prepare and implement viable indigent policies. Support is given to municipalities to recover debt from government departments and entities. It is important that we jointly develop policy guidelines for the review of outstanding debt, and the writing-off of debt that is uncollectable.

There is also a need to make sure that operational expenditure on repairs and maintenance is reduced significantly, and that municipalities' under-spending on capital expenditure is also reduced significantly.

Municipal performance reporting:

We have since developed a municipal performance measuring tool, with indicators that are integrated with

the Municipal Assessment Tool (MAT) developed by the Department of Performance Monitoring and Evaluation. The MAT is intended to assess municipal performance against the management prerogative. Minimal progress has been recorded in line with our planned initiatives of piloting the tool in the King Sabetha Dalindyebo Local Municipality (KSD) and this is due to inability to get buy-in from the municipality.

This report is compiled in terms of the legislative requirements of Chapter 6 of the Municipal Systems Act, and Chapter 12 of the Municipal Finance Management Act.

Annual Report on municipal performance, monitoring and reporting:

The current challenges that are being experienced with regard to the submission of municipal performance reports, monitoring and reporting include the following:

- Inconsistent timeframes for reporting across the three spheres of government;
- Lack of a standard format for achieving integrated reporting across the three spheres of government;
- Limited capacity and capability of the Department internally to:

- Coordinate and consolidate section 47 and 48 reports respectively. The Department last submitted section 48 reports in 2008; and
- Implement the Integrated Monitoring and Evaluation Framework adopted by MinMEC in 2011, across the three spheres of government.
- Lack of a standardised set of key performance indicators for local government in terms of their powers and functions. Municipalities are currently using the 7 regulated key performance indicators that do not reflect how a municipality has performed during the financial year;
- Lack of support, oversight and monitoring by provinces for the effective establishment and implementation of Performance Management Systems;
- Misalignment between IDP, SDBIP, Organisational and Individual Performance Management System leading to the annual report not reflecting what was planned for at the beginning of the year. There is limited accountability at all levels;
- Capacity of the Internal Audit and External Audit

Committee to hold municipalities accountable in terms of quarterly reporting;

- Lack of oversight by Municipal Councils and Provincial Legislatures to demand the submission of section 46 and 47 annual reports on performance of municipalities respectively; and
- Capacity and capability of provinces and municipalities to implement Performance Management Systems and do Monitoring and Evaluation.

Departmental perspective on monitoring and evaluation:

The perspective is that we need to strengthen the Monitoring and Evaluation capacity to enable it to deal with the 9 provinces and 278 municipalities. This is necessitated by the restructuring that took place during the financial year 2009/10, which left the unit responsible for Monitoring and Evaluation incapacitated in terms of human resources.

This will enable the Department to provide a technical response to challenges, and provide necessary feedback as to how government is responding to the pre-determined objectives.

Improving municipal performance:

In improving municipal performance the Department is forging a coordinated, collaborative and integrated approach with sector departments that have a stake in the local sphere of government. This integration is sought in planning and reporting on the identified core set of performance indicators.

The Department will introduce institutional arrangements that will ensure support to provinces and municipalities, through relevant training, and the provision of tools and techniques necessary for the development of section 46, 47 and ultimately, section 48 reports.

Status with regard to section 139 interventions

Since 2006 until 18 May 2011 there have been 38 section 139 interventions in six (6) provinces. This total is made up of six (6) in North West Province, six (6) in Free State Province, one (1) in Gauteng Province, four (4) in Eastern Cape Province, six (6) in Mpumalanga Province, twelve (12) in KwaZulu-Natal Province, and four (4) in Western Cape Province.

The nature of the challenges that led to these invocations were related to financial, governance and service delivery issues. There were two municipalities in KwaZulu-Natal whose invocation was extended because of lack of improvement in governance and financial management. These are Indaka Local Municipality (still active) and Ukhalamba Local Municipality whose invocation was withdrawn on the 31st of July 2012. Below is a list of such per province:

- To add information

Since the last local government elections (18 May 2011) there were two municipalities in KwaZulu-Natal Province which were placed under section 139 intervention – these are the Mtubatuba and Imbabazane Local Municipalities whose invocation were November 2012 and January 2013, respectively. The reasons for these interventions were related to governance and financial management concerns.

The practice of intergovernmental relations is voluntary. After the assessment that the Department conducted, a need arose to legislate the management of interventions and support to organs of state that fail to fulfil their constitutional obligation.

In this regard the Department has drafted the Intervention Monitoring and Support Bill whose main objective is to provide clarity on the application of section 100, and to provide more clarity in the application of section 139. The Bill has incorporated lessons learned from interventions in the Limpopo and Eastern Cape Provinces on the invocation of the various aspects of section 100.

This Bill will be submitted to cabinet during the 2013/14 financial year.

Since 2006 until 18 May 2011 there have been 39 section 139 interventions in six (6) provinces. This total is made up of six (6) in North West Province, six (6) in Free State Province, one (1) in Gauteng Province, four

(4) in Eastern Cape Province, six (6) in Mpumalanga Province, twelve (12) in KwaZulu-Natal Province, and four (4) in Western Cape Province.

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This Bill will be submitted to cabinet during the 2013/14 financial year.

1.3. Enhancing Sound Financial Management

Evidence shows that many municipalities have challenges with regard to administrative and financial

management. Growing outstanding debt; weak financial governance and administrative management; under-expenditure on capital budgets; little or no allowance for repairs and maintenance; significant vacancies in critical positions and skills gaps are some of the main challenges facing municipalities. Concerted effort is needed to improve performance in these areas, failing which service delivery will surely be compromised.

Establishment of Governance Structures

Some of the interventions to increase the number of municipalities with unqualified audits are on course. Government has managed to support the establishment of 91% of Municipal Public Accounts Committees, and 96% of Audit Committees. 90% of all municipalities have developed Audit Action Plans.

Aggregate municipal consumer debts were R83.7 billion as at 31 December 2012 (National Treasury). National and provincial government debt accounts for 5.4% or R4.5 billion of this amount. Households account for the largest proportion of consumer debt (R52.5 billion or 62.7%).

As at 31 December 2012, the outstanding debt due to metropolitan municipalities increased by 6,3% to R47.3 billion from the second quarter of the 2011/12 financial year. The City of Johannesburg's share was R16.5 billion, or 34.9% of all metropolitan municipalities.

Just more than half of all debt owed to metropolitan municipalities at the end of December 2012 were owed by only two metropolitan municipalities: namely Johannesburg (31.2%) and Ekurhuleni (22.1%). 94% of all new debt generated between December 2011 and December 2012 was in the City of Johannesburg (R2.6 billion out of R2.8 billion of new debt).

Outstanding consumer debt in secondary cities totalled R15.4 billion as at 31 December 2012. This represents an increase of 17.6% from the R13.1 billion reported on the corresponding period in the 2011/12 financial year. Half of all debt owed to secondary cities by the end of December 2012 were owed to only four secondary cities namely Emfuleni, Matjhabeng, Msunduzi and Rustenburg. Household debt accounts for R10.8 billion or 70.3% of the totalling outstanding debt. Of the total debt, R12,1 billion, or 78.8% has been outstanding for more than 90 days.

The table below shows that from March 2012 to December 2012 debt owed to municipalities increased by R7 106 289. As at December 2012, municipalities owed Eskom an amount of R1 156 624 562.

DEBTORS BY CUSTOMER GROUP: MARCH - DECEMBER 2012				
DEBTOR BY CUSTOMER	MARCH	JUNE	SEPTEMBER	DECEMBER
Government	3 520 240	3 178 553	4 756 724	4 506 562
Business	15 180 183	15 863 911	18 852 632	18 137 488
Households	49 753 981	50 759 820	55 472 907	52 462 444
Other	8 154 712	7 819 608	8 076 980	8 608 911
Total	76 609 116	77 621 892	87 159 243	83 715 405

Communities should not be stigmatized due to factors beyond their control such as poverty, historical settlement patterns, and limited economic potential of the municipal areas in which they live-in. Due to the negative associations of the term non-viability, it could be well considered that viability is not the appropriate

entry point in determining a model of support to municipalities.

The viability debate may create false expectations that the identification of “unviable” municipalities, and their possible disestablishment or re-demarcation would solve the underlying economic reality or historical settlement patterns, while these would remain the same even within new municipal configurations.

The national trends reflect that reaching the target of clean audit by 2014 cannot be achieved due to the high number of unfavourable audit outcomes in the 2011/12 audit outcome report. The current audit outcomes for the 2011/12 financial year indicate that only 3% of municipalities achieved a Clean Audit; 37% achieved Unqualified Audits with issues of emphasis; 22% got Qualified Audits; 24 % got Disclaimers/Adverse Audits; and 13% of audits are still outstanding as of 6 March 2013.

The table below provides an overview of the audit outcomes for the financial years 2008/09 to 2011/12.

SUMMARY FOR THE PERIOD 2008/09 TO 2011/12

Audit Outcome	Changes in the number of audits for 2010/11 to 2011/12	2011/12	2010/11	2009/10	2008/09
Clean Audit	Regressed by 4	9	3	13	5
			3%	13%	5%
Unqualified	Regressed by 13	10	37	11	41
		2	2%	5%	9%
Qualified	Regressed by 10	62	22	52	18
			22%	52%	18%
Disclaimer / Adverse	Improved by 19	69	25	88	32
			25%	88%	32%
Outstanding	Regressed by 26	36	13	10	4
			13%	10%	4%
Total		278	283	283	283

The regression on favourable audits from 46% in 2010/11 to 40% in 2011/12, constitutes about 60% of unfavourable audits in 2011/12. This means more work has to be done to improve the number of unfavourable audits from the current 111 out of the 278 audits. This means that about 167 municipalities are struggling to fairly present all material aspects, financial position, and its operation results in their Annual Financial Statements

(AFS), in accordance with the standards of Generally Recognised Accounting Practice (GRAP)

Arising mainly from the non-submission or late submission of AFS for audit, the audit of 36 municipalities has not been finalised as at 31 January 2013, which is the cut-off date set by the auditor-general for inclusion of their audit outcome in the audit report.

The cause for regression in most municipalities was unwillingness or inability to correct all misstatements, and therefore could not avoid qualification of their AFS. In some instances, municipalities could not provide the required information or documentation to justify the amounts reflected in the AFS.

The cause for unchanged qualification is as a result that municipalities inadequately addressed issues raised by the auditor-general.

1.4. Intensifying the fight against Corruption

The Department developed and launched nationally, the Local Government Anti- Corruption Strategy entitled "Promoting Good Governance and Accountability" in 2006. The strategy is modelled around the Public Sector anti-corruption strategy developed by DPSA. The objective is to provide practical guidance on how to

prevent and deal with corrupt activities taking place in municipalities. The strategy was rolled out to all the municipalities during 2007 and 2008. Building on the imperative of the strategy, the Department supported the municipalities to develop own anti-corruption strategies and fraud prevention plans and further conducted training on the implementation of those strategies and plans in 2009 and 2010.

