

**Supporting Information on DCoG financial and non-financial performance**

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# Introduction

The Standing Committee on Appropriation invited the department to present the 4th quarter expenditure report together with supporting information. The information provided below was discussed by top management of the Department of Cooperative Governance.

# Overall Governance and Accountability Performance

# 2016 MPAT Scores and Improvement Plan

The overall Management of Performance Assessment Tool (MPAT) rating of the Department increased slightly from the 2, 7 in 2015 to 2, and 8 in 2016

**Table 1: Comparative MPAT status for 2015 and 2016**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **KPA** | **Strategic Planning** | **2015**  **Final Score** | **2016**  **Final Score** | **Indicators** |
| **KPA 1** | **Strategic Planning** | **7.5** | **12** |  |
| **KPA 2** | **Governance And Accountability** | **30.5** | **30.5** |  |
| **KPA 3** | **Human Resource Management** | **26.0** | **29.5** |  |
| **KPA 4** | **Financial Management** | **30** | **26** |  |
| **Total** | | **94 (2.7)** | **98 (2.8)** |  |

There was a decrease in the rating of Financial Management from the 2015 financial year mainly due to challenges experienced with the payment of invoices within 30-days and the timeous certification of payroll certificates.

Improvement plans were developed for all MPAT ratings below 3, which is monitored through the Management Committees of the Department.

# Status of Audit, Risk and other governance committees

**Table 2: Functionality of Governance Structures**

|  |  |  |
| --- | --- | --- |
| **Governance Structures** | **Frequency** | **Functionality** |
| **Internal Structures** | | |
| Risk Management Committee | 4 meetings held | * MPAT results: 4 * Attendance   + Internal attendance: **88%** * Minutes approved * Resolutions monitored and implemented |
| **External Structures** | | |
| Audit Committee | 4 meetings held | * MPAT results: 4 * Attendance   + External members: **100%** * Minutes approved * Resolutions monitored and implemented |
| Internal Controls Committee | 4 meetings | * Minutes approved * Resolutions monitored and implemented |
| ICT steering Committee | 3 Meetings | * Minutes approved * Resolutions monitored and implemented |

The Risk and Audit Committee structures of the department were functional and convened quarterly. The resolutions were monitored and implemented by Management.

# Human Resources Management Performance

* The Human Resources Plan and progress reports were approved and submitted to the Department of Public Service and Administration (DPSA)
* Grievance and Financial misconduct reports submitted to Public Service Commission (PSC) on 21 April 2017
* All (100%) SMS members’ financial disclosures were filled with the public Service Commission.
* E-skills implementation plan approved.

# Payment of Suppliers

The department is paying 90% of its suppliers within 30 days and 10% after 30 days due to various reasons as indicated below:

The following measures have been put in place to ensure improvement in the turn-around time for payment of suppliers:

* Review and certification of invoices;
* Corrections of invoices submitted for payment;
* Bank account verifications;
* Delays in submitting of invoices for processing; as well as
* Limited technical capacity.

The department has also reviewed the Standard Operating Procedure for payment of invoices to supplier in order to improve on the turnaround time.

# Filling of Critical Vacancies

**Status of Critical Funded Vacancies as at 11 August 2017**

Out of a total of 50 critical posts, 32 were filled, 12 in a process of finalisation, 1 post was suspended, 5 posts awaiting approval as priority posts. The total number of vacant posts are 18.

**Status of submission -Performance Management Documents**

|  |  |  |
| --- | --- | --- |
| **SMS MEMBERS** | | |
| Total Number of SMS members | Total number of agreements submitted | Total Percentage |
| 129 | 129 | 100% |
| Total number of SMS members eligible | Total number of assessments submitted | Total Percentage |
| 105 | 103 | 98% |
| **Staff members below SMS** | | |
| Total Number of Staff members below SMS | Total number of agreements submitted | Total Percentage |
| 142 | 141 | 99.7% |
| Total Number of Staff members below SMS | Total number of assessments submitted | Total Percentage |
| 337 | 324 | 99% |

# Organogram approval status

The organizational structure of the Department of Cooperative Governance was approved on the 18 March 2016

DCoG has a total staff complement of 454, of which 392 (86%) positions are filled, comprising 45% male and 55 % female staff members. Filled SMS posts constitute 105 %. Only 1% constitute staff members with disabilities.

# Report on the M&E functioning and governance requirements

The Department is currently monitoring municipalities through the monthly Back-to-Basics (B2B) Reporting System, where data on key indicators aligned to the 5 pillars of the B2B are collected and analysed.

The Department is also reviewing its COGTA-wide M&E Framework with the view to institutionalizing this function within the Department. The Local Government key performance indicators, in terms of section 43 of the Municipal Systems Act, will also be reviewed.

The internal monitoring and reporting function of the department is functioning well. There has been a significant improvement in the management of Portfolio of Evidence and the submission of reports to the Department of Planning, Monitoring and Evaluation (DPME), National Treasury and Auditor-General.

The Internal M&E function also facilitates the development of the Service Delivery Model and Service Delivery Improvement Plans.

A Monitoring and Evaluation forum has been established with Provincial COGTA Departments for purposes of aligning National Plans with the provincial plans and developing customised performance indicators. The forum is also a platform to share knowledge and best practices.

# Overall Status of the SCM functionality

Annually, the Department adopts the Procurement Plan as per the Treasury Regulation requirements and is submitted to National Treasury by the due dates.

The Department had forty-six (46) projects on the Procurement Plan for 2016/17 financial year.

Due to changes to National Treasury directives other factors, twenty four (24) projects were withdrawn from internal procurement processes to be executed either through MoUs, National Treasury Transversal Contracts, utilising of internal capacity and non-response from bidders.

The main empowerment goals of the Department include Local Content as directed by National Treasury, Women and Youth, above 18-years.

# Brief discussion on each entity within DCoG

# South African Local Government Association (SALGA)

SALGA is an association that consists of one national office and nine provincial offices that represent the interest of 257 municipalities across the country. Membership to SALGA by municipalities is voluntary in nature and in line with its constitution SALGA account to its member’s municipalities through its Governance Framework regulating its structures and mandating processes.

The association has a National Executive Committee (NEC) comprising of elected councillors (primarily mayors and office bearers in municipalities) responsible for the affairs of the organisation between National Conferences and Members’ Assemblies, as the highest and second highest decision making bodies of the association respectively. Its administration is headed by a Chief Executive Officer.

SALGA is listed as a Schedule 3A public entity it is therefore accountable for its revenue and expenditure in terms of the Public Finance Management Act of 1999. It is called to account to Parliament annually through tabling of Annual Performance Plans and Annual Reports on its performance and expenditure as a consequence of its listing in terms of this Act.

SALGA has set out its role to represent, promote and protect the interests of local governments and to raise the profile of local government, amongst other objectives. SALGA is funded through a combination of sources, in 2016/17 the primarily membership fees was (81%), donations from the donor community for specific projects (6%), other sources (9%) and an annual allocation from the national fiscus (4%).

Since its establishment, SALGA has endeavored to bring focus to its mandate of supporting local government transformation in a complex environment, characterised by a highly diverse membership-base of municipalities. SALGA has a clear strategic role to play in representing the interests of local government within the system of government as a whole and supporting its members to fulfil their developmental obligations. SALGA as a partner with government, is expected to be an active participant in the intergovernmental relations (IGR) system, to provide proposals on policy matters for consideration by government on numerous issues affecting municipalities as well as to provide solutions to the challenges facing local government in generally. SALGA’s mandate is therefore summarised as follows:

Lobby, Advocate & Represent: Lobby, advocate, protect and represent the interest of local government at relevant structures and platforms.

Employer Body: Act as an employer body representing all municipal members and, by agreement, associate members.

Capacity Building: Build capacity of the municipality as an institution as well as leadership and technical capacity of both Councillors and Officials.

Support & Advice: Support and advice members on a range of issues to assist effective execution of their mandate.

Strategic Profiling: Build the profile and image of local government within South Africa as well as outside the country.

Knowledge & Information sharing: Serve as the main hub of LG knowledge and to facilitate peer learning within the sector.

**Major Risks**

Some of the major risks affecting SALGA is the voluntary nature of the organisation which may result inability to fund SALGA operations due to its limited revenue base that is highly reliant on membership levies, and an underfunded IGR function which impacts on performance in so far as implementations of programme aimed to support municipalities. In addition, inadequate and or lack of impact assessments of programmes and assistance provided to municipalities and misunderstanding of SALGA’s mandate by stakeholders. DSALGA has identified mitigation strategy that will deal with these risks such as development of revenue innovative model, development and implementation of Monitoring and Evaluation Framework and profiling SALGA through the integrated marketing, communication and stakeholder strategy.

# Municipal Demarcation Board (MDB)

MDB is mandated in terms of section 155 (3) (b) of the Constitution of the Republic of South Africa “to determine municipal boundaries independently. MDB was established in accordance with the Municipal Demarcation Act No. 27 of 1998 read together with the Municipal Structures Act No. 108 of 1998.

MDB is independent, and must perform its functions without fear, favour and prejudice assigned with the following functions:

1. Determine or re-determine the outer boundaries (municipal boundaries) of the three categories of municipality provided for in the Constitution (That is, category A [metropolitan], category B [local] and category C [district] municipalities) for the whole of the territory of the Republic, including the boundaries of cross-boundary municipalities;
2. Delimit wards for local government elections;
3. Perform various advisory functions, such as the alignment of functional or service delivery boundaries with constitutional boundaries; and
4. Assess the capacity of municipalities and perform an advisory role in the division and allocation of functions and powers to municipalities falling outside the metropolitan areas.

The process governing the redetermination of municipal boundaries, and the criteria to be applied, are legislated in the Municipal Demarcation Act (MDA) and the Municipal Structures Act (MSA).

**Some of the emerging matters that require attention in the MDB’s environment:**

The Department in collaboration with the MDB is currently amending the Municipal Demarcation Act. This process is a priority and the specific areas for review include the following:

Frequency of the cycle for re-determinations of municipal boundaries. is found to destabilize municipalities, i.e. it is argued that municipalities are not given enough time to move from transitional phase into fully functional entities. A ten-year cycle is being proposed;

1. Inadequate public participation processes; and
2. Absence of an appeals mechanism makes the costly and protracted process of litigation the only available means to challenge Board decisions.
3. Provincial boundaries that need to be reviewed to accommodate areas with challenges e.g. Moutse, Dipaleseng, Ba ga Mothibi, Matatiele, etc.
4. Inadequate funding of MDB: constraining effective public participation and establishment of regional presence.
5. Instances of misaligned municipal boundaries to cadastral farms and split settlements. This includes spatial discrepancies and land disputes concerning traditional authority areas exacerbated by lack of proclamations thus resulting in misalignment of municipal boundaries.

**Performance (Reporting to the Department/ Parliament on APP and Annual Reports (2016/17 financial year)**

The MDB completed technical assessments of municipal boundaries for 213 municipalities, these technical assessments will inform the Board’s municipal boundary re-determination process that will commence in 2017.

A revised municipal capacity assessment model was developed, the assessment of municipal capacity will be conducted during 2017/18 and reports produced.

A conference on demarcation and spatial transformation was hosted on 23 and 24 June 2016, the conference highlighted the necessity for the MDB to focus on, amongst others, the need for legislative reform, a regional presence and the strengthening of public participation and education.

Inputs into the amendments of applicable legislation and regulations affecting the work of the MDB was completed by end of 3rd quarter

A Framework for public participation in municipal boundary redetermination and ward delimitation were developed.

# Performance of conditional Grants and Key Reforms

# Expenditure Performance for MIG 2016/17

Table 1 below indicates that the MIG has spent R13, 8 billion (92%) of the R14, 9 billion 2016/17 MIG allocation. Municipalities in the KwaZulu-Natal Province spent R3, 25 billion (99%) collectively of their R3, 3 billion 2016/17 MIG allocation. The lowest expenditure was reported by North Cape Province which has spent R466 million (83%0 of their R502 million MIG 2016/17 allocation.

**Table 1: MIG expenditure performance as at the end of June 2017**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Province** | **Allocated (R'000)** | **Transferred to date (R'000)** | **Transfers as % allocation** | **Expenditure to date (R'000)** | **Expenditure as % allocation** | **Unspent Balance (R'000)** |
| Eastern Cape | 2,961,900 | 2,961,900 | 100% | 2,634,668 | 89% | 327,232 |
| Free State | 727,755 | 727,755 | 100% | 690,790 | 95% | 36,965 |
| Gauteng | 448,801 | 448,801 | 100% | 342,633 | 76% | 106,168 |
| KwaZulu-Natal | 3,295,457 | 3,295,457 | 100% | 3,254,104 | 99% | 41,353 |
| Limpopo | 2,954,778 | 2,954,778 | 100% | 2,674,905 | 91% | 279,873 |
| Mpumalanga | 1,797,410 | 1,797,410 | 100% | 1,752,424 | 97% | 44,986 |
| Northern Cape | 507,335 | 507,335 | 100% | 422,729 | 83% | 84,606 |
| North West | 1,719,055 | 1,719,055 | 100% | 1,546,483 | 90% | 172,572 |
| Western Cape | 501,537 | 501,537 | 100% | 465,773 | 93% | 35,764 |
| **TOTAL** | **14,914,028** | **14,914,028** | **100%** | **13,784,509** | **92%** | **1,129,519** |

As at June 2017, the MIG programme spent 92% of its total appropriation of R14,9 billion. We have observed a positive trend in the expenditure of MIG over the last five years. The unspent funds have reduced over the MTEF period.

The table above shows that Eastern Cape, Limpopo and North West have challenges with regard to the expenditure of MIG which is as a result of poor planning for the year of implementation and in-year changes in priorities. Gauteng and Northern Cape have severe challenges related to the above-mentioned issues that require urgent intervention. On the other hand, Free State, KZN, Mpumalanga and Western Cape are performing satisfactorily. They have low unspent figures, below 45 million.

MISA is assisting municipalities to improve the MIG spending of underspending municipalities through improving their planning and project management capabilities.

The MIG funds of municipalities that have not reached their spending threshold of 40% of their allocation by end of December 2016 were stopped. The Department has reallocated the stopped funds to performing municipalities. We found this system to have created unintended consequences by penalizing poor communities, which reside in these poorly performing municipalities. Hence, the Department is considering alternative delivery mechanisms that would indirectly transfer funding to municipalities, which implies that funding is retained nationally and implemented through an Implementing Agent. This feasibility of this mechanism is still being looked at.

# Performance overview of the Community Work Programme

The Community Work Programme continues to make a contribution to government's efforts to eradicate poverty and promote community development. As at 31 March 2017 CWP provided 240554 work opportunities (Cumulative) in 238 sites spread across 231 Local Municipalities inclusive of the Eight (8) Metropolitan municipalities against a target of 235 665 across the 9 provinces. The actual participation rate as at the 31 March 2017 stood at 211490 work opportunities against an annual target of 235 665. Our target for the 2017/18 financial year is 258 400 participants. More importantly, the CWP provides participants with both training and experience.

* Forty-one percent (41%) of these work opportunities are occupied by participants that are in the youth sub population group, against an annual target of 40% youth participation;
* Eighty percent (80%) of the participants during this period were in the female sub population group against an annual target of 55% female participation; and
* Two percent 2% of the participants taking up the work opportunities are from the people with disabilities sub population group, against an annual target of 2%.

# Unaudited Expenditure as at 31 March 2017

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The Department has spent 95.6% of its total allocation of R73 billion as at 31 March 2017. The under-expenditure of 4.4% is largely attributed to MIG under- expenditure of R 2,2 billion.

# Cost containment measures within the department

The Department is observing the cost containment measures approved by Cabinet and issued by National Treasury with the view to contain administrative expenditure and ensure services are effectively, efficiently and economically executed to achieve set objectives.

The current policies were reviewed to incorporate these cost containment measures.

The following had been implemented amongst others:

* The use of internal venue for meeting instead of procuring external venues;
* Delegations for international trip reduced to a minimum of 5 officials;
* Catering is no longer provided except for when there are external stakeholder and meeting is longer than 5 hour;

The department is busy with the review of functions and document key business processes to improve service delivery and efficiencies as well as to develop detailed Standing Operating Procedures.

# Recommendations

It is recommended that the Standing Committee on Appropriation notes the supporting information on the DCoG 4th quarter financial and non-financial performance for 2016/17.