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**MFMA 2018/2019 AUDIT ACTION PLAN**

**COGTA MEC COMMITMENTS AND PROGRESS**

**REPORT**

**AS AT**

**21 August 2020**

| 1. **AUDIT ACTION PLAN: LEADERSHIP ADMINISTRATIVE STABILITY AND ACCOUNTABILITY** | | | |
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| **Intervention: Support relevant municipalities that have received negative audit outcomes from AG report of 18/19 FY to fill posts in terms of the applicable legislation** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| Issue circular to municipalities to prioritise the filling of posts in respect of critical and scarce occupations/posts to ensure business continuity | Within 6 months of the declaration of the vacancy | COGTA: Municipal Governance and Administration | Circular 30 of 2020 dated 28 May 2020 was sent to Municipalities: Filling of approved and prioritized critical and scarce skills posts: COVID 19  **Achieved** |
| Status of posts as follows:   * 255 filled senior management posts out of 312 senior management posts (81.8%); and * 57 vacant senior management posts out of 312 senior management posts (18.2%) at 32 Municipalities. * In progress * Of the 57 vacant posts, 37 have been vacant for longer than 6 months. * Municipalities have cited governance challenges and Structures outside Council (external stakeholders) as having an influence on the appointment process and thereby delaying the filling posts. |
| Provide generic adverts and screening reports. |  | COGTA: Municipal Governance and Administration | * Municipalities supported with proforma adverts included Mpofana (iro Dir Technical, Dir Corporate and Dir Community). Draft adverts were also vetted; Amajuba (Director: Engineering Services); Umngeni and Edumbe (Municipal Manager) * Provided advise to Msunduzi and uThukela on the screening and competency process. * Umngeni LM & Uthukela DM supported with CVs for acting appointment of the Director Technical Services on 18 June 2020 and MM in June 2020, respectively. * DCOG engaged to provide access to the National database of dismissed staff.   **Ongoing** |

| Provide hands on support during shortlisting and interview processes. |  |  | * Circular 28 of 2020 was sent to Municipalities in May 2020: Guidelines to municipalities regarding shortlisting and virtual interview process. * Hands on support with shortlisting, interviews and assessment of appointments provided to:  1. Assessed appointment of Director: Technical Services at Richmond, Acting Director: Technical Services at Zululand, Acting MM at Edumbe, CFO at Mpofana, and Director: Infrastructure and Planning at Ubuhlebezwe. Jozini, Mtubatuba, Umshwathi, uMzimkhulu, uMkhanyakude and Big 5 Hlabisa have no vacancies. 2. Umngeni LM & Uthukela DM: supported with CVs for acting appointment of the Director: Technical Services on 18 June 2020 and MM in June 2020, respectively. Further hands on support provided to 3. Msunduzi at the virtual interviews iro the GM: Infra and the GM: Comm Services 4. ILM at virtual interviews iro the Dir: Planning 5. Mpofana LM Director Technical: Shortlisting 6. Special Council of the eDumbe Municipality on 31 July 2020 on the appointment of CFO item 7. Assessed appointments of Acting Technical Services at uMngeni Municipality; resubmitted the assessment of the Dir: Technical at Richmond LM and CFO, UMkhambathini 8. UMngeni on challenges with shortlisting of the post of Director: Infrastructure and interviews iro the GM: Technical Services on 20 August 2020 and GM: Planning Services on 21 August 2020. The post has been vacant since December 2019. 9. Maphumulo LM: Assisted DCOG by coordinating the submission of the outstanding information to finalise waiver application. 10. Mpofana LM Director Technical Services: Interviews conducted 19 August 2020. 11. Edumbe CFO post: Council engaged due to long period of vacancy and since January 2019 due to governance challenges, Council resolved to re-advertise the post. 12. King Cetshwayo DM virtual interviews on 20 August 2020 at i.r.o. the Director Corporate Service. Post has been vacant since October 2018. 13. uMhlathuze LM status of posts assessment.  * Draft Circular No. 17 on the implications of the Western Cape High Court judgment that might have impact on the filling of critical positions in the KZN Province, submitted up the line to the MEC on 28 July 2020. * Circular 32 of 2020 was finalized in July 2020 and circulated to municipalities (to assist municipalities with the retention of critical positions at municipalities)   **Ongoing** |
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| **AUDIT ACTION PLAN: LEADERSHIP CAPACITY** | | | |
| 1. **Intervention: Monitor the implementation consequence management iro senior management ito the Local Government: Disciplinary Regulations for Senior Managers in all relevant municipalities that have received negative audit outcomes from AG report of 18/19 FY to** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| Compile the monthly consequence management report in terms of the Disciplinary Regulations for Senior Managers | Within statutory timeframes | Municipal Governance and Administration | Monthly consequence management report maintained.  **Achieved, progress reported below.** |
| Monitor the implementation of the consequence management process for senior managers |  | COGTA: Municipal Governance and Administration | Total number of disciplinary cases of Senior Managers reported is 11 in 8 municipalities. 5 are in progress and 6 are unresolved/delayed.  The following 6 cases are unresolved:   1. Msunduzi MM suspension was finalised but the financial settlement awaited. 2. Umzinyathi MM suspension was finalised but the financial settlement awaited. 3. Emadlangeni LM MM: The MM was suspended in September 2019. Legality of Council meeting that re-instated the MM. Disciplinary hearing took place on 14 August 2020 and the next hearing is scheduled for 18 September 2020. 4. Emadlangeni Dir Infrastructure was suspended in January 2019. Reported that due to the Lockdown there was no progress with the case. The evidence leader has advised that the next hearing will be on 10 September 2020. 5. Abaqulusi (MM): The MM was suspended in July 2019. COGTA approached the Court for an interdict against the MM, interdicting him from entering the Municipal Buildings. The matter was set down for 21 August 2020 but was postponed to 17 September 2020 for further arguments.   The following 5 cases are current and in progress:   1. Emadlangeni (Acting MM) 2. Umkhanyakude (CFO) 3. Mtubatuba (Director: Community Services) 4. Uphongolo (director Technical Services) 5. Uphongolo (Director: Community Services)   **Ongoing** |

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| Monitor the submission of the quarterly reports in respect consequence management cases |  | COGTA: Municipal Governance and Administration | Consequence management monitored:   1. Reg 19 quarterly report to DCOG will be submitted. 2. A report submitted to the MEC on 30 June 2020 together with a circular to mayors requesting that they address non-submission of quarterly reports. Proforma monitoring tool provided. 3. Reg 19 quarterly report to DCOG will be submitted by 31 July 2020 – in progress 4. MEC’s Circular 16 of 2020, together with a proforma monitoring tool, sent to all municipalities on 24 July 2020 - Achieved. 5. Consolidated Report on consequence management re-submitted to the DDG on 31 July 2020.   Compliance by municipalities is poor with 35 municipalities responding including nil returns. Department is further engaging municipalities.  **Ongoing** |

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| **AUDIT ACTION PLAN: LEADERSHIP INVESTIGATIONS AND CONSEQUENCE MANAGEMENT** | | | |
| 1. **Intervention: Improve consequence management by investigating allegations on fraud, corruption and maladministration received** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| Record all received allegations in an electronic tracking schedule | Within 3 days of receipt of allegations | COGTA Municipal Investigations | Total of 11 preliminary investigations, 4 are finalised and 15 investigations in terms of section 106 with 5 finalised investigations.  The investigations schedule maintained.  **Ongoing** |
| Conduct preliminary assessment of allegations, including documents received and interview with complainants | Within 30 days of receipt of allegations | COGTA Municipal Investigations | Preliminary assessment finalized at Ethekwini, Umkhanyakude, Alfred Duma, Newcastle, Umhlabuyalingana and ILM and are pending, at Zululand, Ndwedwe, Umvoti and NDZ.  **In progress** |
| Prepare and forward submission to the MEC with recommendations to conduct formal investigation in terms of section 106 of the Systems Act | Within 60 days of receipt of allegations | COGTA Municipal Investigations | Investigations authorized by MEC at Umkhanyakude and Umngeni. Investigators have been appointed at Umkhanyakude and introduced to the Troika on 06 August 2020 and the investigation has commenced. Umngeni arrangements being made to introduce the investigation to the municipality.  Additional section 106 investigations being considered in respect of Emadlangeni, Umhlabuyalingana and Newcastle.  **Ongoing** |
| Conduct investigations and finalise reports | Within time period approved for investigation | COGTA Municipal Investigations | Alfred Duma / Uthukela forensic report finalized and submitted on 19 August 2020. Zululand, Harry Gwala Development Agency to be submitted by 31 August 2020, Umgungundlovu finalised.  Out of 15 investigations in terms of section 106, 8 investigations have been concluded and reports are being reviewed.  **Ongoing** |
| Table forensic reports in municipalities | Within 14 days of MEC approving the tabling of the forensic report | COGTA Municipal Investigations | Msunduzi and Mandeni forensic reports considered on 22 August 2020 and the reports are to be finalized following consultation on the findings with implicated individuals.  Ugu forensic report finalised and being considered prior to approval for tabling  Out of 15 forensic investigations, 8 reports are being reviewed for finalization.  **In progress** |

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| 1. **Intervention: Monitor and enforce implementation of recommendations of forensic reports tabled** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| Track and record all recommendations through an electronic tracking schedule | Within 3 days of the tabling of a forensic report | COGTA Municipal Investigations | Recommendations of all reports are recorded on a tracking schedule and the is maintained.  **Ongoing** |
| Obtain monthly updates from all municipalities whereat forensic reports have been tabled | Monthly | COGTA Municipal Investigations | Quarterly progress reports compiled on implementation of investigation reports. Requests for progress reports sent to Umvoti, Mooi Mpofana, Ray Nkonyeni, Umdoni, Uthukela Water, Nkandla, Umzinyathi Nongoma in June 2020.  Meetings have been held with Mooi Mpofana, Umzinyathi, Newcastle and shareholder municipalities of Uthukela Water i.e. Umzinyathi, Newcastle and Amajuba on 20 August 2020, whereat progress was discussed and resolutions taken on the way forward to improve the rate of implementation. MM of Umdoni and Nkandla have been engaged on 20 August 2020 and discussion was held on the issue of implementation of forensic reports with meetings to take place in the week of the 24th of August 2020.  **Ongoing** |
| Assess monthly progress per municipality and report to the Chief Director and DDG monthly and the MEC quarterly | Monthly | COGTA Municipal Investigations | Quarterly monitoring reports prepared.  Progress has been provided by Nkandla which has been assessed and feedback provided. Progress received from Mooi Mpofana on 23 June 2020 2020, which was assessed and feedback provided at a meeting held on 20 August 2020. Ray Nkonyeni submitted progress dated 21 August 2020, this has been assessed and discussion held with the municipality with feedback on the report. Meeting was held with MM of Newcastle whereat progress in relation to the implementation of the report was discussed and the MM indicated that the report would be considered by council on a date to be confirmed. Umzinyathi has undertaken to providedetailed progress per recommendations as discussed at a meeting held on 20 August 2020.  The Department is monitoring progress of implementation of 13 forensic reports tabled at 12 municipalities. 4 out of the 13 municipalities have not achieved any measure of implementation of the forensic reports. Letters to the Speakers of the aforementioned municipalities from the MEC will be finalized and submitted by 31 August 2020.  **Ongoing** |
| Recommend corrective measures to the MEC for municipalities who are failing/refusing/neglecting to implement recommendations | Within 3 days of assessment of progress reports | COGTA Municipal Investigations | Letters are being prepared for submission on 31 August 2020, to all Speakers from the MEC requesting progress on the implementation of all forensic reports tabled.  The Department is monitoring progress of implementation of 13 forensic reports tabled at 12 municipalities. 4 out of the 13 municipalities have not achieved any measure of implementation of the forensic reports. Letters to the Speakers of the aforementioned municipalities from the MEC will be finalized and submitted by 31 August 2020.  **In progress** |
| Implement corrective measures in line with MEC approval | Within 14 days of MEC approval | COGTA Municipal Investigations | Corrective measures and correspondence issued to non-complying municipalities submitted in respect of Nongoma and shareholders of Uthukela water board has been prepared and will be submitted by 02 July 2020.  Letters are being prepared for submission on 28 August 2020, to all Speakers from the MEC requesting progress on the implementation of all forensic reports tabled.  **In progress** |

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| 1. **Intervention: Skills Audit** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| Conduct Skills audit of municipal employees | March 2021 | COGTA: Capacity Building | On 29 May 2020 a meeting held with DCOG to discuss the enhancements to the GAPSKILL system.  Virtual GAPSKILL training conducted on 25 June 2020 for 14 municipal officials  Skills Audit Project presented to Ugu DCC; Amajuba DCC; Umzinyathi DCC; King Cetshwayo DCC; Uthukela DCC; Umgungundlovu DCC; Uthukela DCC; Umkhanyakude DCC; Ilembe Governance Cluster and Ethekwini EXCO.  Status of Audit as follows:   * + The number of employees audited in the 45 municipalities as at 30 April 2020 was 16 099, in May 2020 – 470; in June 4 464, in July 11 440, and as at 14 August - 2 181.   + A total of 34 654 officials audited as at 14 August 2020. There has been an increase in the number of municipal employees audited. The percentage of municipal employees audited as at 14 August is 80%.   + There are 5 municipalities that have achieved 100% officials audited (data captured on GAPSKILL): Ethekwini; Mkhambathini; Maphumulo; Ubuhlebezwe; Nongoma.   + Presentations are undertaken at District GSCID Clusters; Technical DCC and DCC Meetings on progress on skills audits. The under-performance is highlighted at the District Structures.   + Under-performing Districts include (below 50%): Uthukela (42%), Umzinyathi (45%), Amajuba(20%), Zululand (48%), Umkhanyakude (34%) and Ilembe (39%)Districts. In dealing with challenges/non-performance, letters have been issued to municipalities that were below 50% as at 31 July 2020   + Weekly Skills Audit War Room established with the first meeting scheduled for 28/8/2020 for underperforming municipalities.   Further GAPSKILL training was conducted on 13 and 19 August 2020 and all municipalities have been trained.  **In progress** |

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| 1. **Intervention: Capacity Building** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| Co-ordinate Capacity Building Interventions. On-line training from the National School of Government:   * Ethics on-line programme * Ethics for Internal Auditors * Introduction to Financial Management * Introduction to Leading Change   Writing for Government | March 2021 | COGTA: Capacity Building | 174 municipal officials have registered for the following Open E-learning training programmes. The report received from the NSG is as at 4 August 2020.   * Ethics on-line programme: 56 registered – 11 complete, 8 in progress, 37 registered (not yet started) * Introduction to Financial Management: 20 registered – 4 complete, 16 registered (not yet started) * Ethics for Internal Auditors: 27 registered – 2 complete, 7 in progress, 18 not yet started * Introduction to Leading Change: 17 registered - 5 complete, 1 in progress, 11 registered (not yet started). * Writing for Government: 16 registered– 4 complete, 2 in progress, 10 registered (not yet started).   **Additional programmes**   * Generally Recognised Accounting Practices: 12 registered, 1 complete, 11 registered (not yet started) * Introduction to Strategic Planning:17 registered – 1 complete, 3 in progress, 13 registered (not yet started) * Know and Live your constitution – 9 registered – 2 complete, 1 in progress, 5 registered (not yet started).   The Open E-learning programmes are free, self-paced courses that are offered by the National School of Government (NSG). They are available on-line and access to registration and participation can be done both during and after office hours. Learner progress is tracked through the e-learning system as hosted by the National School of Government. Learners can access their own progress through the learner dashboard. Cogta obtains progress reports from the NSG, who provide a comprehensive database of learner information on registration, and progress.  The following steps have been taken to encourage municipal personnel to register:   * A circular to all municipalities as signed by the Cogta, Head of Department together with the list of programmes and registration process was sent to municipalities on 28 May 2020. * Presentation on e-learning were conducted at the Provincial Capacity Coordinating and Monitoring Committee (PCCMC) held on 18 May 2020 * Presentation on e-learning was conducted at the Skills Development Facilitator Forum held on 26 May 2020 * Presentations on e-learning are conducted at one-to-one meetings held with municipalities.   **Ongoing** |

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| **AUDIT ACTION PLAN: LEADERSHIP INTERVENTION MUNICIPALITIES** | | | |
| 1. **Intervention**: **Revised intervention approach** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress as at 30 June 2020** |
| Intervention recovery plans with specific deliverables and clear timelines for each municipality. | 31 May 20 | COGTA Governance and Administration | Intervention plans with specific deliverables and clear timelines were prepared for all 8 municipalities.  **Achieved** |
| Facilitate the appointment of technical experts to support the appointed Administrator | 30 June 20 | COGTA Governance and Administration | **Progress as at 30 June 2020:**   * Finance Experts have been appointed at six (6) intervention municipalities. namely; Uthukela, Umzinyathi, Mtubatuba, ILM, Uthukela and Abaqulusi. Work commenced at six municipalities. * Finance Expert appointed at Richmond by National Treasury for a period of 2 years, commenced in June 2020 * Technical experts appointed at Mpofana and UThukela.   Departmental budget cut of R408 million by Treasury resulted in non-appointment of further experts. SCM processes commenced but have been suspended.  **Achieved within Departmental Budget Constraints** |

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| **AUDIT ACTION PLAN: SCM AND IRREGULAR EXPENDITURE (Incl. Unauthorised and Fruitless and Wasteful)** | | | |
| 1. **Intervention: Implement Plan and a program to address UIFW** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| COGTA to analyse UIFW based on audited Annual Financial Statement for 2018/2019 as reported by AG. | Complete | COGTA: Municipal Finance | Analysis complete. The total amount of unauthorised, irregular, fruitless and wasteful expenditure incurred by municipalities during the 2018/2019 financial year amounting to R7 bln (2017/2018: R4 bln) which increased by a significant R3 bln or 43% from the previous 2017/2018 year. The total incurred for the year includes amounts that were identified in the 2018/2019 year relating to the 2017/2018 financial year. Unauthorised expenditure increased by R27,66mln or 3%, irregular expenditure increased by approximately R3,1 bln or 98% and fruitless and wasteful expenditure decreased by R5,6 million or 5%.  **Achieved** |
| COGTA to develop plan to support municipalities to address UIFW towards reducing outstanding balances by 10% per annum | Complete | COGTA: Municipal Finance | Plan/Strategy has been finalised and is being rolled out until the AFS have been finalised by the municipalities. UIFW strategy circulated to Internal auditors and municipal managers at 54 municipalities to provide guidance on monitoring, investigations and reduction of UIFW.  Plan/Strategy rolled out and will be applied during the AFS preparations and beyond until 31 March 2021. Commenced at 17 municipalities including 6 intervention municipalities.  **Achieved – progress on achievement of target reported below.** |
| Establishment of a Provincial Working Group on UIFW with representatives from KZN CoGTA, PT, SALGA, MMs, CFOs and Chief Audit Executives at Municipalities to address preventative and corrective measures including the root causes of UIFW and developing solutions to address generic issues and instances of high value UIFW expenditure across the Province. | 30 June 20 | COGTA: Municipal Finance | Inaugural Meeting of Working Group held. AGSA also engaged on technical issues and investigation categorization. Addressed the following issues:   * Interpretation of S32(2) wrt investigations by a Council Committee * Investigation framework, who is expected to conduct UIFW investigation * Categories of investigations and different details/levels required * Approach used to write off or recover UIFW as per Revised MFMA Circular 68 * Inconsistencies encountered in the interpretation of SCM 36 Deviations during the Audit   Meeting convened with AGSA on 28 July 2020 to finalise Technical issues prior to audit.  CFO meeting addressed the issue of timing of council resolutions after year end in respect of the write off of UIFW for the AFS disclosure note at a meeting on 21 August. It was confirmed by the Working Committee that the issue had been addressed with and resolved by the Team with the AGSA. Council meetings and write-offs are valid any time prior to submission of the AFS.  **Establishment achieved. Activities ongoing.** |
| Engaging MPACs on UIFW at a district level. | 30 June 20 | COGTA: Municipal Finance | **Progress as at 30 June 2020:**  With exception of Umdoni municipality, all MPACs were trained on UIFW.  MPACs meetings attended and MPAC engaged at 7 municipalities:   * Uthukela * Okhahlamba * Alfred Duma * Umkhanyakude District * Msinga * 2 meetings at Edumbe and Umzinyathi were rescheduled, no update regarding the new dates has been received from the municipalities. * Reports received from MPAC at Umgungundlovu and Mpofana to analysis and feedback.   KDM meeting attended in on 21 July 2020  Edumbe at a council meeting held on 02 July 2020, MPAC recommended to the Council and it was resolved to write off UIFW of a total value of R95 431 287. This represents irregular expenditure amounting R 35 886 820 incurred from 2013/2014 to 2019/2020 financial years; Unauthorized expenditure of R 51 627 912 incurred from 2013/2014 to 2018/2019. Fruitless and Wasteful expenditure amounting to R7 916 555 was incurred from 2013/2014 to 2019/2020. Based on the council report, the municipality has written off 100% of its UIFW  KDM meeting attended again 11 August 2020.  Two meetings of MPAC at Umkhanyakude were attended to address four investigation reports and values of approximately R300 mil for write off. Further analysis and write off to be recommended to next meeting.  ILM and Uthukela MPACs attended on 25 August 2020.  **In progress** |
| Analyse the register of UIFW expenditure as set out in circular 68 quarterly and providing findings with recommendations to Municipalities and review of UIFW disclosure notes on all draft annual financial statements will be undertaken | Quarterly  30 June 20 | COGTA: Municipal Finance | Registers received for the year have been analysed, Irregular incurred in the Province as at 30 June 2020. UIFW expenditure report has been prepared on amount incurred during the financial year and written off thus far. UIFW disclosed thus far:  Irregular = R1 559 224 066  Less: Written off = (R1 453 265 810)  Fruitless & Wasteful = R49 934 830  Less: Written off = (R27 746 880)  Unauthorized = R85 853 540  Less: Written off = (R153 413 216)  Further analysis to be undertaken during AFS processes in August- September 2020 as well as beyond taking into account the extension granted for AFS submission.Items being taken to councils to write off expenditure in August and September.  **In progress** |
| COGTA to implement support plan and report on achievement of reduction in UIFW by 10% |  | COGTA: Municipal Finance | * Irregular Expenditure: From 2017/2018 to 2018/2019, it has increased by 106%, amount written off was R1 885 979 116 in terms of Section 32(2)(b), representing 87% increase from the previous year. Amount reported as incurred in 2019/2020 is currently R1.626 billion. R1.429 billion has been written off representing **18,6%** of total for 2018/2018. * Fruitless and Wasteful Expenditure: From 2017/2018 to 2018/2019, it has decreased by 4%, amount written off in terms of MFMA s32(2)(b) was R5 921 274, representing 153% decrease from the previous year. Amount reported as incurred in 2019/2020 is currently R58.960 million. R31.045 million has been written off representing **25.6%** of total for 2018/2019. * Unauthorised expenditure: From 2017/2018 to 2018/2019, it has increased by 2%, amount written off in terms of MFMA s32(2)(a) was R418 834 443, representing 51% increase from the previous year. Amount reported as incurred in 2019/2020 is currently R85.960 million. R192.539 million has been written off representing **17.2%** of 2018/2019.   **Achieved – to be further assessed on AFS submission** |
| Engage top 3 contributors to UIFW for 2018/2019 namely, Ethekwini, Umkhanyakude and review UIFW register and reduction plan. | 31 August 20 | COGTA: Municipal Finance | Municipalities engaged and status as follows:   1. **Ethekwini**:   EThekwini has written-off R271 125 650 and further recommended R80 479 160 for recovery.  UIFW analysed and municipality engaged. Investigations related to the 2019/2020 UIFW have not been concluded, no submission made to MPAC and Council. UIFW figures for 2019/2020 have not yet been finalised, line departments within Metro are validating figures to be reported in the AFS. AFS is due on 31 August 2020 and UIFW disclosure note will be analysed.   1. **UKDM**:   On 21 July 2020, a meeting with CoGTA where MPAC, Troika and the Accounting Officer were engaged on completed investigations reports for prior years, there is a plan of action in place agreed upon. 4 investigation reports were shared with CoGTA, namely, Kellmar Consulting on Procurement of Water Tankers (finalised on 13 August 2013); Dludlu Attorneys on Mismanagement on the Fleet Management (finalised in June 2019); Nxumalo & Partners on UIFW (finalised on 04 June 2019) and Jonoligix on UIFW (appointed on 22 November 2016). Investigation reports were analysed in order to provide proper guidance to the MPAC and Council in terms of implementation and presented at a meeting of MPAC on 11 August 2020. Investigations reports were discussed and recommendations made by CoGTA were accepted, MPAC will be convened on 01 September 2020 to adopt resolutions to implement recommendations of investigations reports, which will be tabled to Council at a meeting planned for 02 September 2020. (Rescheduled due to redeployment of the Speaker)   1. Ilembe DM   Ilembe DM, the council has since reaffirmed to write off irregular expenditure of R101, 682 million previously disallowed by the AG during the Audit and further commissioned an investigation on the amount of R366, 32 million detected by the AG which is still under way.  **In progress** |

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| **AUDIT ACTION PLAN: FINANCIAL MANAGEMENT DEBT AND FINANCIAL VIABILITY** | | | |
| 1. **Intervention: Provincial Government debt owing to municipalities as at 31 March 2020 to be paid by all provincial departments within 30 days to relieve financial distress on municipalities** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| Obtain latest figures from municipalities of Departments’ balances | 31 May 20 | COGTA: Municipal Finance | Debt owed by government to municipalities as at 31 May 2020 was R1.77 billion. Detail report is available  **Achieved** |
| Engage each Departmental CFO /AO on reports of municipalities indicating amounts owing | 15 May 20 | COGTA: Municipal Finance | * SALGA presented a report on the status of government debt as at 31 March 2020 to the Provincial Command Council where it was resolved that the MECs for COGTA and Finance meet to discuss the matter.   Stakeholder Engagements   * Two technical and two Political meetings were held on 29th and 30th June and 02 July 2020. Joint report by all stakeholders prepared. * A province wide technical consultation took place on Tuesday, 30 June with Departmental CFOs, Municipal CFOs and representatives from National DRDLR as well as SALGA and the agreement was reached on the content of the presentation. * Provincial Works, Education and Human Settlement have submitted intervention strategies to reduce debt owed to municipalities by these departments. * Presentation made to Provincial Executive Council on 12 August 2020.   Head of Department has addressed formal correspondence to relevant departments on progress and action plans.  Departmental CFOS have been made aware of debt owed through **formal** communication and various meetings. District engagements were held at all 8 Districts and Ethekwini Metro to address discrepancies. Uthukela and Amajuba were rescheduled due to competing meetings. Not all departments attended all sessions and a collective session is therefore convened for 10 September 2020.  **Initial consultations achieved.**  **Follow up ongoing** |
| Further separate report prepared and submitted by COGTA based on May 2020 information | 31 May 20 | COGTA: Municipal Finance | Govt Debt reports as a 31 May 2020 have separated per District and shared with municipalities and Departmental CFOs.    Presentation made to the Provincial Executive Council on 12 August 2020. Next report due in October 2020.  **Achieved, follow up activities to be reported below.** |
| Quarterly analysis of government debt and engage relevant Accounting Officers. | Quarterly | COGTA: Municipal Finance | * Government Debt recovery action plan has been developed for implementation by each municipality. * Departmental CFOS have been made aware of debt owed through **formal** communication and various meetings. District engagements were held at all 8 Districts and Ethekwini Metro to address discrepancies. Uthukela and Amajuba were rescheduled due to competing meetings. Not all departments attended all sessions and a collective session is therefore convened for 10 September 2020. * Presently analyzing June 2020 debtor’s data and validating with municipalities on the basis of debtor’s reconciliation for AFS.   **In progress** |
| Continued roll out of Masakhane Campaign with MEC Champions leading the Campaign | Commencing June 2 | COGTA: Municipal Finance | 10 Campaigns were to be held (Ugu & Amajuba complete)  Campaign suspended due the Lockdown regulations prohibiting gatherings. Focus is on Government Debt collection.  Government debt report as presented to the Provincial Executive Council to be presented to each DCC by September 2020 and recommendations on collection campaigns to be obtained.  **In progress** |
| Convene district engagements with Departments to validate amounts and process invoices by Department. | 30 June 20 | COGTA: Municipal Finance | * Individual municipal government debt action plans developed for engagement with departments per district following 10 District session held in July 2020. * Departmental CFOS have been made aware of debt owed through **formal** communication and various meetings. Follow up District engagements were held at all 8 Districts and Ethekwini Metro to address discrepancies. Uthukela and Amajuba were rescheduled due to competing meetings. Not all departments attended all sessions and a collective session is therefore convened for 10 September 2020. * Feedback on the District sessions on government debt was presented at the CFO Forum meeting held on 21 August 2020. * Special meeting scheduled with Department of Education and municipalities to discuss Tankering to schools, Section 21 and Section 14 Schools debt on 10 September 2020.   **Ongoing** |
| Assess amounts owing by all government and municipal officials and office bearers and legal mechanisms to institute salary deductions.   * Engage Municipalities for data * Engage OTP on PERSAL deductions | 31 August 20 | COGTA: Municipal Finance | Circular prepared for municipalities to collect arrear debt owed by municipal officials as per the codes of conduct. No reports of non-compliance. Submission drafted for MEC to write to DPSA regarding debt owed by Provincial and National government officials and Office Bearers.  Municipalities reported system challenges in identifying government officials that are owing municipalities.  OTP engaged, PERSAL has confirmed that deductions in favour of municipalities cannot be coded on PERSAL and have engaged NT.  **Achieved.** |
| Provided generic municipality policy clause on debt collections in respect of officials and political office bearers | 31 August | COGTA: Municipal Finance | Clause drafted. Engagement held with CFOs and draft clause finalized for inclusion in policy finalised. Disseminated to all municipalities.  **Achieved.** |
| Reconcile Debtors, Valuation roll, Billing and indigent register data and provide exception reports to municipalities to improve data management and write off indigent debt | June 2020 to March 2021 | COGTA: Municipal Finance | 53 (excluding Ethekwini) reconciliations to be done by 31 March 2021 as per Operation Plan  Circular disseminated to all municipalities to obtain datasets. MPRA team received incomplete datasets and are engaging municipalities that submitted.  Two (2) municipalities namely Mpofana and Umvoti have provided datasets. Mpofana is 70% in progress and is being assisted with GV2019 and reviewing rates accounts and supplementary valuations roll update.  Umvoti is 80% in progress on the review of 2020/201 budget and GV2020 valuation roll as result of agricultural sector complaint on unexpected rates increase.  **In progress** |

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| **AUDIT ACTION PLAN: FINANCIAL MANAGEMENT FINANCIAL VIABILITY (Distress)** | | | |
| 1. **Intervention: ESKOM and Water Board Debt owed by municipalities (Payment plans in place and being honored** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| Monitor cash flows and payment plans. | Monthly | COGTA: Municipal Finance | All municipalities supported development of payment plans and these are monitored with immediate intervention when defaulted on. Monthly reports are prepared on municipalities owing ESKOM arear debt and is reported as at 31 July as follows:   1. Status on arrears as follows   Ulundi (R105,9m), Mpofana (R178.4m), Newcastle (R259.5m), AbaQulusi (R19.9, ILM (R25.5 m), Mthonjaneni (R3.2m), New Msunduzi (R133.6m)   1. In respect of payment plans:   Mpofana in the process of being reviewed.  Revised payment plan agreed for Newcastle.  Payment plan for Msunduzi negotiated over 6 months.  Four municipalities improved, two regressed and Msunduzi was a new entrant.  The municipalities that have payment plans are not charged interest on arrear accounts.  Following the legal process, COGTA facilitated resolution of Newcastle/ESKOM agreement leading to a reversal of R20 million in interest charges and saving to the municipality. In the case of Msunduzi COGTA also negotiated a write off of R4.5 million provided that the municipality adhere to the payment plan.  **Ongoing** |
| Engage DCOG and ESKOM on payment plans. | Quarterly | COGTA: Municipal Finance | * Quarterly engagements convened. Additional engagement with ESKOM in respect of Ugu, Newcastle and Msunduzi. A revised payment plan has been finalized and submitted to Eskom with regard to Newcastle and a new payment plan for Msunduzi. All other payment plans in place. Further engagement to be convened in respect of Mpofana. * DCOG engaged and amounts as indicated above confirmed. * A further ESKOM matter yielded resolution at Ugu District in amount of R1.7 million owing to ESKOM dating back to 2012 and with failed negotiations between the municipality and ESKOM since March 2018 and threatening legal action. Mediation by COGTA yielded saving of R300,000 to Ugu District and write off of amount prior to 2016 as prescribed by ESKOM.   A positive impact is achieved through COGTA ESKOM engagements.  **Ongoing** |
| Assess Water Board debt owing by Water Service Authorities.  Assess Municipal cash flows and make recommendations for payment plans. | 31 October 20 | COGTA: Municipal Finance | Report with recommendations to Water Service Authorities. Municipal debt on WSA was assessed as at March 2020.Umngeni, Umhlatuze and Uthukela Water Boards engaged. Report with recommendations to Water Service Authorities.  DCOG engaged on section 41 PFMA report. Meeting to be scheduled with WSAs on reconciliation of figures for AFS in September 2020 to include CFOS of WSA’s in arrears.  **In progress** |
| **Intervention: Review of financial plans at municipalities with financial distress (Budget Funding Plans)** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| Review budgets and financial plans as previously approved by Treasury assessing COVID 19 impact. | 30 September 20 | COGTA: Municipal Finance | Financial plans reviewed as at March 2020.  Funding position: Funded – Umshwathi, Umngeni, Impendle and Mkhambathini. Unfunded – Richmond and Mpofana. UMDM still being assessed.  PT reassessing with 2020/2021final budgets to be completed during quarter 2.  **In progress** |
| Redraft Financing plans where necessary. | 31 October 20 | COGTA: Municipal Finance | Financial plans reviewed as at March 2020. PT reassessing with 2020/2021final budgets to be completed during quarter 2. Review will only take place once PT has provided the results of their budget assessments.  **In progress** |

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| **AUDIT ACTION PLAN: FINANCIAL MANAGEMENT** | | | |
| 1. **Intervention: Implementation of Audit Response Plans and Audit Support** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| Analyse the adequacy of responses as corrective measures to resolve audit findings. | Complete | COGTA: Municipal Finance | 54 (2019/2020) Assessed and feedback provided. 7 namely; Umgungundlovu, Umshwathi, Msunduzi, Umfolozi, Umlalazi, Umhlathuze and Harry Gwala District were recorded as being partially adequate and 4 plans namely, Impendle, Nquthu, Nongoma and Ndwedwe plans were regarded as inadequate. 43 – adequate and included in MFMA section 131 report. Further activities reported below.  **Achieved** |
| Review and monitor the progress on audit the audit action plans | Quarterly | COGTA: Municipal Finance | * Received 54 audit action plans and analysed progress noting audit issues resolved as follows:   Ethekwini (56%),Ugu (84%), Umdoni (95%), Umzumbe (94%), Umuziwabantu (85%), Ray Nkonyeni (98%), Umgungundlovu (39%), Umshwathi (69%), Umngeni (22%), Mpofana (2%), Impendle (85%), Msunduzi (7%), Mkhambathini (21%), Richmond (42%), (Uthukela (67%), Alfred Duma (90%), Okhahlamba (100%), ILM (68%), Umzinyathi (9%), Endumeni (0%), Nquthu (100%), Msinga (100%), Umvoti (0%), Zululand (0%), eDumbe (7%), uPhongolo (38%), Abaqulusi (57%), Nongoma (62%), Ulundi (0%), Amajuba (63%), Newcastle (83%), eMadlangeni (73%), Dannhauser (93%), Umkhanyakude (0%), Umhlabuyalingana (80%), Jozini (67%), Big Five Hlabisa (94%), Mtubatuba (14%), King Cetshwayo District (80%), Umfolozi (70%), Umhlathuze (50%), Umlalazi (90%), Mthonjaneni (70%), Nkandla (90%), Ilembe (46%), Mandeni (54%), KwaDukuza (10%), Ndwedwe (0%), Maphumulo (0%), Harry Gwala (9%), NDZ (15%), GKM (20%), Ubuhlebezwe (71%), Umzimkhulu (60%).   * Update per district and municipality presented at CFO Forum on 21 August and CFOs undertook to provide further update as at 31 August. Reports to be validated by District Finance Forum engagements prior to submission to CFO Forum. * Forty-six percent (46%) which is 444 of 956 audit issues have been resolved. Fifty-four percent (54 %) which is 513 out of 956 audit issues are in progress due to material misstatements and errors can only be resolved during the preparation of Annual Financial Statements.   **In progress** |

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| Assess municipal internal audit plans  Attend, provide technical support and assess functionality of audit committees and internal audit | 30 June 20 | COGTA: Municipal Finance | Twenty-eight percent (28%) which is fifteen (15) out of 54 municipal internal audit plans have been analyzed and feedback provided.  Internal audit plans (2020/2021) for Msinga, Impendle, Harry Gwala, Zululand, Abaqulusi, Umzinyathi, Nquthu, Umhlathuze, Dannhauser, Newcastle, Maphumulo, Okhahlamba, Ugu, and RNM were received and assessed  **In progress** |
| Quarterly | COGTA: Municipal Finance | Attended virtual Audit Committee meetings at 12 munics viz Ethekwini, Newcastle, Amajuba, Zululand, Harry Gwala, Umzimkhulu, King Cetshwayo, uMhlathuze, Nkandla, Umlalazi, Umkhanyakude and Umhlabuyalingana.  Assessment of Audit Committee conducted at 53 municipalities in exception of Ndwedwe municipality. Out of 53 municipalities assessed two (2) had challenged Audit Committees namely, Mpofana and Richmond municipalities.  Further 7 virtual Audit Committee meetings at Greater Kokstad municipality (27 July 2020), Msinga Municipality (7 July 2020) and eDumbe municipality (23/07/2020), Nquthu, Umkhanyakude, Zululand, Nkandla supported.  Remaining meetings will be held by 30 September 2020 convened by municipalities.  **In progress** |
| Conduct audit readiness assessment for 2019/2020 audit at municipalities | 31 July 20 | COGTA: Municipal Finance | * Audit readiness assessment tool finalized and circulated to CFOs for comment by 30 June 2020. * Fifty-two percent (52%) which is twenty eight (28) out of 54 municipalities have been provided support in conducting audit readiness exercise.   Audit readiness exercised conducted at Ethekwini, Umdoni, Ilembe, KwaDukuza, and Umlalazi, Ugu, RNM, Umzumbe, Umuziwabantu, , Emadlangeni, Umgungundlovu, Msunduzi, Mpofana, Richmond, Umngeni, Umshwathi, Impendle, Mkhambathini, Uthukela, ILM, Okhahlamba, Dannhauser, Amajuba and Newcastle, Alfred Duma, Jozini, Mtubatuba and GKM.  **In progress** |

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| 1. **Intervention: Technical Support on financial management areas** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| Support resolution of key audit findings in financial management including:  -Asset management  -Revenue management  -Expenditure management  -Annual financial statement reviews  -Grant management  -Viability  -Budget management | Ongoing | COGTA in conjunction with Provincial Treasury | * 54 municipalities are supported on the review and monitoring of COVID 19 expenditure and revenue/financial losses. * Reviewed grant reconciliation and investment reconciliation of Amajuba and Dannhauser municipalities. * Reviewed capital grant expenditure reconciliations at Amajuba, Dannhauser, Emadlangeni and Newcastle. * Reviewed Interim Financial Statements of Msinga, NDZ, and King Cetshwayo. * Supporting NDZ to review fixed asset register in compliance with GRAP. * Provided support to Mpofana on their 20/21 draft budget. * Provided guidance to Dannhauser municipality on own funded projects. * Presentation made on COVID-19 Revenue Losses at MEC Local Government Webinar held on 31 July * 54 municipalities are supported on the review and monitoring of COVID 19 expenditure. Report on COVID-19 expenditure and analysis of amounts and Service Providers utilized submitted to MEC. * Financial assessment (CMET) conducted at 48 municipalities with the exception of Umlalazi, Mandeni, Ndwedwe, Maphumulo, Zululand and Ulundi   **In progress** |
| Finalise placement of financial experts at intervention municipalities namely;  -Uthukela District  -Abaqulusi  -Mtubatuba  -Inkosi Langalibalele  -Umzinyathi | 31 May 20 | COGTA: Municipal Finance | Abaqulusi, Mtubatuba and ILM commenced on 02 June 2020.  Uthukela and Umzinyathi commenced on 23 June 2020.  Project Manager commenced on 23 June 2020.  Weekly tracking of progress.  **Achieved** |

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| **AUDIT ACTION PLAN: MUNICIPAL PERFORMANCE** | | | |
| 1. **Intervention: Support 19 municipalities that have received negative performance audit outcomes from AG report of 18/19 FY to improve performance** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| 1. Development of a generic Performance Management Framework for municipalities to customize 2. Monitor and compile reports on municipal performance. Identify those in distress and mobilize support for municipalities that have been identified by LGS as in distress and those that are under administration | May – June 20  May 2020  Quarterly | COGTA: Municipal Performance Monitoring and Reporting  (Service Delivery) | 1. A Generic Performance Management System (PMS) Framework was developed in May and circulated to the 19 municipalities to customize and adopt the framework before year end. This was meant to address the AG finding on the lack of PMS Frameworks to plan, monitor, measure and report on performance.  * After circulation of the generic PMS Framework to the 19 municipalities, a virtual workshop was held on 17 June 2020 with the PMS Managers of the 19 municipalities further capacitate them on the legislative requirements in relation to adoption of a PMS Framework by each municipality and on the framework itself. The municipalities were also reminded to submit the new or revised PMS Frameworks to councils for adoption before 30 June to avoid a repeat audit finding. * To date all the 19 municipalities have developed/reviewed and submitted the PMS frameworks to the respective councils for adoption by 30 June 2020.   **Achieved**   1. The Report on municipal performance was compiled and 18 municipalities have been identified as being in distress currently. This number includes the 8 municipalities that are currently under administration. Support will be mobilized through the nerve center. This is ongoing and is reported on a quarterly basis.   Out of 54 municipalities, 22 had no PMS audit queries. For the remaining 32 Municipalities with PMS audit queries, an action plan with specific actions was developed and is being implemented and monitored on a quarterly basis.  **Ongoing** |
| 1. **Intervention: Introduction of municipal performance monitoring and reporting reforms that have been introduced by DCOG and National Treasury to all municipalities** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| 1. Finalize proposed standard performance indicators for the categories: Metro, Secondary Cities, Districts and LMs 2. Present the set of proposed indicators to the senior managers of respective municipal categories | May 20 | COGTA: Municipal Performance Monitoring and Reporting  (Service Delivery) | 1. Municipal Monitoring and Reporting Framework has been finalized. Standard set of indicator presented to municipalities. Ethekwini Metro is already using the standard indicators as it has been a pilot of the DCOG since 2018.   **Achieved**   1. The proposed set of standard Indicators was circulated to all municipalities on 15 June 2020 for municipalities to start reporting on them in the 20/21 financial year.The municipalities will report on the standardized indicators in the first quarter of the Municipal Financial Year (July to September 2020). Monitoring and thereafter capacitation will take place. According to our assessment, in was noted that in most municipalities, indicators are included in their SDBIPs however worded differently (in some instance) but measuring the same performance.   **Ongoing** |
| 1. **Intervention: Establishment of a Provincial Local Government M&E Forum which comprises of municipal senior managers responsible for performance management and sector departments as a learning platform and structure for sharing of best practice and lessons.** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| 1. Hold inaugural meeting and adopt terms of reference 2. Invite National DCOG to present the new standard performance indicators for local government to the Forum | June 20 | COGTA: Municipal Performance Monitoring and Reporting  (Service Delivery) | 1. The inaugural meeting of the Local Government M&E Forum was held on 7 May 2020.   **Achieved**  **2.** National DCOG was invited to the inaugural meeting and made a presentation of the proposed standard indicators for local government.  **Establishment achieved. Activities ongoing as follows:**  The second M&E Forum meeting was held on 12 August (2nd Quarter of provincial financial year) and terms of reference were approved during this meeting. The following issues were addressed during the meeting:   * Acting appointments and signing of performance agreements; * Performance Management System Quarterly Assessment; * Performance Management System Standard Operating Procedures and Calendar; and * Preparation of the Annual Performance Report. |

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| **AUDIT ACTION PLAN: EPWP** | | | |
| 1. **Intervention: Support 19 municipalities that have received negative performance audit outcomes from AG report of 18/19 FY to improve performance** | | | |
| **Activities** | **Timeframe** | **Responsibility** | **Progress** |
| 1. Analyse municipal audit queries relating to EPWP arising from Departmental Audit 2. Engage municipalities to implement remedial action based on queries. | October 2020 | Director: EPWP  Mr Nhlanhla Moloi | 1. Analysis of audit queries in relation to 7 municipalities identified by AGSA in the management letter of municipalities: namely Msunduzi; Ethekwini; Umkhanyakude District, Ilembe District, Newcastle, Uthukela District and Zululand District is complete. 2. Engagement with municipalities scheduled for September 2020. |

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| **RECOMMENDATION** |
| * **Progress on MFMA Audit Action Plan based on the 2018/2019 MFMA audit outcomes to be noted.** |