



**SALGA**  
*South African Local Government Association*

# SALGA ANNUAL REPORT

## 2011/2012

**Presentation to the Portfolio Committee on  
Co-operative Governance and Traditional Affairs**

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Chief Executive Officer

10 October 2012

## CONSOLIDATION OF LOCAL GOVERNMENT AND ORGANISED LOCAL GOVERNMENT



- SALGA has grown to become the single recognized voice of Local Government in SA
- SALGA remains the recognized Employer Body for the Local Government Sector.
- Growing recognition of SALGA by National & Sub-national stakeholders
- SALGA is the most established Local Government Association on the African continent
- Growing expectations about its role & impact locally and abroad
- **Considering recognition and expectations, SALGA must constantly seek innovation and dynamism to ensure it remains relevant and responsive to the challenges of its members**

# SALGA Strategy: 2007-2012 (Revised in 2009 – Post National & Provincial Elections)

SALGA'S  
MANDATE

## SALGA CONSTITUTION

1. Employer Role
2. Representative Role
3. Support and Advisory Role
4. Profiling Role

## SALGA 5 YEAR STRATEGIC PLAN 2007-2012

MDG's & other Global Imperatives

5YLGSA (2006-2011)

MTSF 2009-2014

COGTA 10-POINT PLAN & LGTAS

## SALGA CHANGE AGENDA

- 1 Improve SALGA's capacity to support and advise its members.
- 2 Improve SALGA's capacity to engage with stakeholders, lobby and advocate them on issues in the interest of member municipalities

- 3 Improve SALGA's capacity to effectively represent members as the employer
- 4 Enhance and maintain a high profile position nationally, regionally and internationally.
- 5 SALGA's corporate governance and internal functioning.

## SALGA 10 PRIORITY OUTCOMES 2010-2012

**1. Councillor Support:** High calibre, professional and effective Local Government political leadership.

**2. Service DELIVERY:** Improved access to municipal services and enhanced provision of FBS, through effective operations management and service maintenance.

**3. Social Cohesion:** Transversal (gender, youth, children, HIV/AIDS) socio-economic issues mainstreamed.

**4. Economic Development:** Municipalities drive growth and employment creation, both in urban and rural areas.

**5. Labour Relations:** A productive, stable labour environment, supported by a mutual gains approach.

**6. Sound financial management and governance system:** Improved financial management and financial viability of municipalities.

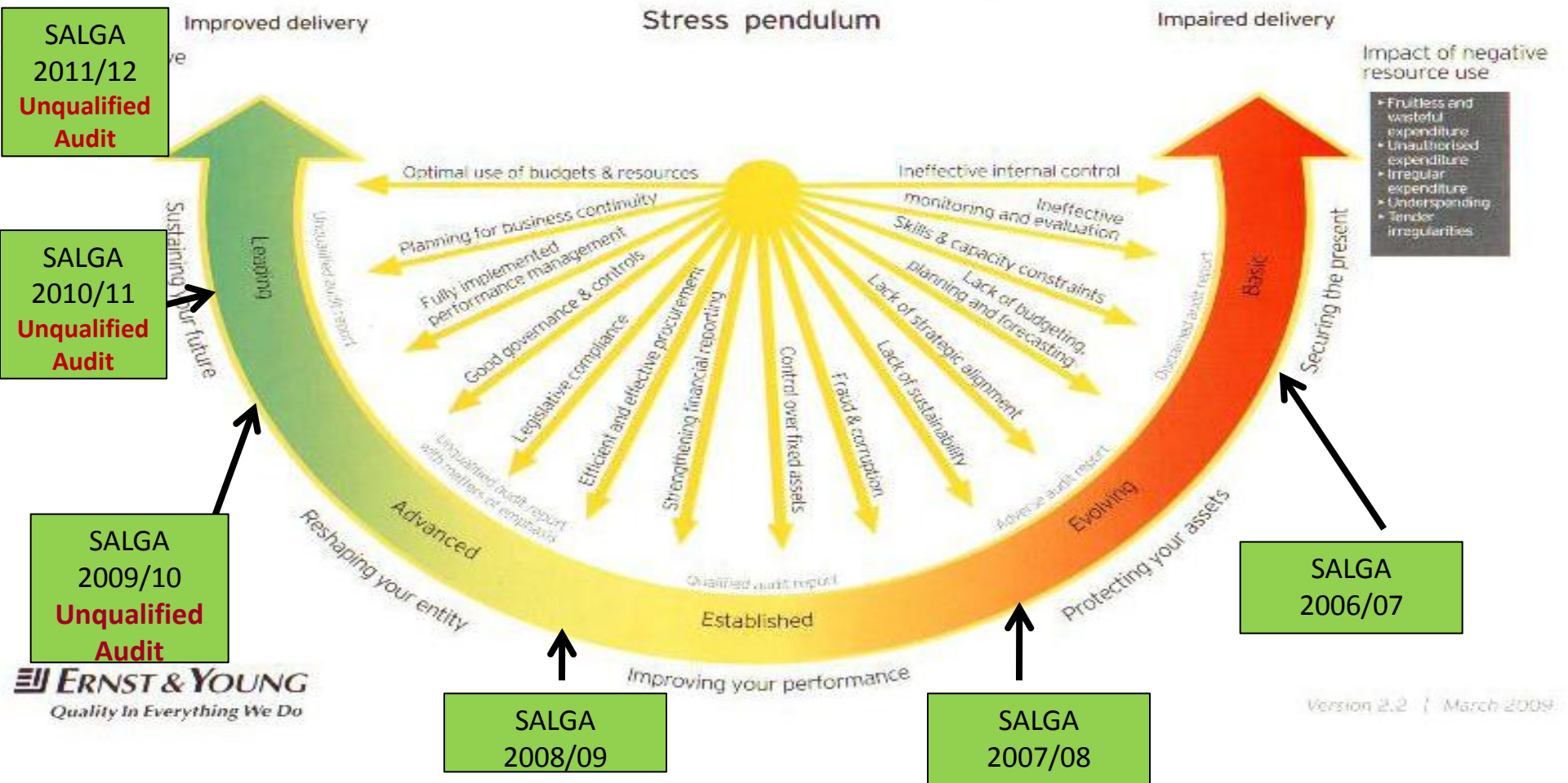
**7. Stable Municipal Governance:** Stable Municipal Governance.

**8. Capacity Building and Institutional Development:** Enhanced skills and organisational systems and structures of municipalities towards improved service DELIVERY.

**9. Reform Organised Local Government:** A more effective, responsive and financially viable SALGA.

**10. Climate Change response measures at municipal level:** Integrated climate change responses in development planning and management.

# PROGRESS IN OUR CHANGE AGENDA 2007 - 2012



## SALGA's 3-YEAR AUDIT OUTCOMES

<b>Financial Year</b>	<b>2007/2008</b>	<b>2008/2009</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>
<b>Audit outcome</b>	Qualified audit opinion	Disclaimer of audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion

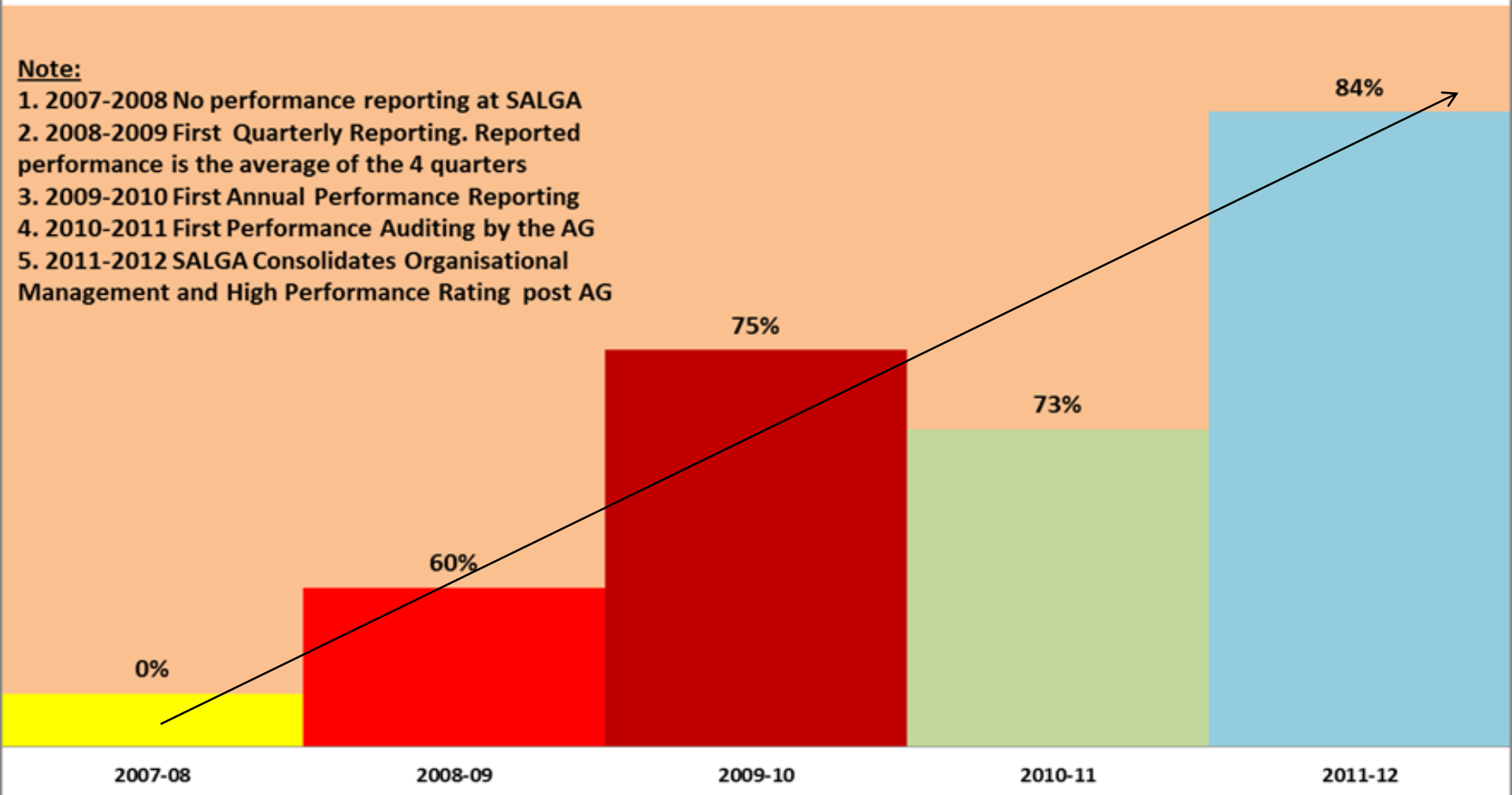


# YEAR-ON-YEAR PERFORMANCE

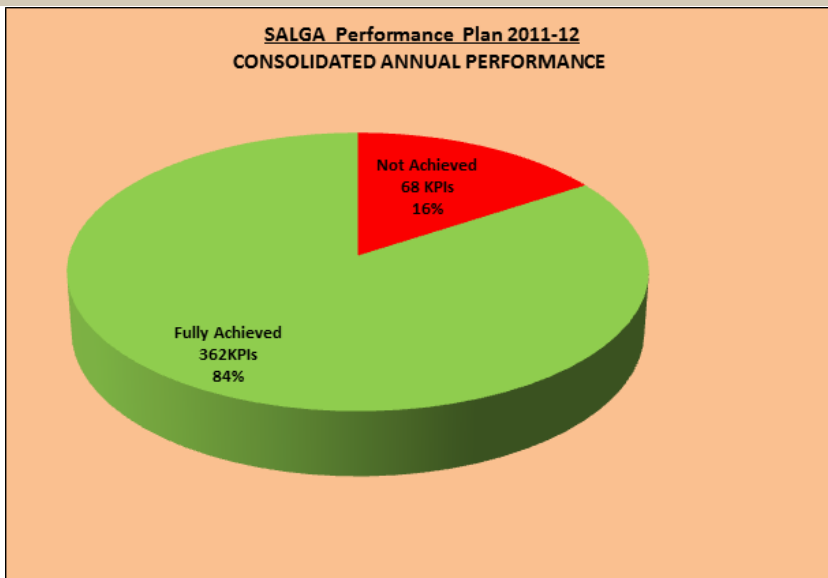
## SALGA ANNUAL PERFORMANCE 2007-2012

**Note:**

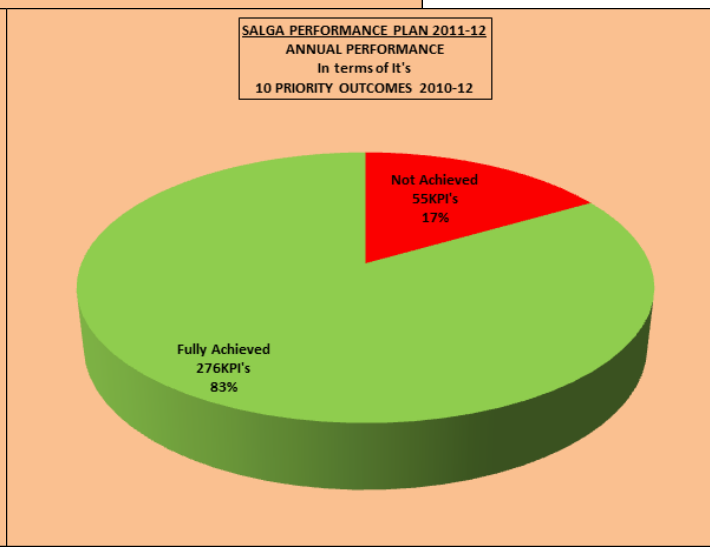
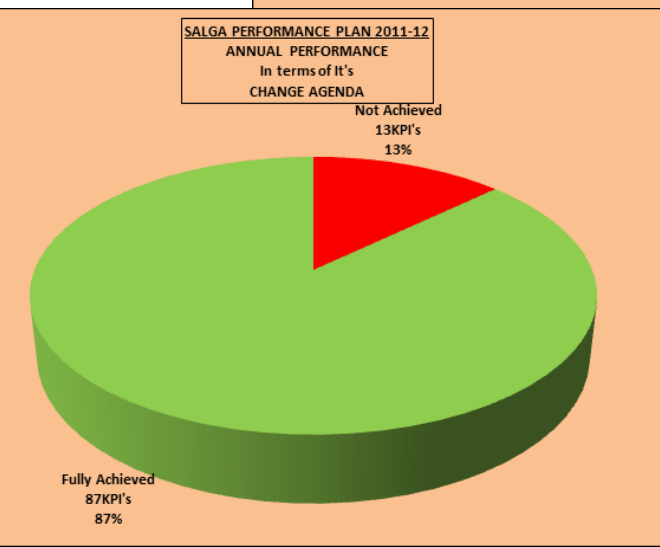
- 1. 2007-2008 No performance reporting at SALGA
- 2. 2008-2009 First Quarterly Reporting. Reported performance is the average of the 4 quarters
- 3. 2009-2010 First Annual Performance Reporting
- 4. 2010-2011 First Performance Auditing by the AG
- 5. 2011-2012 SALGA Consolidates Organisational Management and High Performance Rating post AG



# PERFORMANCE AGAINST APP 2011/12



Achieved 84% of pre-determined objectives as per the APP 2011/12.



The 16% of targets not achieved was mainly due to a lack of resources (Financial & human)



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# **KEY HIGHLIGHTS**

## **2011 – 2012**





## KEY HIGHLIGHTS

- 2011/2012 was a transitional year for local government as we saw the largest political turnover in the sector since the advent of democratic local government in South Africa. SALGA was instrumental in managing the transition.
- The local government elections meant that SALGA would have to elect new leadership both provincially and nationally. SALGA therefore held a successful conference from 30 August to 01 September 2011 to elect its new leadership and to set an agenda for organised local government for the 5 years 2012-17.
- Another highlight during this year was our partnership with the Department of Environmental Affairs, COGTA and SA Cities Network in the Local Government partnership for Climate Change. This partnership developed the local government position on climate change and participated in COP 17, in Durban in December 2011.
- This year witnessed the integration of SALGA KZN into the unitary SALGA structure thus strengthening the single voice of organised local government.



## KEY HIGHLIGHTS

- SALGA provided guidance to municipalities on the interpretation of the Systems Amendment Act (MSA). Some areas of concern remain regarding some provisions of this act particularly with the draft regulations. SALGA NEC is engaging the minister of COGTA in this regard
- Successfully secured a once of gratuity payment for non-returning Municipal Councillors, payable from the national fiscus.
- SALGA inducted councillors through the Councillor Induction Programme (CIP). (83% councillors were covered)
- Further conducted portfolio based training.
- SALGA in partnership with National Treasury conducted advanced induction aimed at councillors responsible for municipal finances covering approximately 8600 councillors and municipal officials, responsible for finance.
- As part of Capacity and Compliance Panel (CCAP) of the National Department of Human Settlements, SALGA has been able to support municipalities through workshops held on the expectations of CCAP, ensuring that they will be able to respond to CCAP requests timeously.

## KEY HIGHLIGHTS

- Meeting with NERSA regarding the granting of electricity distribution licences to identified municipalities
- The training of 189 Councillors and officials on Disaster and Risk Management.
- SALGA created a platform for municipalities to engage with the draft Spatial Planning and Land Use Management Bill, Subsequent to that, SALGA draft comments were developed on the Bill and submitted to the Department of Rural Development and Land Reform
- Final Guidelines on Roles and Responsibilities of Political Office Bearers were circulated to all municipalities. Workshops were conducted in NW and NC provinces.
- The development of policies on coaching and mentoring, retention and human capital management. The aim of these policies is to assist with the reduction of staff turnover whilst helping municipalities identify (from within) and retain talent.
- Gauteng municipalities and the Gauteng Department of Local Government held a conference to look at the consequences of Acid Mine Drainage (AMD) in the province and sought to craft possible solutions to this challenge.



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# **SALGA STRATEGIC PLAN 2012 - 2017**

## Strategic Plan 2012-2017

- The NEC Approved the new 5-year Strategic Plan (2012-17 informed by the 276 Conference Resolutions passed by the National Conference.
- The Strategic Plan defines the strategic path and direction of the organisation over the next 5-year trajectory. The development of the SALGA Strategic Plan has been a journey of extensive engagement throughout 2011. This included assessing, debating and harnessing the gains made in the Local Government Sector over the past decade and crafting a future state of the Sector.
- These processes ultimately delivered a Strategic Plan with Three (3) Apex Priorities, Seven (7) Strategic Goals and Fifteen (15) Strategic Objectives. We further defined the first year of implementation of that five-year plan through the approval of the 2012/13 Annual Performance Plan and a multi-year budget.
- The Strategic Plan of SALGA is aligned to legislation and policy mandates. In this context it commits the organisation to be **member-centric, engage in meaningful partnerships, position the organisation for high performance** and ultimately **demonstrate seriousness and commitment to growing and developing the Sector.**

1

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3 APEX Priorities

7 Goals



# MANDATE

# SALGA STRATEGY 2012 - 2017

## 7 X Goals:

Represent:

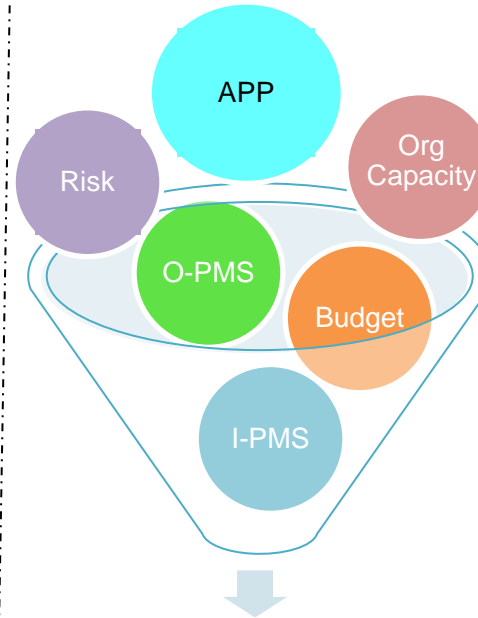
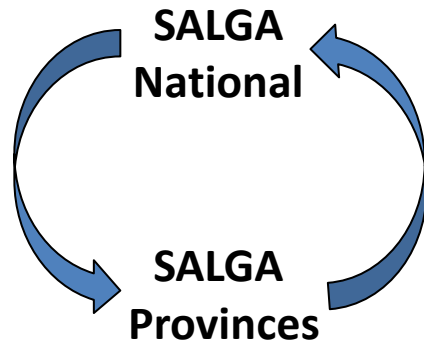
Employer Body

Capacity Building

Support and Advice

Strategic Profiling

Knowledge Hub



- 1) Accessible, equitable, sustainable services
- 2) Safe and healthy environment and communities
- 3) Coherent local planning & economic development
- 4) Effective, responsive and accountable local governance for communities
- 5) Human capital development in LG
- 6) Financially and organizationally capacitated municipalities
- 7) Effective and efficient SALGA administration.

## 3 X APEX Priorities:

1. Review of the LG legislative and policy framework.
2. Review of LG fiscal and financial management framework.
3. Improved municipal capacity.

Differentiation

# STRATEGIC GOALS AND PRIORITIES 2012 - 2017

## GOALS

1. LG delivering equitable and sustainable services
2. Safe and healthy environment and communities
3. Coherent Planning and Socio-economic development at the local level
4. Effective and responsive LG accountable to communities
5. Human Capital development in local government
6. Financial and organisationally capacitated municipalities
7. An effective and efficient administration

## APEX PRIORITIES

1. Fiscal and Financial Management
2. Legislative and Policy Review
3. Municipal Capacity Building





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# ENGAGEMENT WITH COGTA

## Engaging CoGTA

- SALGA newly elected National Office Bearers initiated a structured relationship by meeting more regularly with the Minister of CoGTA to discuss critical matters affecting local government and organised local government. This has also been extended to explore structured engagements with other critical Ministries such as Finance, Transport and Water Affairs.
- At the highest intergovernmental level we participated in the Presidential Coordinating Council and Extended Cabinet Makgotla. To address the challenges of slow pace of infrastructure development and spending, the President established the Presidential Infrastructure Coordinating Commission SALGA is a fully fledged member of the Commission. Through coordination, integration and accelerated implementation, a single common Infrastructure Plan that will be monitored and centrally driven, was approved.
- The SALGA positions, advanced at the October 2011 Budget Forum, were well received and informed some of the Forum's resolutions, including on the local government equitable share formula; the division of revenue for the 2012 MTEF; municipal taxation; and SALGA's proposal for a Local Business Tax (LBT).

## Engaging CoGTA

- SALGA raised key factors that are limiting and constraining effective municipal revenue management and financial sustainability. These include among others, policies such as the negative impact of AARTO and rates ratios in the Municipal Property Rates Act.
- Other issues raised, revolves around constraints on the implementation of municipal credit control policies in areas where Eskom provides electricity and proposals were made for amendments to the Municipal Systems Act to enhance municipal credit control policies.
- Our impact has also been felt on the national policy or regulatory front, where we held structured engagements with CoGTA and National Treasury on the minimum competency regulations and proposed a coherent single approach to the competency framework for local government.

## Engaging CoGTA

- SALGA vigorously defended and continue to defend the sector in the Municipal Systems Amendment Act implementation processes, to the extent that at the last MinMEC held in August 2012, an agreement was reached to halt the avalanche of Circulars that CoGTA and National Treasury have been issuing, contrary to SALGA's positions that maintain the imperative of constitutional autonomy of Local Government.
- In this regard, the Minister of CoGTA will, together with SALGA NEC, form a political consultation process to deal with the proposed regulations to ensure that they will not impede on local government autonomy to recruit and manage its personnel without undue prescription and erosion of a municipality's executive obligation to govern, on its own initiative, the local government affairs of its community.
- We also submitted substantial preliminary comments on the Draft Regulations: Conditions of Service for Senior Managers and submitted a memorandum to National Treasury and DCOG on the Implications of the Municipal Regulations on Minimum Competency Levels, 2007.



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# **2010/11 AG REPORT ON MUNICIPALITIES**



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- Must collectively build capacity of local government in critical areas including financial governance and management

The collective in respect of audit improvements includes SALGA, NT, PTs, CoGTA, AG

- **Must improve leadership, governance and oversight:**  
SALGA facilitated the establishment and effective functioning of MPACs and Audit Committees

PROVINCE	MPAC (%)	AC (%)	MM (No. of Acting and Vacancies)	CFO (No. Of Acting and Vacancies)	IAU (%)
Eastern Cape	100	96	-	-	67
Free State ?	-	79	7 (25)	5 (25)	100
Gauteng	100	92	2 (12)	2 (12)	75
KwaZulu Natal	100	97	18 (61)	18 (61)	100
Limpopo	100	97	-	-	100
Mpumalanga	100	95	-	-	95
Northern Cape	97	75	-	5 (32)	28
North West	100	87	-	-	61
Western Cape	30	93	5 (30)	6 (30)	77
<b>National</b>	83	91			79

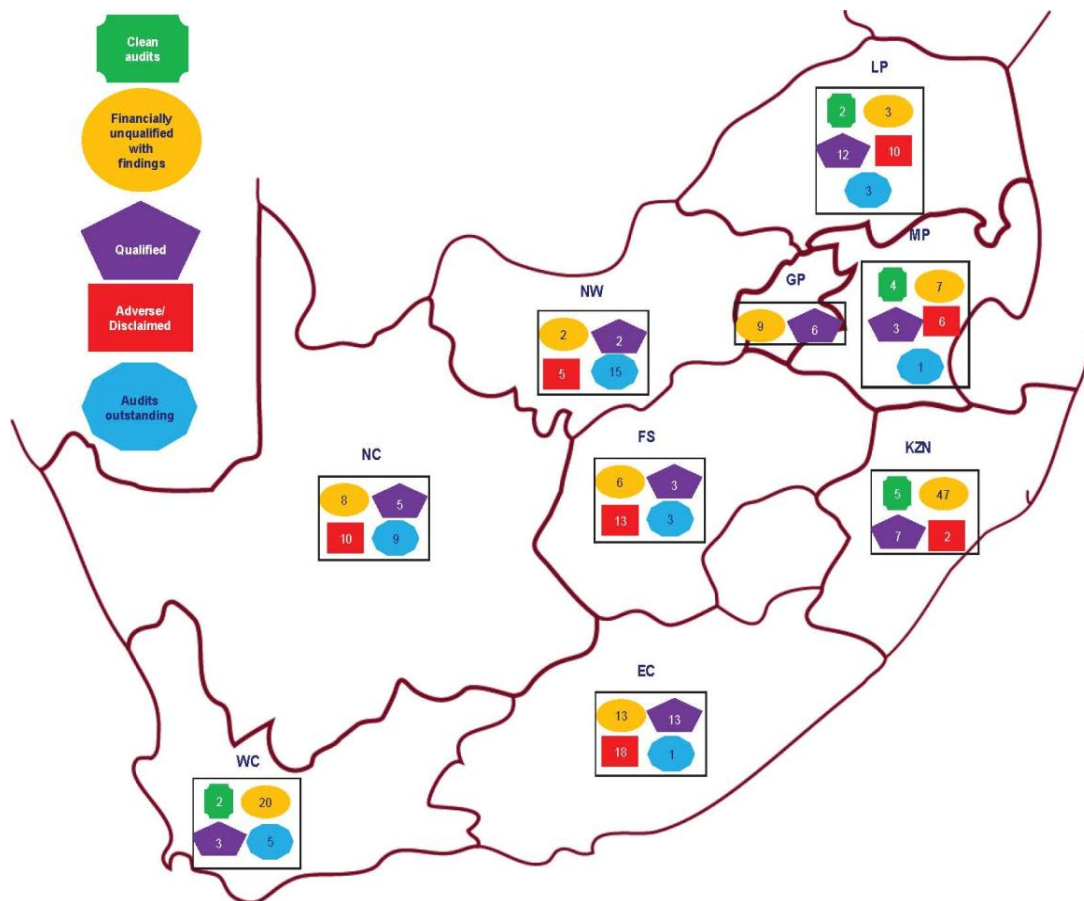


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- **Must improve political management:**
  - Maintain a healthy interface between political parties and municipalities to allow political leadership while avoiding interference and micromanagement
- **Acknowledgement that our regulatory environment is complex and undergoing continuous reform**
- **Consider differentiation**
  - in interpretation of results, interventions and support, management of finances and regulatory environment



# Summary of 2010/11 results



## What do the numbers mean?

1. Unqualified Opinions: Increased from 23% (2004/5) to 45% (2010/11)
2. Disclaimers : Reduced from 41% (2004/5) to 19% (2010/11)
3. Adverse: Reduced from 6% (2004/5) to 2% (2010/11)

Audit Opinion	2010/11		2009/10		2008/09		2007/08		2006/07		2005/06		2004/05	
Unqualified	128	45%	128	45%	117	41%	92	33%	55	19%	51	18%	64	23%
Qualified	53	19%	60	21%	50	18%	54	19%	73	26%	63	22%	76	27%
Disclaimer	55	19%	75	27%	103	36%	93	33%	104	37%	128	45%	116	41%
Adverse	7	2%	7	2%	10	4%	10	4%	19	7%	25	9%	16	6%
Audit not finalised	40	14%	13	5%	3	1%	34	12%	32	11%	16	6%	11	4%
<b>Total Municipalities</b>	<b>283</b>	<b>100%</b>	<b>283</b>	<b>100%</b>	<b>283</b>	<b>100%</b>	<b>283</b>	<b>100%</b>	<b>283</b>	<b>100%</b>	<b>283</b>	<b>100%</b>	<b>283</b>	<b>100%</b>



## Key areas of intervention

1. Capacity (Competency, Vacancies & Training)

1. Financial Governance & Leadership

1. Annual Financial Statements

1. Challenge with existing Laws and those in the pipeline

1. Audit Process

1. Support to municipalities

1. Manage Perceptions and need for consequences



# Capacity: Competency (1)

## Challenges

- **AG understanding of incompetency:** 72% of municipalities audited show that officials in key position do not have minimum competencies and skills (81%-90% of municipalities in FS, MP, LP, NC; 98% in EC and 100% in NW; 70% in GT, 61% in KZN and 47% in WC)
- **AG Indicators of 'incompetence':** quality of financial statements; audit outcomes; service delivery failures; high demand for consultants and national/provincial government support
- **Root causes cited:** appointment of incompetent political cadre; inability to attract right calibre of people; lack of continuous training
- **Competency measure of the AG is a index of various indicators:**
  - These indicators are pre 2011 elections and does not correspond with 45% unqualified audits
  - The challenges of competencies is directly linked to the complexity and continuous reform of legislation and NT requirements

## Recommendations

- Need to address the conflicting requirements in terms of competencies (NT/CoGTA)
- Support role of PT and Provincial Departments responsible for LG needs to be strengthened
- SALGA to engage NT on the deployment of Financial Experts to municipalities with audit challenges
- AG to clarify basis used to determine incompetency of officials

## Capacity: Competency (2)

### Current competency requirements

- Current competency requirements contained in Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Manager, 2006
- Reg 38 states requirement for the MM: B degree, minimum 5 years experience in senior management, core competencies distinguishing between managerial and core occupational competencies and core occupational competencies providing for knowledge, skills, communication and exceptional and dynamic creativity to improve the functioning of the municipality
- Reg 26 requires a list of core competencies, divided in managerial competencies and core occupational competencies, from which the municipality must determine the competencies required for MM and senior managers
- Managerial includes a number of aspects of which only financial management, people management and empowerment as well as client orientation and customer focus are compulsory aspects
- On occupational competencies there are no compulsory competencies

# Capacity: Vacancies

## Challenges

- Key senior management positions were left vacant in 83 municipalities and prolonged acting (longer than 6 months) occurred in 56 municipalities
  - CFOs and MMs
- Budget and Treasury Office capacity is often inadequate due to prolonged vacancies
- Filling of vacancies is sometimes related to the need for decisive political leadership

## Recommendations

- SALGA to monitor and support municipalities in filling of vacancies, together with stakeholders such as PT and CoGTA's (temporary secondments)
- SALGA to engage directly with municipalities that have prolonged vacancies and impress on the need for urgent political intervention
- Strong leadership required to ensure that the filling of vacant positions are attended to timeously, and this can be strengthened by the introduction of an incentivised remuneration model for public office bearers. This should however take into account the varying contexts of performance of different municipalities. The preferred institution of this can be a reward and performance based annual increase for the office bearers, taking into account that there should be no discrepancies between office bearers in different spheres of government

## Capacity: Training

### Challenges

- Insufficient training of Officials and Councillors
  - Officials need training on key issues, e.g. SCM; compilation of AFS;
  - Councillors require training beyond induction
- Use of consultants is directly related to the complexity of putting together AFS and accounting reform
- Possible impact of non-compliance with NT minimum competency regulations effective from Jan 2013 not yet fully understood

### Recommendations

- There is an urgent need for the resolution on the implementation and applicability of appropriate competency regulations, dual and over-regulation to be eliminated



## Towards a well-capacitated LG Sector

### Recommendations:

- A nuanced view on municipal capacity problems needs to be followed that takes into account:
  - that (the appropriate kind of) capacity is unlikely to emerge without the existence of authority; and
  - the potential that exists in the relocation of capacity from provincial departments to municipalities.
- A strict criteria be used for cadre deployment at LG level.
- De-politicise administrative appointments **in all spheres**, such that, if one chooses to take an administrative deployment he/she cannot serve as an elected office bearer of the party.





# Financial Governance and Leadership (1)

## Challenges

- Established drivers of internal audit not yet a norm
  - Only 30% of municipalities have good internal controls
- MPACs established in 204 municipalities by Jan 2012, but needs to increase effectiveness
  - FS (none), NC (59%), and WC (3%) - requires attention
  - EC 73%; all other provinces 100%
- Audit Committees established in 91% of municipalities, but only 47% have a positive impact
- Only 33% of municipalities have good leadership (Mayor/Cllr/MM) who actively monitors performance and act against poor performance
- Political leadership and accountability for filling of vacancies and audit results
- LG is not part of the Public Service but is bound by the principles of public administration espoused in S195 of Constitution



## SALGA support to municipalities that need intervention

Challenges identified in some municipalities include:

- Persistent negative audit outcomes such as adverse, disclaimers
- Persistent non submission of the AFS
- Regressions in the audit results from (specially disclaimers to non submissions)
- About 81 municipalities have been identified in this regard

## Municipalities that received poor audit outcomes

Province	Number	Auditees	%
Eastern Cape	14	45	31
Free State	13	25	52
Gauteng	0	15	0
Kwazulu Natal	1	61	1.6
Limpopo	5	25	20
Mpumalanga	7	21	33
Northern Cape	14	32	44
North West	22	24	92
Western Cape	5	30	17
Total	81	278	29

## Financial Governance and Leadership (3)

### Urgent Interventions

- Identify continuous and persistent non-performing municipalities
- SALGA to facilitate an urgent direct engagement with Mayors and managers of the poorly performing municipalities on 22 & 25 October 2012
- NT deployment of financial advisors to each municipality, but should focus on municipalities in distress, SALGA should work with NT to provide hand-on support in such municipalities
- At a Provincial level SALGA with facilitate urgent political intervention to fill vacancy of CFO and MM and also ensure a coordinated intervention support to municipalities



## Internal Issue: Financial Governance and Leadership (2)

### Recommendations

- Leadership required in municipalities
- Establish an independent LG Commission (with provincial chapters) to ensure that the objectives of Section 196 (4) of Constitution are also pursued in LG, commission to be appointed on recommendation of legislature and reporting to it
- Functions can include investigating, monitoring and evaluation of municipalities, administration and personnel practices; measure the levels of effective and efficient performance in LG; address recruitment in municipalities and prepare an annual report. Further functions can include overseeing appointments and promotions of officials as well as monitoring disciplinary processes.
- Alternatively, it is proposed that OLG be given the mandate, power and functions akin to those proposed for the Commission
- SALGA to assist w.r.t. Internal Audit and train councils on the role of audit committees, SETA to assist with MPAC training to improve accountability and oversight in municipalities



## Improving Municipal Governance

### RECOMMENDATIONS:

- The reporting burden and complexity of requirements on municipalities imposed by legislation must be reduced.
- To improve oversight at local level councillors who serve on Section 79 committees must be capacitated to play their oversight role and receive appropriate administrative support to carry out their oversight function.
- The appropriateness of the executive mayoral system for all types and sizes of municipalities need to be reconsidered.
- The continued existence of Plenary Type municipalities is problematic and should be done away with.

## Review of Organised Local Government

- A strengthened organised local government can assist in better oversight and support to municipalities
- The Minister responsible for local government must strengthen Organised Local Government by reviewing the architecture of the Organised Local Government Act to provide for full-time political leadership at SALGA level;
- To ensure stronger participation in the NCOP and the Provincial Legislatures as well as provide for appropriate funding for SALGA's execution of its constitutional and legislated mandate.
- Such full-time members will not only improve the visibility of organised local government but also provide capacity to provide strong hand-on support in problematic areas.



# Annual Financial Statements

## Challenges

- Non-compliance with laws in 278 municipalities related to unauthorised, irregular, fruitless and wasteful spending in 86% of municipalities
- SCM regulations have been contravened
  - resulted in R6.7bn (98%) of irregular spending of which 72% was only identified during audit
  - awards to employees/councillors/other state officials
- 147 municipalities' AFS had to be corrected for material misstatements to obtain unqualified audits
  - where corrections could not be made, it was due to the lack of information or documentation

## Recommendations

- A single window database on verification of the state employee involvement in SCM processes to be made available to municipalities
- Review of a SCM regulations – eg workable approach needed for system of three quotes in smaller municipalities
- Provincial Treasuries/ NT to interrogate monthly and quarterly reports to take preventative steps prior to the end of the financial year and preparation of statements.
- Guide required for municipalities on how to implement corrective measures on unauthorised, irregular and fruitless and wasteful expenditure





# Challenges with existing laws and those in pipeline

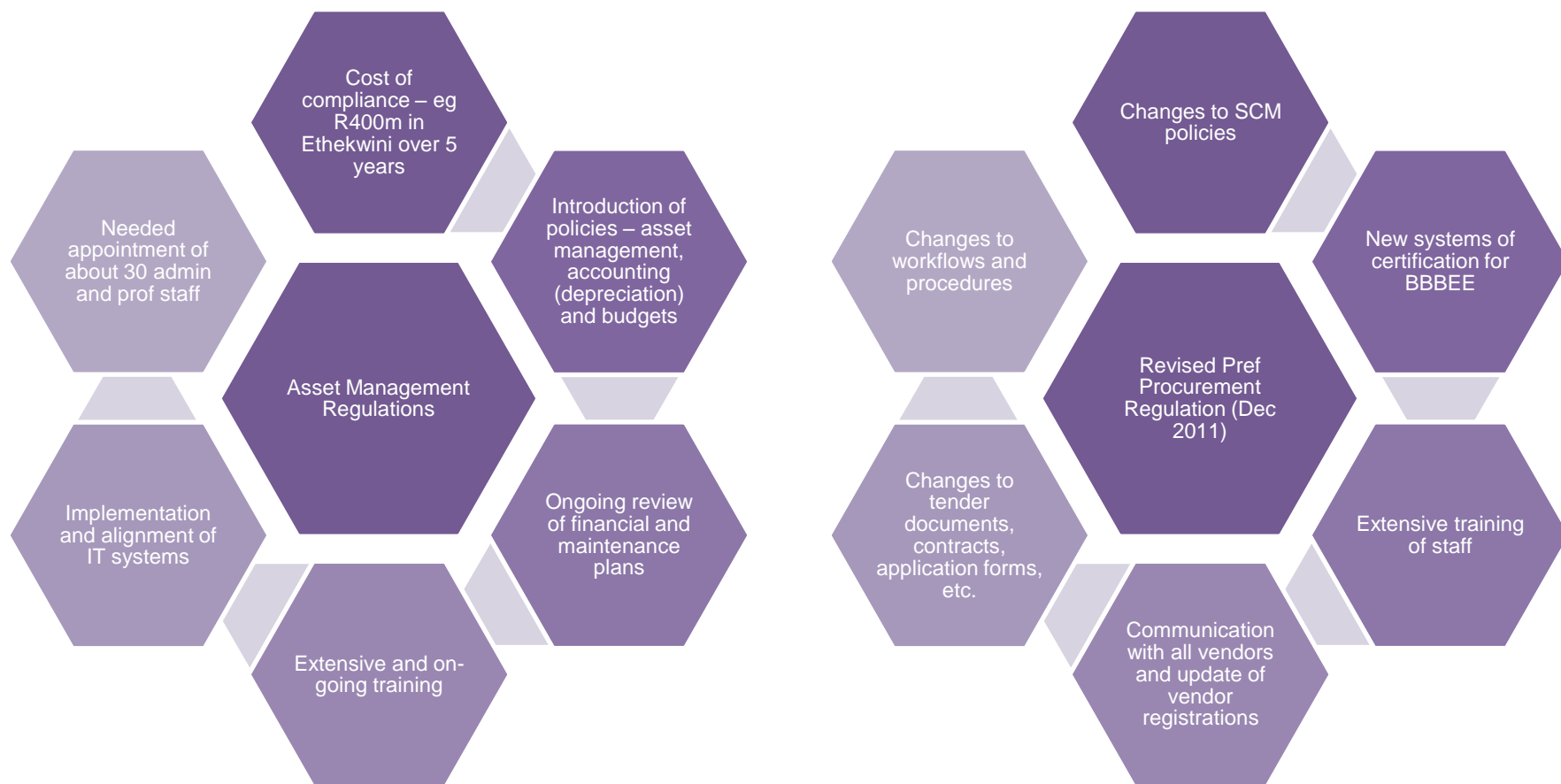
## Challenges

- Since 1996 local government has been through amalgamation and extensive transition – extensive changes to structures and systems
- Since 2000 these new systems have been required to comply with a host of new legislative requirements, inter alia:
  - Municipal Systems Act and its Amendments
  - Municipal Property Rates Act
  - GRAP Accounting Standards
  - Supply Chain Regulations
  - Asset Management Regulations
  - Various Budget Reforms
  - Preferential Procurement Regulations and its recent revision
  - National Credit and Consumer Acts
  - Annually there are NT Circulars that need compliance and interpretation
- These reforms (although critical for governance) require higher level of competency requirements and changes to systems, structures and processes in a municipality

## Recommendations

- Urgent need to slow down the pace of reform and allow LG as institutions to settle down

# Consequences of changes to legislation and policies



# Audit Process

## Challenges

- There are instances where auditors are not equipped with sufficient knowledge of local government
  - a municipality is not the same as other public institutions and require a specific level of knowledge to understand its operations
  - are the auditors complying with the minimum competency requirements?
- Municipalities have been raising issues around the inconsistency of audit findings
- The auditing of predetermined objectives (PDOs) is new and is also a complex process

## Recommendations

- Need to engage the AG (and NT) on consistencies in the interpretation of AFS (eg. Limpopo)
- Engage the AG on the quality and competencies of Auditors sent to municipalities



# Support to Municipalities

## Challenges

- The impact of support from national departments are not visible
  - OCA 2014 campaign of DCoG
  - Municipal Finance Improvement Programme of NT
- Provincial Treasuries and LG depts are not adequately capacitated to provide hands on support
- The role that District Municipalities play is limited in providing required support and shared services
- Viability is not the appropriate entry point in determining a model of support to municipalities

## Recommendations

- Stronger support to municipalities by Provincial departments is needed (similar to that of KZN)
- NT and COGTA to indicate the impact of its support in municipalities
- Increased national support is required for municipalities with extremely limited revenue/capacity bases
- Viability of municipalities should be contextualised and the external factors in this regard acknowledged. Viability is not the appropriate point for determining the model of support required by municipalities.



# Support to Municipalities Financial Viability

## Recommendations:

- National and provincial governmentt is called upon to ensure sustainability and security of municipal revenues by:
  - Improving the legal and policy framework to collect municipal revenues;
  - Implementing a comprehensive programme to support municipalities to improve revenue collection; and
  - Urgently slowing down the generation of new budget reforms and accounting standards for municipalities.
- The need for differentiated approach is required by:
  - addressing the complexity of LG Financial Regulatory Framework and improving financial management and governance;
  - Ensure a less onerous regulatory framework for smaller municipalities (while retaining accountability);
  - Introducing a Deployment strategy to ensure greater continuity and improve capacity of political leadership in managing municipal finances.



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# **INTER-GOVERNMENTAL RELATIONS**

## Engaging Legislatures

- SALGA had an increasingly prominent presence in Parliament, particularly in the National Council of Provinces (NCOP), between September 2011 and the present. This interaction has allowed SALGA to raise strategic political priority areas at the level where legislation is debated and assented to. SALGA successfully participated in parliamentary debates, committee meetings, processing of legislation and public hearings, and other parliamentary events. This has provided an excellent lobbying and advocacy platform for SALGA.
- More exciting has been SALGA's participation in the NCOP Joint Planning Forum with Provincial Legislatures. This allowed SALGA to have strategic political input into the programme of the NCOP. This gave birth to the proposal that NCOP should have a week in its parliamentary programme that should focus mainly on Local Government.
- Consequently, the 2012 NCOP Local Government Week under the theme *“Accelerating Service Delivery through Effective Cooperative Governance”* was held in Parliament at the beginning of August 2012. The NCOP Local Government Week ended with a NCOP Plenary Debate on the outcomes of the Local Government Week



## Engaging Legislatures

- The Debate was also the first time SALGA had occupied all its 10 seats in the NCOP
- This was the culmination of an increasingly positive relationship between the NCOP and SALGA, and provided an important platform to lobby and advocate for local government. SALGA and the NCOP worked closely to host this successful inaugural event, which will now be an annual event on the NCOP calendar.





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# **REVIEW OF THE ORGANISED LOCAL GOVERNMENT ACT**

## Review of OLG Act

- As a full partner in government, OLG is expected to be an active participant in the various IGR forums, to provide policy positions on numerous issues, and to represent LG interests generally in the IGR system.
- The OLG Act was promulgated to give effect to s163 of the Constitution, however, various anomalies arise from its provisions or indeed have been overtaken by the governance framework of the Republic (for eg. formal IGR system) and is out of sync therewith.
- It is urgently necessary to review the OLG Act, with the aim to:
  - identify areas that are constraining OLG from performing its role and fulfilling its own and national Constitutional mandate, and accordingly
  - propose amendments around the functioning and representivity of OLG so as to ensure that it remains relevant, responds to the needs of its members and ensures that it represents its members effectively in fulfilling its Constitutional mandate.
- 3 key areas for review: 1) recognition and levies 2) participation in NCOP and logical consequence of prov legislatures and 3) consultation requirements.

# Review of OLG Act

## 1) Recognition and levies

- Section 2(1) (a) of the OLG Act should be amended to read that the national body is to be the representative body of the *majority of municipalities*.
- It is proposed that OLGA include a provision that all members of the national organisation **shall** be liable to pay membership levies annually, in accordance with the provisions of its Constitution. Levies could also be incorporated into the equitable share payments (administered by National Treasury), in which case DORA requires amendment.

## 2) Full-time designation and participation in NCOP/ provincial legislatures

- OLGA must make provision for a number of full-time representatives to serve at the helm of OLG and determine procedures by which members may designate elected councillors to serve at SALGA.
- OLGA should then also provide that such cllrs shall be paid from the national fiscus & that national legislation must give effect thereto.
- OLGA be amended to provide that SALGA's participation in the NCOP **must** be further effected through the Rules of the NCOP, including that OLG must be afforded opportunity to address Council before a matter affecting LG is voted on.<sup>51</sup>

## Review of OLG Act

### 2) Participation in Prov Legislatures

- While SALGA's participation in NCOP and prov IGR structures is entrenched in legislation, no similar provision is made for OLG participation in prov legislatures. This is an anomaly given make-up of NCOP where mandates are derived from provinces.
- It could not have been the intention of the Constitution that OLG should not, despite the absence of legislative provisions, participate in the building blocks of the NCOP (prov legislatures). This must be provided for in OLGA.

### 3) Consultation requirements

- It has become necessary to entrench binding consultation on legislation as it pertains to consulting LG as the sphere.
- It is proposed that OLGA make provision for binding consultation with OLG, to the effect that the consultation contemplated in s154 of the Constitution or any other subsequent legislation means formal consultation with OLG. Consultation with municipalities directly is not precluded, but must include formal consultation and engagement with OLG.
- **The review of the OLGA is timely to ensure that OLG remains relevant, that the constraints hampering its performance are lifted and that it is strengthened and enabled to fulfil its constitutional and legislative mandate to the fullest extent.**



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# **LOCAL GOVERNMENT WEEK**

## Local Government Week

- On 2 Nov 2011, SALGA participated in the joint NCOP and Provincial Legislatures Planning Forum and called on NCOP to host LG Week as part of its parliamentary programme
- NCOP heeded the call and hosted LG Week in partnership with SALGA on 31 July-3 August 2012 in Parliament, under the theme “Accelerating Service Delivery through Effective Cooperative Governance”
- The **main objective** of the LG Week was to showcase successes of LG and facilitate dialogue on local govt issues and foster common understanding on challenges at hand
- Participants included delegates from provincial legislatures, NA relevant committees, national and provincial government departments, NCOP Members and SALGA leadership



## Local Government Week

### The LG Week focused on five thematic areas:

1. A sound Policy and Legislative Framework to accelerate Service Delivery;
2. Building the capacity of LG to accelerate delivery;
3. Sustainable Human Settlements and Infrastructure;
4. Role of LG in Rural and Local Economic Development; and
5. Sustainable Financial System and Appropriate Fiscal Framework for LG to deliver on the developmental mandate.

## Local Government Week

- **Recommendations emanating from LG Week:**
  - The NCOP must ensure that national legislation respects the institutional integrity of local government and is consistent with the principles of cooperative government and enables developmental local government
  - The NCOP must ensure that national government develop an appropriate policy response on sustainable infrastructure development of electricity and water provision at municipal level;
  - The NCOP must ensure the development of a national approach to enhance cooperation between municipalities and Eskom in order to assist municipalities with revenue collection in areas where Eskom is the electricity provider;
  - The NCOP must ensure that local government has an equitable and appropriate fiscal framework in place to deliver on the developmental mandate and accelerate service delivery;





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# **INTERNATIONAL PROFILING**

## International Profiling

- SALGA has played a prominent role in strengthening its international profile in various support initiatives for local government in the SADC Region. Of particular note is the support SALGA continues to provide on the institutional reforms of the Swaziland Local Government Association (SWALGA), the Namibian Local Government Association (ALAN), the Botswana Local Government Association (BALA), the Zimbabwe Local Government Association (ZILGA) and the Urban Councils of Zimbabwe (UCAZ). Tangible programmes of co-operation on the functional areas of local economic development, municipal finances, infrastructure planning and maintenance and city development strategies have been implemented with SALGA playing a leading role in strengthening our sister associations in SADC.
- On the areas of city development strategies, SALGA initiated a twinning and mentoring support programme between the City of Johannesburg and the City of Lilongwe. Positive results have been realised wherein Johannesburg provides solid support on planning to this historic day of Lilongwe.
- Another tangible international support of SALGA has been on the initiation of a Coastal Cities Programme, linking the City of eThekweni with the City of Maputo, focussing on the areas of coastal management.

## International Profiling

- The current situation in the UCLGA continues to pose its own political challenges. It now calls for a principled stance founded on the pursuit of African local government unity. The underlying scenario of two separate leadership structures, one based in Rabat, Morocco and the other in Tshwane, South Africa, is the major impediment to Unity within the continent as well as local governments in Africa generally. The unity impasse poses a serious threat to African solidarity and local government development on the continent.
- In December 2011, a consultative meeting between SALGA and UCLGA-Rabat was held in Florence, Italy, on the sidelines of the UCLG World Council at the request of the UCLGA leadership based in Rabat. In summary, the Rabat-based UCLGA delegation expressed a desire to forge unity within the UCLGA and committed themselves to participating in any process that is aimed at uniting the organisation and put an end to the current divisions.
- They also expressed the respect they accord to SALGA and as such, view SALGA as the credible organisation that can play a constructive role in mediating the conflict between the parties. It was in this regard that they sought the facilitative role of SALGA in forging unity amongst local governments of Africa.



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# **COUNCILLOR SUPPORT**

# KEY GAINS MADE IN 2011/12

Certain key improvements introduced with 14 Dec '12 notice:

- 1. An across the board percentile increase in salaries, allowances and benefits of 5% per annum effected retrospectively from the 1st of July 2011 and the prior determination (i.e. 10 December 2010) is repealed with effect from the 1st of July 2011;**
- 2. Amending the definition of “total municipal income”.**
- 3. Amending the definition of “total remuneration package”.**
- 4. Deleting the inclusion of running and maintenance costs incurred on official business travel up to 500 kilometres per month.**
- 5. Deletion of the Section 8 (1)(d) of the Income Tax Act, 1962 allowance of R 120 000 per annum.**
- 6. Increase in cellphone allowances.**
- 7. Recognition of Chairpersons of Section 79 Committees.**



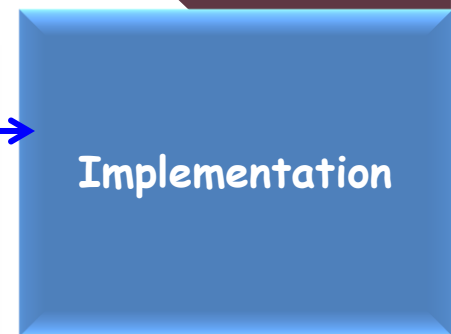
# SALGA Proposals for 2012/13

Certain key proposals for the 2012/13 notice are as follows:

1. Inclusion of new definition for tools of trade;
2. Amending the definition of total municipal income to be in line with the Remuneration of Public Office Bearers Act;
3. Introducing new pay scales for Chairpersons of Section 79 Committees;
4. Extending use of council owned vehicle to Deputy Mayors and Speakers;
5. Introducing new increased cell phone packages;
6. Introducing risk benefits extended to councillors at the cost of the municipality; and
7. Introducing a set of tools of trade.



# PROCESS TO DETERMINE SALARIES, BENEFITS AND ALLOWANCES FOR PUBLIC OFFICE BEARERS



Process for determination of salaries, benefits and allowances of Councillors **curiously differs** from other public office bearers.



# SALGA Policy Proposals

Certain key proposals for the 2012/13 notice are as follows:

1. The legislation to be amended to have the same process applied to all public office bearers across the three spheres of government.
2. A total review of the system of support for councillors should be conducted urgently taking into cognizance the principle of uniformity across the 3 spheres of government.
3. The remuneration of Councillors should be paid out of the central National Revenue Fund instead of municipal budgets.



# Update on Gratuity Payment

Province	Claims Received	Number of Cllrs Finalised	Number Not Qualifying	Number Outstanding
Eastern Cape	623	495	20	108
Free State	225	174	-	51
Gauteng	356	301	13	42
KwaZulu Natal	645	435	26	183
Limpopo	633	480	28	125
Mpumalanga	392	333	1	58
Northern Cape	184	139	2	43
North West	372	292	1	79
Western Cape	261	204	22	35
<b>Total</b>	<b>3691</b>	<b>2889</b>	<b>113</b>	<b>724</b>



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# **COLLECTIVE BARGAINING**

# The Final Agreement

1. **SALARY AND WAGE INCREASES: A Multi Year Salary and Wage Agreement structured as follows-**
  - Year 1 = 6.5% effective 01 July 2012 plus a further 0.5% w.e.f. 01 January 2013
    - Year 2 = average CPI + 1.25%
    - Year 3 = average CPI + 1%
2. **MAIN & DISCIPLINARY COLLECTIVE AGREEMENTS: Parties agree to a “facilitated process” per EXCO.**
  - Parties agree to the deadline of December 2012 to conclude new Collective Agreements
  - Parties noted SALGA Notice and Unions intention to challenge
  - Notice to be put in abeyance till 31 December 2012
3. **MEDICAL AID SCHEME: Phased approach towards “capping” maximum employer contribution**
  - 2012/ 13: 75% of 6.5%
  - 2013/ 14: 50% of Percentage increase on the applicable year
  - 2014/ 15: 25% of Percentage increase on the applicable year
  - Investigate Med Scheme for low earners, fully funded by employer, and conclude by 31 December 2012
4. **PENSION/ RETIREMENT FUND: Max Employer contribution capped at 18% for DC funds**
  - No new entrants into DB funds with effect from 01 July 2012
  - Parties agree to conclude a collective agreement on “rationalization” by 31 December 2012
  - Dispute on the Retirement Funds to be concluded by the 31 December 2012
5. **EXEMPTION PROCEDURE: To be “expedited” and heard by a National Senior Panellist**

# 2012/ 15 SALARY AND WAGE COLLECTIVE AGREEMENT

## “SALARY AND WAGE INCREASES”

- ❖ For the 2012/13 financial year, the salary and wage increases shall be implemented in two phases.
- ❖ First, effective from the 01 July 2012, salaries shall increase by 6.5% and second, a further 0.5% salary increase shall be implemented effective from 01 January 2013.
- ❖ For the 2013/14 financial year, salaries and wages shall increase by an average CPI for the period February 2012 to January 2013 plus 1.25%.
- ❖ For the 2014/15 financial year, salaries and wages shall increase by an average CPI for the period February 2013 to January 2014 plus 1%.
- ❖ The parties further agreed to incorporate a safety clause in order to manage the inflationary fluctuations.
- ❖ In the event that the average CPI percentage, for the period as contemplated in both 2013/ 14 and 2014/ 15 financial years respectively, is less than 5%, the average percentage for the respective periods shall be deemed to be 5% while
- ❖ Conversely, if the same average CPI percentage for the same cited financial years is above 10%, the average CPI shall be deemed to be 10%. This provision seeks to ensure that there are no ambiguities regarding the salary increases for these outer years and there is some level of certainty for “budget” processes in municipalities as well.
- ❖ The collective agreement also entails the “withdrawal” of the current “interest arbitration” dispute which would have culminated to municipalities effecting back paid salaries to July 2011 in respect of essential services employees.

# 2012/ 15 SALARY AND WAGE COLLECTIVE AGREEMENT

## “MEDICAL AID CONTRIBUTIONS”

- ❖ As you are aware and in terms of the previous practices, the maximum employer contribution towards the accredited medical aid schemes, operative in the local government sector, would have ordinarily increased by the same percentage as that of salaries and wages cited above.
- ❖ However, the collective agreement provides for a phased approach and a sliding scale regarding medical aid increases over the three (3) year period. These are clearly outlined below:
  - For the 2012/13 financial year, the maximum employer contribution towards the accredited medical aid schemes shall increase by 75% of the 6.5% salary increase. Thus, the maximum employer contribution shall increase to R3 440 per month.
  - For the 2013/14 financial year, the maximum employer contribution shall increase by 50% of the percentage increase as reflected in “slide 10”, above
  - For the 2014/15 financial year, the maximum employer contribution shall increase by “25%” of the percentage increase as reflected in “slide 10”, above
- ❖ The above arrangement has been agreed upon as an attempt to introduce a completely new medical aid dispensation in the local government sector which will also see the maximum employer contribution “capped” at a specific amount just like it is the case in the public sector.
- ❖ The collective agreement further provides for the Bargaining Council sponsored investigation into a medical aid scheme targeting the low income earners. The deadline to have that process finalized has been agreed to be 31 December 2012. The National Health Insurance (NHI) initiative shall also be taken into account during the envisaged investigation.<sup>69</sup>

# 2012/ 15 SALARY AND WAGE COLLECTIVE AGREEMENT

## “RETIREMENT FUNDS”

- ❖ The “agreement” reconfirms the capping of employer’s contribution towards Defined Contribution (DC) funds at 18% of the monthly basic salary of all employees as from 01 July 2012.
- ❖ The only exception shall be in respect of those employees who are already getting higher than 18% employer contribution.
- ❖ In addition and as from 01 August 2012, NO new entrants to the Defined Benefit (DB) funds shall be allowed.

## “FILLING OF VACANCIES”

- ❖ Municipalities retain their prerogative regarding which “funded” vacant positions should be filled as provided for in the Municipal Systems Act (as amended).
- ❖ However, the collective agreement provides for the “consultation” process regarding the Municipal Council decision on the filling of vacancies.
- ❖ The consultation process shall entail providing update or report during Local Labour Forum (LLF) meetings on the matter and this should not be misconstrued as a “negotiable” matter at the LLF level.

# 2012/ 15 SALARY AND WAGE COLLECTIVE AGREEMENT

## “MINIMUM WAGE”

- ❖ With effect from 01 July 2012, the minimum wage payable in the sector shall increase to R4 902 per month. The minimum wage shall further increase to R4 927 as from 01 January 2013.
- ❖ The minimum wage for the 2013/ 14 and 2014/ 15 financial years shall increase by the same percentage as stipulated in “slide 10”, above.

## “TERMINATION OF COLLECTIVE AGREEMENTS”

- ❖ The collective agreement has further outlined the process for parties to engage on the review of the provisions of both the Main Collective Agreement (MCA) and the Disciplinary Procedure and Code Collective Agreement with 31 December 2012 as a deadline to conclude.
- ❖ The Bargaining Council has already scheduled the first engagement to take place during the second week of August 2012 and;
- ❖ Advocate John Brand was appointed by the Executive Committee of the SALGBC to facilitate the process.



# 2012/ 15 SALARY AND WAGE COLLECTIVE AGREEMENT

## “APPLICATION FOR EXEMPTION”

- ❖ The collective agreement also provides for a reviewed Exemption Application Process which is aimed at maximizing objectivity and speedy finalization of the process.
- ❖ The “exemption application” dispensation acknowledges that not all municipalities can afford the agreed upon salary and wage increases.
- ❖ It therefore provides for an opportunity for a specific municipality to apply to be exempted from implementing one or more of the provisions contained therein.
- ❖ Of fundamental importance to take note of is the fact that the collective agreement has provided for the “facilitation” of the “exemption application” process by a Senior Panellist within the SALGBC who is familiar with “interest arbitration” matters.
- ❖ This further confirms the SALGA resolve to undo the “self-regulated” process as it currently obtains in term of the Main Collective Agreement.
- ❖ SALGA further intends pioneering a dedicated “support programme”, in respect of municipalities in financial distress, regarding their applications for exemption. Note has been taken that some affected municipalities have previously not explored this “relief” which is meant to ease the budget pressures for proper channeling of the municipal resources.
- ❖ A pro-active analysis of the municipalities falling in this category shall be done and they will be accordingly consulted on the envisaged process.





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# **MUNICIPAL FINANCE**

## **2011/12**

## Municipal Finance

- SALGA has successfully engaged the Minister of Finance at the Budget forum on a number of matters. We have lobbied for a
  - Local government fiscal framework review,
  - The introduction of a local business tax,
  - Need for support to municipalities on revenue collection (such as the scrapping of AARTO)
  - The need for a differentiated approach for funding of municipalities.

## Municipal Finance

- This year, SALGA will be tabling a few submissions including:
  - A response to the proposed new Local Government Equitable Share formula;
  - Funding challenges of district municipalities;
  - Proposals for interim arrangements to deal with revenue shortfalls experienced by municipalities where Eskom is the provider of electricity;
  - Inputs on the funding arrangements for the host cities of the African Cup of Nations tournament in 2013.



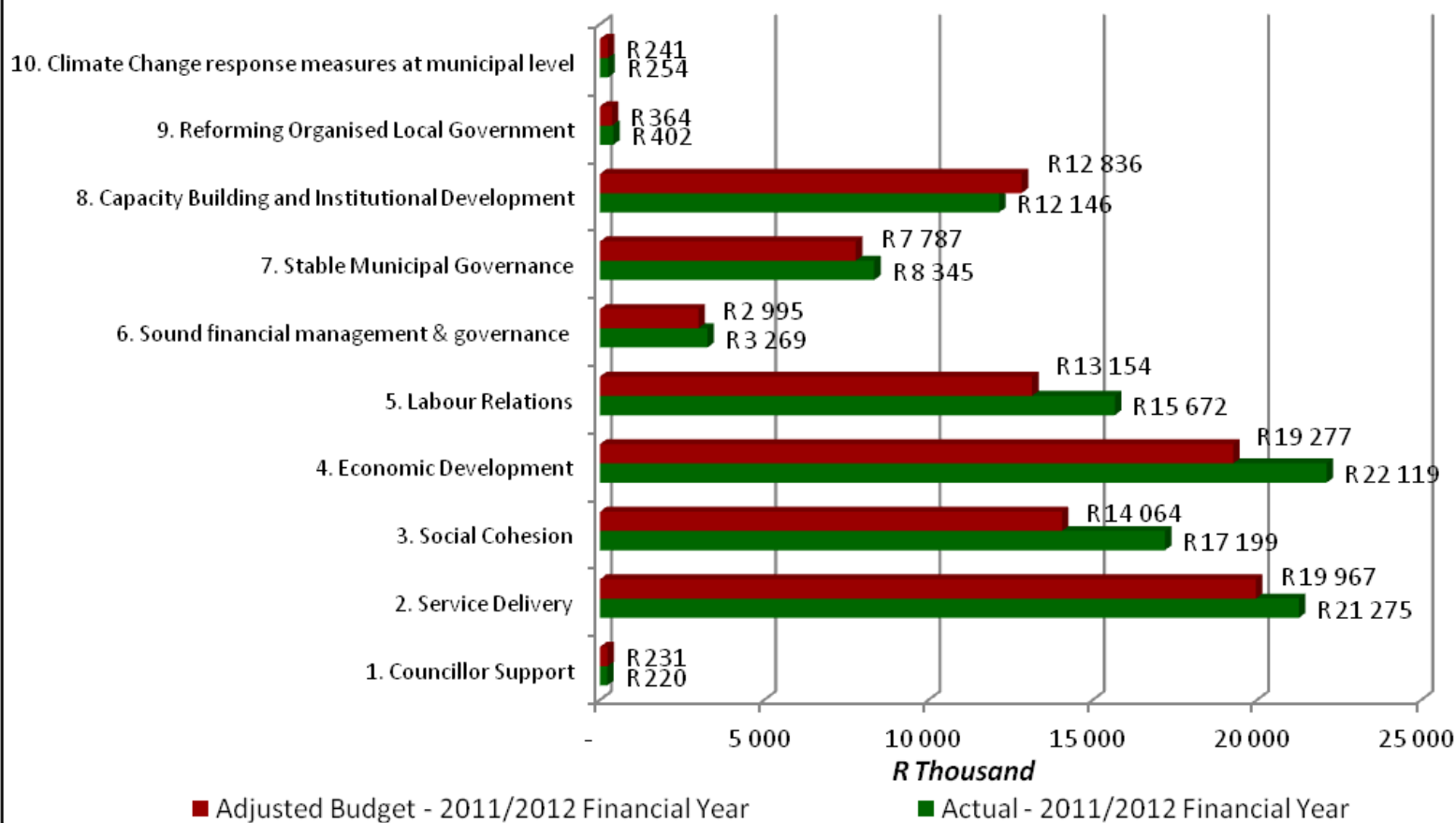
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**AUDITED FINANCIAL  
STATEMENTS  
2011/12**

## OPERATING EXPENDITURE PER STRATEGIC OBJECTIVE

Financial Performance Per Strategic Objectives - Priority Outcomes  
2011/2012 Financial Year



## STATEMENT OF FINANCIAL PERFORMANCE

### Statement of Financial Performance

Figures in Rand	Note(s)	for the 12 months ended 31 March 2012	for the 12 months ended 31 March 2011
Revenue from exchange transactions	17	246 752 771	199 712 050
Other operating revenue	19	46 525 260	31 278 148
Operating expenses		(284 712 398)	(238 234 924)
<b>Operating (deficit) / surplus</b>	<b>20</b>	<b>8 565 633</b>	<b>(7 244 726)</b>
Investment income	22	2 888 249	1 792 085
Fair value adjustments	23	1 300 000	100 000
Finance costs	25	(451 939)	(2 927 435)
<b>Surplus / (deficit) for the year</b>		<b>12 301 943</b>	<b>(8 280 076)</b>

# STATEMENT OF FINANCIAL POSITION

## Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables - exchange transactions	9	29 748 587	24 930 136
Cash and cash equivalents	10	18 921 901	4 496 275
		<b>48 670 488</b>	<b>29 426 411</b>
<b>Non-current Assets</b>			
Investment property	2	4 400 000	3 100 000
Property, plant and equipment	3	18 985 713	19 923 348
Intangible assets	4	23 002	99 196
Other financial assets	5	536 178	328 154
		<b>23 944 893</b>	<b>23 450 698</b>
<b>Total Assets</b>		<b>72 615 381</b>	<b>52 877 109</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease liability - exchange transactions	12	757 036	744 572
Operating lease liability - exchange transactions	7	4 994 063	2 560 408
Trade and other payables - exchange transactions	15	35 670 511	37 131 525
Unspent conditional grants and receipts	13	11 445 562	3 223 298
Deferred income - exchange transactions	14	7 852 185	10 450 229
		<b>60 719 357</b>	<b>54 110 032</b>
<b>Non-Current Liabilities</b>			
Finance lease liability - exchange transactions	12	1 055 062	274 830
Retirement benefit obligation	8	619 604	572 832
		<b>1 674 666</b>	<b>847 662</b>
<b>Total Liabilities</b>		<b>62 394 023</b>	<b>54 957 694</b>
<b>Net Assets</b>		<b>10 221 358</b>	<b>(2 080 585)</b>
<b>Net Assets</b>			
Reserves			
Revaluation reserves	11	2 259 566	2 259 566
Accumulated surplus		7 961 792	(4 340 151)
<b>Total Net Assets</b>		<b>10 221 358</b>	<b>(2 080 585)</b>

## STATEMENT OF CHANGES IN EQUITY

### Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	2 259 566	3 761 244	6 020 810
<i>Adjustments</i>			
Prior year adjustments	-	178 681	178 681
<b>Balance at 1 April 2010 as restated</b>	<b>2 259 566</b>	<b>3 939 925</b>	<b>6 199 491</b>
<i>Changes in net assets</i>			
Deficit for the year	-	(8 280 076)	(8 280 076)
Total changes	-	(8 280 076)	(8 280 076)
<b>Balance at 1 April 2011</b>	<b>2 259 566</b>	<b>(4 340 151)</b>	<b>(2 080 585)</b>
<i>Changes in net assets</i>			
Surplus for the year	-	12 301 943	12 301 943
Total changes	-	12 301 943	12 301 943
<b>Balance at 31 March 2012</b>	<b>2 259 566</b>	<b>7 961 792</b>	<b>10 221 358</b>



## CASH FLOW STATEMENT

### Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from customers		288 459 580	244 372 454
Interest income		2 888 249	1 792 085
		<b>291 347 829</b>	<b>246 164 539</b>
<b>Payments</b>			
Cash paid to suppliers and employees		(275 051 979)	(231 397 337)
Finance costs		(451 939)	(2 927 435)
		<b>(275 503 918)</b>	<b>(234 324 772)</b>
<b>Net cash flows from operating activities</b>	<b>28</b>	<b>15 843 911</b>	<b>11 839 767</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(2 134 495)	(7 067 815)
Proceeds from sale of property, plant and equipment	3	131 535	199 133
Net movement in financial assets	3	(208 024)	-
<b>Net cash flows from investing activities</b>		<b>(2 210 984)</b>	<b>(6 868 682)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		792 699	(1 084 710)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>14 425 626</b>	<b>3 886 375</b>
Cash and cash equivalents at the beginning of the year		4 496 275	609 900
<b>Cash and cash equivalents at the end of the year</b>	<b>10</b>	<b>18 921 901</b>	<b>4 496 275</b>




# SALGA's 3-YEAR AUDIT OUTCOMES



Financial Year	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Audit outcome	Qualified audit opinion	Disclaimer of audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion

SALGA has consistently put in place corrective measures over the three (3) years to improve the internal control environment. A summary of the improvement on “*Matters of Emphasis*” as previously reported is tabulated below:


The progress is rated based on the sections of the audit report viz. (i) Report on Financial statements; (ii) Report on other legal and regulatory requirements (Performance information); and (iii) Compliance with laws and regulations.

(i) Financial Statements			
Financial Year	Number of “Emphasis of Matter” items previously reported	Percentage improvement from prior year	Indicator on status of improvement in internal control environment 2011/2012
2011/2012	1	75% ↑	
2010/2011	4		
2009/2010	3		

The remaining “matter of emphasis” in the 2011/2012 financial year relates to significant uncertainties as a result of litigation matters disclosed under contingent liabilities in note 30 to the annual financial statements, as SALGA is a defendant in two litigation matters where the outcome of the court decision is unknown.

(i) Performance Information			
Financial Year	Number of “Findings” previously reported	Percentage improvement from prior year	Indicator on status of improvement in internal control environment 2011/2012
2011/2012	1	50% 	
2010/2011	2		
2009/2010	3		

The remaining “finding” in the 2011/2012 financial year relates to material adjustment to the annual performance report.

(i) Compliance with laws and regulations			
Financial Year	Number of items of “Non-compliance” previously reported	Percentage improvement from prior year	Indicator on status of improvement in internal control environment 2011/2012
2011/2012	4	43% ↑	
2010/2011	7		
2009/2010	1		

The remaining aspects of non-compliance are a carry-over from the prior year as the corrective measures implemented did not cover the rest of the financial year. These primarily relate to SCM matters in regard to our requests for quotation (RFQ) not containing the adjudication criteria for purchases between R30,000 and R500,000 for the first quarter of the financial year, thereby rendering the expenditure irregular.

A summary action plan covering matters affecting the audit report is attached, hereto, as annexure A



## PLAN TO IMPLEMENT CONTROLS TO ADDRESS AG'S FINDINGS – RTM 2011/12

Process	Audit Finding	Recommendations	Measures to implement in addressing the issues	Responsible Executive	Implementation date	Status as at 31 Jul 2012
<b>A) MATTERS AFFECTING THE AUDIT REPORT</b>						
<b>Compliance</b>	Non compliance with Practice Note 6 of 2007	SALGA should ensure that all deviations are properly motivated and proof of this should be maintained. SALGA should ensure full compliance with legislative requirements, in that the relevant parties should be informed of goods or services procured in terms of Treasury Regulations 16A6.4 within the required period.	Ensure full compliance with legislative requirements and all deviations to be motivated appropriately and proof to be maintained.	CFO/S CM	Immediate 31 July 2012	<b>All non-competitive deviations are rejected. SCM Policy review is underway.</b>



## PLAN TO IMPLEMENT CONTROLS TO ADDRESS AG'S FINDINGS – RTM 2011/12

Process	Audit Finding	Recommendations	Measures to implement in addressing the issues	Responsible Executive	Implementation date	Status as at 31 Jul 2012
<b>A) MATTERS AFFECTING THE AUDIT REPORT</b>						
<b>Compliance</b>	Non compliance with PPPFA	Management should ensure that the request for quotations includes the preferential point scoring system as required by section 51(1)(a)(iii) of the PFMA and section 2(1)(e) of the PPPFA and should include the evaluation criteria.	Ensure that the request for quotation (RFQ) includes the preferential point scoring criteria.	CFO/S CM	Immediate 31 July 2012	Done. The RFQ have been updated to include the adjudication criteria. Also the checklist have been updated to ensure that all SBD's are part of the payment packs, specifically SBD 6.1.



## PLAN TO IMPLEMENT CONTROLS TO ADDRESS AG'S FINDINGS – RTM 2011/12

Process	Audit Finding	Recommendations	Measures to implement in addressing the issues	Responsible Executive	Implementation date	Status as at 31 Jul 2012
<b>A) MATTERS AFFECTING THE AUDIT REPORT</b>						
<b>Related Party</b>	Related Party disclosure complete and inaccurate	Management should revisit their internal control system pertaining to related parties to ensure that related parties and related party transactions are timeously identified.	Improve internal controls and ensure that related party transactions will be identified timeously.	CFO/A P/AR	Immediate 31 July 2012	<b>Policy review is underway previously aligned to IAS 24, now to IPSAS 20 since the GRAP equivalent is not yet effected.</b>



## CHALLENGES

- The year under review has been characterised by the transition in SALGA leadership as a result of the Local Government elections which took place on 18 May 2011.
- At the provincial conferences preceding the National Conference, provincial PECs were elected followed by the election of the new incoming SALGA NEC at the National Conference. This leadership transition impacted on the ability of SALGA to effectively convene its governance structures during the first and second quarters of the financial year.
- At the provincial conference of SALGA KZN, a resolution was passed for SALGA KZN to be re-integrated with the rest of the unitary SALGA structure. In terms of planning and budgeting reporting, SALGA KZN is now part of the SALGA Strategic Plan 2012-2017 and Annual Performance/Budget Plan 2012/13.

## CHALLENGES

- A formidable challenge is that the budget of SALGA is inadequate to fulfil its mandate. The budget is also difficult to determine as membership and payment of levies by municipalities are entirely voluntary. SALGA has responded by initiating a comprehensive investigation into its funding model, alongside a concerted effort to lobby national government to support a larger and more sustainable funding model.
- SALGA has done very well in terms of giving effect to its mandate during 2011/12. This achievement invariably leads to a heightened expectation in terms of its capacity to meet the growing expectation to be the voice of local government.



**SALGA**  
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# **BUDGETARY REVIEW AND RECOMMENDATIONS REPORT**

# COGTA BRRR: SALGA PROGRESS REPORT:

Observation	Recommendation	Timeframe	SALGA Response
<p>In the Committee's BRRR recommendations of 2010, reference was made to the review of the funding model on equitable share. The Committee observed that on Strategic priority 1, the deadline for the developing of a funding mechanism for municipal councils by 31 March 2011, has been missed.</p>	<p>The Department, SALGA, and National Treasury should re-look the funding formula to take into account equitable share for smaller/rural municipality. The Department must revisit this objective and fast track the implementation thereof.</p>	<p>May 2012</p>	<p>Consultation with member Municipalities was held on the 18 September 2012. A consolidated SALGA position on the Formula has submitted to the Budget Forum on the 8 October 2012.</p>
<p>It was noted that the legislation is in place to deal with the issue of the hiring practice of potential employees at municipalities</p>	<p>SALGA and the Department of Cooperative Governance should organize workshops for all municipalities to educate and familiarize them with the amendments to the Local Government: Municipal Systems Act 2011.</p>	<p>End of November 2011</p>	<p>SALGA initiated a joint session to conceptualize the HR Strategy for municipalities. However, COGTA pulled out of the process as they believed it was a pure COGTA responsibility and they wanted to focus on the development of the regulations. SALGA pursued the process and it is currently at advanced stages. Municipalities have already been consulted on the Draft strategy and an Indaba with all municipalities is planned to take place during October 2012.</p>

# COGTA BRRR: SALGA PROGRESS REPORT:

Observation	Recommendation	Timeframe	SALGA Response
<p>The Committee noted that the issue of Municipal Public Accounts Committees (MPACs) was emphasized at the SALGA conference</p>	<p>The Committee recommends that all municipalities should establish the MPAC which should be chaired by either a member of the opposition or any councilor, except mayoral Committee members.</p>	<p>Before end of financial year</p>	<p>SALGA approved a guideline for the establishment of MPACs that were provided to municipalities and posted on the SALGA website. SALGA MPAC workshops have been arranged and in other instances SALGA provided an input in workshops on MPACs. Further, the SALGA guidelines have already been shared in the EC, WC, NC, NW, GP and MP:</p> <ul style="list-style-type: none"> <li>EC – 2 x Workshops</li> <li>NW - 2 x Workshops</li> <li>WC - 2 x Workshops</li> <li>NC – 2 x Workshops</li> <li>MP – 1 x Workshop</li> <li>GP - 1 x Workshop</li> </ul> <p>The Guidelines provide guidance on the governance aspects, such as the compilation of the committee, recommending that no executive councillors serve on the committee, as well as propos terms of reference and delegations to be adopted by the council in order to capacitate the committee to be effective.</p>

# COGTA BRRR: SALGA PROGRESS REPORT:

Observation	Recommendation	Timeframe	SALGA Response
<p>The Committee recommended, in the 2010 BRRR, that Eskom and Nersa should engage SALGA on improving tariffs systems.</p>	<p>The tariff structure should be regulated before 1 July so as to be aligned with Municipal budgets.</p>	<p>Before July 2012</p>	<p>NERSA recently issued a public consultation paper on the tariff structure. The deadline for submission of inputs is the 12<sup>th</sup> of October 2012. SALGA will be making a submission in this regard.</p>



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THE END

**THANK YOU**