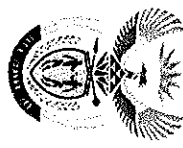


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cooperative governance

Department:
Cooperative Governance
REPUBLIC OF SOUTH AFRICA

IMPROVED AUDIT OUTCOMES FOR LOCAL GOVERNMENT: 2012/13

Introduction

The operation clean audit programme is a programme of government that is profiled for action within COGTA. The authority for the implementation of activities that are meant to achieve the unqualified audit outcomes in respect of municipalities lies primarily with the National Treasury, COGTA and other stakeholders like Auditor General and the APACs.

There are three broad areas that the Auditor General identified as critical in the achievement of a favourable audit outcomes; namely, **leadership** (both political and administrative), **governance**, and **financial management**. The action plan attached will attempt to identify and cluster the activities within the context of the three areas mentioned above. There are a number of partners that must be involved for the objective of achieving unqualified audit opinion. This will include, but not limited to the following: National Treasury, COGTA, Auditor General, APACs, Provincial Treasuries, Provincial COGTAS, Premier's offices, and **municipalities** themselves as the authority to implement lies with them.

The authority for the implementation of activities that are meant to achieve the unqualified audit outcomes in respect of provinces lies with the National Treasury and provincial Treasuries as the

administrators of the Public Finance Management Act. The National Treasury monitors and coordinates the support measures to improve provincial departments through CFO's Forums.

Coordinating provincial monitoring and support of municipalities to improve audit outcomes

- Provincial Operation Clean Audit Coordinating Forums have been established, driven by provincial departments responsible for local governments, provincial Treasuries. In the case of the North West and the Northern Cape these are chaired by a DDG in the Premier's Office and the DG of the province respectively. These monitor municipal implementation of audit remedial action plans to address previous audit outcomes, and where necessary provide further guidance to provinces or municipalities.
- The National Treasury hosts the quarterly Municipal Finance Management Act (MFMA) meetings at a national level.

KEY DRAFT ACTIVITIES FOR OPCA: 2012/13

NO	NAME	ACTIVITY	Duration	Responsible	STATUS
1.	Financial Management	•			
	1.1	Standardize the classification of revenue, expenditure, assets and liabilities items for municipalities (Standard Chart of Accounting). This is solely the NT project	2 years	NT	Commenced in November 2011
	1.2	Standardisation (interoperability) of financial systems for municipalities (enhancement of the municipal reporting systems). This is solely the NT project	2 years	NT	Commenced in November 2011
	1.3	Deployment of Municipal Finance Advisors (69 advisors as of 13 Jan 2012) to support municipal officials to implement financial management reforms based on individual municipal requests. This is solely the NT project	Ongoing	NT	Commenced
	1.4	Support part of the 100 LGTAS municipalities on compilation of the Annual Financial Statements (AFS's) including related asset management issues (such as unbundling of assets) (outsourcing)	2 years	DCOG	May 2012
	1.5	Support selected municipalities out of the 100 LGTAS municipalities with development of record management policy and procedures, prioritizing those with disclaimers and adverse audit opinions. This is proposed for implementation by provincial counterparts	Ongoing (to start April 2012)	Provincial Department of Arts and Culture (National Archives), PCOGTAS	Not commenced

1.6	Training of municipal officials of the selected municipalities out of the 100 LGTAS on record management system This is proposed for implementation by provincial counterparts	Ongoing (to start April 2012)	Provincial Department of Arts and Culture (National Archives), PCOGTAS	Not commenced
2.	Leadership			
2.1	Standardise competence profiles for staff below section 56 managers, support municipalities to develop organograms, and performance agreements for internal audit unit and finance staff.	Ongoing (starting July 2007)	NT, DCoG	Commenced; competence profiles for staff below MMs and section 56 managers will commence during the 2012 / 2013 FY.
2.2	Monitor compliance with competence profiles, organogram and performance agreements for internal audit and finance staff. This is primarily NT	April 2012	DCoG, NT	Not commenced (this is not primarily NT; DCoG has a major role to play in this regard (to of the Systems Act – work in this regard should be prioritised and should commence in the next FY [capacity permitting])
2.3	Monitoring and supporting the filling of the critical posts in terms of the MMs and CFOs	Ongoing	DCoG and NT	Commenced

NO	SSAP	Activities	Duration	Responsibility	Status
		NT may need to be involved in the appointment of the CFO.			
3.	Governance				
3.1	IT Governance				
	3.1.1	Development of IT governance framework *Build internal IT capacity in Cogta or drop the project.	2 years	DCoG, SALGA, SITA, DPSA, NT	
	3.1.2	ICT maturity framework (people , processes, skills and governance) *Build internal IT capacity in Cogta or drop the project.	2 years	DCoG, SALGA, SITA, DPSA, NT	
	3.1.3	Assessment of the municipalities in terms of ICT capacity *Build internal IT capacity in Cogta or drop the project.	2 years	DCoG, SALGA, SITA, DPSA, NT	
3.2	Anti corruption				
	3.2.1	Training of municipal officials and political leadership of the municipality on ethics management Material development by Cogta but training by PALAMA	Ongoing	DCoG	Commenced; this has been identified as a priority for the DCoG [in terms of the prominence attached in the proposed structure for the DCoG]
	3.2.2	Supporting municipalities to review and/ or develop fraud prevention plans	Ongoing	DCoG	Commenced
3.3	LG	Monitoring the implementation of institutional	Ongoing	DCoG	Commenced

NO	ISSUE	DETAILS	IMPLEMENTATION	RESPONSIBILITY	STATUS
	institutional performance management	performance management in terms of Chapter 6 of the Municipal Systems Act PMGS branch			
3.4	MPACs	(Provision has been made by the DCoG to ensure that the Chairpersons of all section 79 Committees (in municipalities with more than 40 councillors) are designated as full-time.			
	3.4.1	Supporting establishment of outstanding MPACs	31 March 2012	PCOGTAs, SALGA, PTs, COGTA	Commenced
	3.4.2	Develop standard reporting template for MPACs	June 2012	PCOGTAs, DCoG , APAC, NT, Salga, PTs	Not commenced
	3.4.3	Develop standard reporting template through which Council will assess the performance of MPACs	June 2012	DCoG , APAC, NT, Salga, PCOGTAs, PTs	Not commenced
	3.4.4	Develop guideline on monitoring functionality of MPACs	June 2012	DCoG , APAC, NT, Salga, PDCoGs, PTs	Not commenced
	3.4.5	Training of MPACs Joint responsibility with all listed stakeholders, and there may be some outsourcing	Ongoing (to start May 2012)	DCoG, APAC, NT, Salga, PCOGTAs, PTs	Not commenced SALGA has already commenced with an intensive training programme in this regard; a training manual / guidelines have also been

No	Issue	Activities	Frequency	Responsible	Status
					developed by SALGA
3.5	Audit Committees				
	3.5.1	Supporting establishment of Audit Committees (as their terms of appointment expire)	Ongoing	PCOGTAs, PTs, DCoG, NT	Commenced
	3.5.2	Training of Audit Committees To be outsourced	Ongoing (to start March 2012)	DCoG, NT, PDCoG, PTs	Not commenced
3.6	Internal Audit Units				
	3.6.1	Supporting establishment of Internal Audit Units (refer to Leadership) Primarily NT function			
	3.6.2	Training of Internal Audit Units in targeted municipalities. No role for DCoG	Ongoing (from April 2012)	LGSETA, Institute of Internal Auditors,	Not commenced
3.7	Audit remedial action plans	Monitor implementation of the audit remedial action plans Primarily provincial COGTAs and Treasuries	Monthly/ Quarterly	PTs, PCOGTAs, Premiers' Offices, AGSA	Commenced

Conclusions

This plan has been done to provide the Minister with an overview of the magnitude of the work at hand and to provide the Minister with the list of stakeholders that have to be mobilized to bring their expertise in terms of their responsibilities with regard to the objective of achieving an unqualified audit opinion.

There is therefore a role that is primarily COGTAs and roles that are not residing within the purview of COGTA. We have taken the opportunity to also include these activities in this plan. The idea is that the responsibilities that are not primarily COGTAs will be sent to the relevant departments and stakeholders for their consent and commitment to the plan. Once the commitment has been received the stakeholders will provide reports to COGTA through MinMEC and the implementation forum.

3rd February 2012