

Evaluation of Operation Clean Audit: Eastern Cape

Final Report

Produced by Impact Economix for the Eastern Cape Provincial Government: Office of the Premier and GIZ (South Africa)

27 April 2015



This report has been independently prepared by Impact Economix. The Evaluation Steering Committee was responsible for overseeing the Evaluation and included the following members:

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The Steering Committee met and provided comments at various stages (including meetings held on 20 January, 15th and 24th March, 15 April 2015) and approved reports associated with various milestones of this evaluation.

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Table of Contents

Acknowledgements	8
List of acronyms.....	9
Definitions of Key Terms	11
Preface	15
Format of the Report.....	16
Policy Summary	18
Executive Summary	20
 1. Introduction	 28
1.1 Background to the evaluation incl. Terms of Reference	28
1.2 Brief overview of relevant legislative context	29
1.3 Overview of the audit process	30
1.4 Evaluation questions from the Terms of Reference and methodology	33
1.5 Report structure	37
1.6 Challenges incurred during the evaluation process and limitations of the methodology	38
 2. Findings: How was OCA Implemented and What Lessons can be Learnt?	 40
2.1 Introduction	40
2.2 How was OCA EC implemented?	40
2.3 Brief overview of the Western Cape's municipal support model and approach.....	61
2.4 What lessons can be learnt from OCA implementation in the six municipal case studies?	69
2.5 Conclusions and Lessons Learnt	81
 3. How can the lessons learnt further inform the MSIF and District Support Model to ensure coordinated financial management support to municipalities?	 86
3.1 Other strategies and programmes in the sector carrying out similar functions to OCA and synchronisation / collaboration issues and differences and how are they going to be synchronized for collaboration purposes and into District Support Services?	86
3.2 Is there a [CoGTA] departmental wide strategy to sustain the improvement of audit outcomes that has been achieved through OCA and other similar programmes? ..	88
3.3 Are there any corrective measures in place to deal with the obstacles that were faced by OCA to ensure the effectiveness of District Support Service model or alternative models?	92

3.4	Is the department(s) ready to integrate OCA into District Support Services and how is this process going to be undertaken?	93
4.	Lessons, Conclusions and Recommendations	104
4.1	Introduction	104
4.2	OCA Implementation Lessons.....	104
4.3	Recommendations on lessons learnt and proposals for improving Municipal Support and District Support Centres.....	107
4.4	Conclusions and Recommendations for skills and expertise needed to strengthen successful oversight and intervention for good financial governance.	110
4.5	Way Forward and Next Steps	111
5.	References.....	113
	Annexure 1: OCA Evaluation List of Key Informant Interviews Conducted	117
	Annexure 2: Historical time-line and summary of selected OCA and OCA-relevant documents	120
	Annexure 3: CoGTA EC and PT MFMA Roles as per unsigned 2007 MOU	126
	Annexure 4: Terms of Reference for Provincial Audit Improvement Coordinating Committee	139
	Annexure 5: Selected OCA Operational Monitoring Instruments	143
	Annexure 6: OCA 2012/13 Action Plan	151
	Annexure 7: OCA Supported Municipalities by Financial Year 2010/11 – 2013/14.....	166
	Annexure 8: Selected Extracts from OCA EC Progress Reports and PAICC Minutes on OCA Challenges, Lessons, and Recommendations	168
	Annexure 9: Extract from 1 July 2014 OCA GM Memo on OCA Support to Municipalities 2014 and Beyond.....	177
	Annexure 10: Six Municipal Case Studies: Selected Status Quo and Audit Data Trends ..	182
	Annexure 11: OCA Lessons: Detailed municipal case studies data tables	191
	Annexure 12: Detailed Western Cape approach to municipal support case study	227
	Annexure 13: Other strategies, programmes, initiatives carrying out similar or related functions to OCA incl. Presidency Municipal Assessment Tool: KPA 4 Financial Management extract	241
	Annexure 14: Extracts from CoGTA EC 2012 Document on Single Window of Coordination	259
	Annexure 15: OCA Evaluation Report Comments and Responses Tables.....	263
	Annexure 16: Evaluation Report Validation Workshop Agenda and Guidelines.....	271
	Annexure 17: Evaluation Improvement Plan draft Workshop Agenda and guide	273

Annexure 18: Improvement Plan Format Template	277
Annexure 19: OCA Evaluation Steering Committee Comments on draft OCA Evaluation Report and Service Provider Responses.....	279

List of Figures

Figure 1: Audit Result Trends of 6 OCA Evaluation Municipal Case Studies: 2008/09 – 2013/14.....	36
Figure 2 Western Cape Municipal Governance and Review & Outlook Support Model	63
Figure 3 Key Western Cape Municipal Support Annual Milestones and Time-frames	64
Figure 4 Eastern Cape Province Overall Audit Outcome Trends: 2003/04 - 2013/14	70
Figure 5: Operation Clean Audit: Comparison on 2012/13 - 2013/14 Audit Outcome Trend: OCA Supported vs Non-OCA Supported Municipalities	70
Figure 6: Overall 2013/14 Eastern Cape Audit Outcomes: Findings on non-compliance	72
Figure 7 Minimum Municipal Expenditure Amongst 6 Municipal Case Studies on Financial Management Consultants 2009/12 - 2013/14.....	77
Figure 7 High level Eastern Cape CoGTA EC District Service Model.....	100
Figure 8 Eastern Cape Province Overall Audit Outcome Trends: 2003/04 - 2013/14	191
Figure 9: Operation Clean Audit: Comparison on 2012/13 - 2013/14 Audit Outcome Trend: OCA Supported vs Non-OCA Supported Municipalities	191
Figure 10: OCA Supported Municipalities Audit Outcome Trends: 2009/10 - 2013/14.....	192
Figure 11: Eastern Cape Province: Summary of 2013/14 Municipal Audit Outcomes.....	193
Figure 12: Eastern Cape Province Overall Municipal Audit Outcomes Comparison: 2009/10 against 2013/14	194
Figure 13: Eastern Cape Province: Overall Comparison of 2012/13 and 2013/14 Municipal Audit Outcome Changes	195
Figure 14: Operation Clean Audit: Municipal Audit Outcome Comparison: 2012/13 OCA supported municipalities against 2013/14 Audit Outcomes.	196
Figure 15: Operation Clean Audit: Municipal Audit Outcome Comparison: 2010/11 OCA Supported Municipalities against 2012/13 Audit Outcomes	196
Figure 16: Overall 2013/14 Eastern Cape Audit Outcomes: Findings on non-compliance .	198
Figure 17: Operation Clean Audit: 2013/14 Eastern Cape Province Municipal Audit Outcomes: Areas Qualified	199
Figure 18: Operation Clean Audit: Eastern Cape Audit Findings: Findings on predetermined objectives.....	199
Figure 19: Operation Clean Audit: Comparison of Municipal Audit Outcomes for 2012/13 and 2013/14: 6 Case Study Municipalities	200
Figure 20: Operation Clean Audit: 2013/14 Areas Qualified: 6 Case Study Municipalities .	201
Figure 21 Western Cape Municipal Governance and Review & Outlook Support Model ...	228
Figure 22 Key Western Cape Municipal Support Annual Milestones and Time-frames	233
Figure 23 Western Cape Municipal Audit Transversal Challenges: 2013	234
Figure 24 Municipal Support Provided by Western Cape Provincial Treasury: 2013	234
Figure 25 Western Cape Department of Local Government Organogram	238

List of Tables

Table 1: Steering Committee members	1
Table 2 OCA Evaluation questions in logical sequence.....	33
Table 3 Allocation of OCA specialists to 24 municipalities in 2011	45
Table 4 29 Municipalities that were supported by OCA during the 2013/14 financial year ...	46
Table 5 Template for monitoring OCA support weekly at municipal level: 2010/11.....	47
Table 6 Key OCA and OCA-related mile-stones.....	49
Table 7 OCA Eastern cape summary budget: 2012/13 - 2014-2015	51
Table 8: Number of OCA Supported Municipalities per Year from 2009/10 to 2014/15	51
Table 9 Allocation of OCA specialists to 24 municipalities in 2011	52
Table 10 29 Municipalities that were supported by OCA during the 2013/14 financial year .	53
Table 11: OCA official Temporarily/Permanently Seconded to Municipalities	54
Table 12 OCA Eastern Cape: detailed budget 2012/13 - 2014/15.....	55
Table 13: Audit Outcome Trend for 6 Case Study Municipalities	71
Table 14 Six Municipal case studies: Trends in unauthorised and fruitless and wasteful expenditure: 2009/10 - 2013/14	74
Table 15 Expenditure on consultants for financial management per support per six Municipalities: 2009/10 - 2013/14.....	77
Table 16 Lessons for Eastern Cape Provincial municipal support for OCA evaluation	83
Table 17 Current District Support Office Operations	95
Table 18 District Support Centre Implementation Plan	96
Table 19 Lessons for OCA EC Implementation	104
Table 20 Chris Hani District Municipality: Capacity Profile	182
Table 21 Alfred Nzo District Municipality: Capacity Profile	182
Table 22 Emalahleni Municipality: Capacity Profile	183
Table 23 Intsikayethu Municipality: Capacity Profile	184
Table 24 Nxuba Municipality: Capacity Profile	185
Table 25 Greater Kei Municipality: Capacity Profile.....	186
Table 26: Audit Outcome Trend for 6 Case Study Municipalities.....	200
Table 27 Six Municipal case studies; 2012/13 - 2013/14 Audit findings on Performance objectives and compliance with legislation	202
Table 28 Six Municipal case studies: 2013/14 Audit findings on pre-determined objectives	202
Table 29 Six Municipal Case Studies: HR Compliance issues detected by the AGSA- EC 2010/11 - 2013/14.....	203
Table 30 Six Municipal case studies: 2013/14 AG Findings on non-compliance.....	204
Table 31 Six Municipal case studies: 2013/14 AG findings regarding accuracy and disclosure of information	205
Table 32 Six Municipal case studies: 2013/14 AG findings regarding financial management indicators	205
Table 33 Six Municipal case studies: Trends in unauthorised and fruitless and wasteful expenditure: 2009/10 - 2013/14	206
Table 34 Six Municipal Case Studies: Main reasons for audit opinions 2009/10 - 2013/14	206
Table 35 OCA approach and process: Lessons	208
Table 36 OCA and Municipal ownership: lessons	209

Table 37 Effectiveness of OCA support provided to six municipal case studies: lessons ..	210
Table 38 OCA support: intensity of support: lessons	212
Table 39 Level of Municipal satisfaction with OCA support	213
Table 40 Other financial management support provided to six municipal case studies.....	215
Table 41 OCA support and coordination: lessons	218
Table 42 Selected OCA support provided to six municipal case studies	220
Table 43 Municipal perceptions on adequacy of OCA skills provided	OCA Skills provided 222
Table 44 Types of financial management governance challenges still being experienced as well as types of support still needed per municipal case study	222
Table 45 OCA and implementation of OCA support: lessons	223
Table 46 OCA support and building municipal financial management capacity: lessons ...	225
Table 47 Municipal stakeholder recommendations for strengthening OCA support.....	226
Table 48 NT FMCMM Process	247
Table 49 PT Ten priority municipalities to receive support	251
Table 50 Draft Evaluation Report Steering Committee Comments template	264
Table 51: Recommendations validation table	264
Table 52 Evaluation Report Management Response Template.....	269

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List of acronyms

AFS	annual financial statements
AGSA	Auditor General of South Africa
APP	Annual Performance Plan
B2B	Back to Basics (COGTA National)
BMZ	German Ministry for Economic Cooperation and Development.
BTO	Budget Treasury Office
CEO	chief executive officer
CFO	chief financial officer
CoGTA	Department of Cooperative Governance and Traditional Affairs
CoGTA-EC	Eastern Cape Department of Cooperative Governance and Traditional Affairs
DLG	Department of Local Government (WCG)
DM	district municipality
DPW	Department of Public Works (Eastern Cape)
DPME	Department of Performance Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DSC	District Support Centre (Eastern Cape)
FMCDs	Financial Management Capacity Development Strategy (National Treasury)
FMCM	Financial Management Capability Maturity Model (National Treasury)
FMPPI	framework for managing programme performance information
FNB	First National Bank
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GRAP	Generally Recognised Accounting Practice
GSP	Governance Support Programme
HOD	Head of Department
HR	human resources
ICT	information and communication technology
IDP	integrated development plan
IGR	intergovernmental relations
IT	information technology
LGTAS	local government turnaround strategy (COGTA 2009)
LM	local municipality
MASP	Municipal Audit Support Programme (SALGA)
MAICC	Municipal Audit Improvement Audit Committee
MFMA	Municipal Financial Management Act (2003)
MGAP	Municipal Governance Action Plan (Western Cape)
MGR&O	Municipal Governance Review and Overview (Western Cape)
MIG	municipal infrastructure grant
MIS	management information system

MM	Municipal Manager
MPAC	municipal public accounts committee
MPAT	management performance assessment tool
MSIG	municipal systems improvement grant
MTEF	Medium Term Expenditure Framework
NT	National Treasury
OCA: EC	Operation Clean Audit: Eastern Cape
OTP	Office of the Premier
PAC	public accounts committee
PAICC	Provincial Audit Improvement Coordinating Committee
PCO	Programme Coordinating Office (OCA)
PDO	predetermined objective
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
PMS	performance management system
PoA	Programme of Action
PT	Provincial Treasury
SALGA	South African Local Government Association
SCM	supply chain management
SCOA	standard chart of accounts
SDBIP	service delivery and budget implementation plan
SG	Superintendent General (CoGTA EC)
ToR	Terms of Reference
UIF	Unauthorised and/or irregular expenditure
WCG	Western Cape Government

Definitions of Key Terms

Term	Definition
Accountability	A social relationship where an actor (an individual or an agency) feels an obligation to explain and justify his or her conduct to some significant other (the accountability forum, accountee, specific person or agency) (Gutto, 2007). Obligation to demonstrate that work has been conducted in compliance with agreed rules, standards, and targets set and report accurately on work done (DPME, 2013).
Adverse audit opinion (on financial statements)	The financial statements contain misstatements (see 'misstatement') that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements. (AGSA. July 2014)
Asset (in financial statements)	Any item belonging to the auditee, including property, infrastructure, equipment, cash as well as debt due to the auditee. (AGSA. July 2014)
Baselines	A description of the status quo, usually statistically stated, that provides a point of comparison for future performance.
Clean audit (on financial statements)	The financial statements receive a financially unqualified audit opinion and there are no material findings on the quality of the annual performance report or non-compliance with legislation. (AGSA. July 2014)
Coordination	A process in which two or more parties take one another into account for the purpose of bringing together their decisions and/or activities into harmonious or reciprocal relation' (Kernaghan and Siegel, 1987, p. 263). 'the development of ideas about joint and holistic working, joint information systems, dialogue between agencies, process of planning and making decisions' Perri (2004:106). The all-important duty of interrelating the various parts of the work (Gunlick, 1937). 'The instruments and mechanisms that aim to enhance the voluntary or forced alignment of tasks and efforts within the public sector. These mechanisms are used in order to create a greater coherence and to reduce redundancy, lacunae and contradictions within policies, implementation or management' (Bouckaert et al. 2010). The sharing of information, resources and responsibilities to achieve a particular outcome (New Zealand State Services Commission. 2008. Factors for Successful Coordination).
Culture	The ideas, customs, and social behaviour of a particular people or society (Oxford Dictionary). An integrated system of learned behaviour patterns which are characteristic of the members of a society and which are not a result of biological inheritance (Hoebel 1966).
Departmental-ism	Hood (2005: 22-23) refers to Departmentalism - the tunnel vision, mutual export of problems and preoccupation with defending institutional turf in what has been termed 'vertical silos'.
Delivery Agreement	A negotiated agreement between key partners who will work together to deliver on an outcome. The lead coordinating department will provide the leadership and will be assisted by all key role players (Presidency, 2010).
Disclaimer of opinion (on financial statements)	The auditee provided insufficient evidence in the form of documentation on which we could base an audit opinion. The lack of sufficient evidence is not confined to specific amounts, or represents a substantial portion of the information contained in the financial statements. (AGSA. July 2014)
Effectiveness	The extent to which objectives are achieved or expected to be achieved, against predetermined and stated objectives.

Evidence	Signs or indications of something (www.oxforddictionaries.com):
Financial and performance management (as one of the drivers of internal control)	The performance of internal control and monitoring-related tasks by management and other employees to achieve the financial management, reporting and service delivery objectives of the auditee. These controls include the basic daily and monthly controls for processing and reconciling transactions, preparing regular and credible financial and performance reports as well as reviewing and monitoring compliance with legislation. (AGSA. July 2014)
Financial Management	"Financial management is the system by which the resources of an organization's business are planned, directed, monitored and controlled to enable the organization's goals to be achieved." (National Treasury. Financial Management Capability Maturity Model. 2014).
Financially unqualified audit opinion (on financial statements)	The financial statements contain no material misstatements (see 'material misstatement'). Unless we express a clean audit opinion, findings have been raised on either the annual performance report or non-compliance with legislation, or both these aspects. (AGSA. July 2014)
Fruitless and wasteful expenditure	Expenditure that was made in vain and could have been avoided had reasonable care been taken. This includes penalties and interest on the late payment of creditors or statutory obligations as well as payments made for services not utilised or goods not received. (AGSA. July 2014)
Impact	The medium to long-term results of achieving specific outcomes.
Indicators	Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of an organisation.(DPME, 2013)
Input	The financial, human, and material resources used for the delivery of outputs. (DPME, 2013).
Integrated Service Delivery	The process of bringing, and fitting, together government services in order to provide seamless services to citizens (Kernaghan, 2005).
Internal control/key controls	<p>The process designed and implemented by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of the auditee's objectives with regard to the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with applicable legislation.</p> <p>It consists of all the policies and procedures implemented by auditee management to assist in achieving the orderly and efficient conduct of business, including adhering to policies, safeguarding assets, preventing and detecting fraud and error, ensuring the accuracy and completeness of accounting records, and timeously preparing reliable financial and service delivery information. (AGSA. July 2014)</p>
Irregular expenditure	Expenditure incurred without complying with applicable legislation. (AGSA. July 2014)
Joint programme	<p>A national development priority, the planning and implementation of which requires the involvement of various organs of state either within a particular sphere of government, or in different spheres of government.</p> <p>a) Programmes that require a cross-departmental involvement in the planning, budgeting and delivery of services.</p> <p>b) A number of departments are often responsible for a specific aspect of the programme, but none is responsible for it in its entirety.</p> <p>c) Programmes that require integration rather than mere co-ordination. (DPSA. 2006).</p>
Law	A law sets out standards, procedures and principles which must be followed.
Leadership (as one	The administrative leaders of an auditee, such as municipal managers and senior

of the drivers of internal control)	management. It can also refer to the political leadership (including the mayor and the council) or the leadership in the province (such as the premier). (AGSA. July 2014)
Leadership	A process whereby an individual influences a group of individuals to achieve a common goal (Northouse, 2007). Organising a group of people to achieve a common goal (Wikipedia),
Material finding (from the audit) (SCM, HR management, IT controls)	An audit finding on the quality of the annual performance report or non-compliance with legislation that is significant enough in terms of either its amount or its nature, or both these aspects, to be reported in the audit report. (AGSA. July 2014)
Material misstatement (in financial statements or annual performance reports)	An error or omission that is significant enough to influence the opinions or decisions of users of the reported information. Materiality is considered in terms of either its rand value or the nature and cause of the misstatement, or both these aspects. (AGSA. July 2014)
Negotiation	Discussion aimed at reaching an agreement. Negotiating is the process of getting the best terms once the other side starts to act on their interest (McCormack, 1997). Negotiation is a field of knowledge and endeavour that focuses on gaining the favour of people from whom we want things (Herb Cohen, 1982).
Organisational culture	A basic definition of organisational culture is necessary to provide a point of departure in the quest for an understanding of the phenomenon. Martins and Martins (2003, p 380) state the general definition of organisational culture as “a system of shared meaning held by members, distinguishing the organisation from other organisations”. In relation to the above definition, Arnold (2005, p 625) indicates that “organisational culture is the distinctive norms, beliefs, principles and ways of behaving that combine to give each organisation its distinct character”. These two definitions suggest that organisational culture distinguishes one organisation from another organisation. Therefore, organisational culture is to an organisation what personality is to an individual (Johnson, 1990).
Oversight structures as well as coordinating and monitoring departments	Oversight structures consist of the provincial legislatures, the portfolio committees on local government and the National Council of Provinces. Coordinating or monitoring departments include the Department of Performance Monitoring and Evaluation, the National Treasury and provincial treasuries, the national and provincial departments of cooperative governance as well as the offices of the premier. (AGSA. July 2014)
Oversight	“In the South African context, oversight is a constitutionally mandated function of legislative organ s of state to scrutinise and oversee executive action and any organ of state. It follows that oversight entails the informal; and formal, watchful, strategic, and structured scrutiny exercised by legislatures in respect of the implementation of laws, the application of the budget, and the strict observance of statutes and the Constitution. In addition and most importantly, it involves overseeing the effective management of government departments by individual members of Cabinet in pursuit of improved service delivery for the achievement of a better quality of life for all citizens” (Parliament of the Republic of South Africa: Undated).
Performance	A pre-determined signal that a specific point in a process has been reached or result

indicators	achieved. The nature of the signal will depend on what is being tracked and needs to be very carefully chosen. In management terms, an indicator is a variable that is used to assess the achievement of results in relation to the stated goals/objectives. (DPME, 2013).
Performance measurement	A system for assessing performance against stated goals and objectives (DPME, 2013).
Performance Targets	Quantifications of desired goals. They describe what specific inputs and activities should achieve over a specified time period. They are specific quantitative or qualitative goals against which actual outputs or outcomes will be compared. (DPME, 2013).
Performance standards	The minimum acceptable or expected level of performance (DPME, 2013)
Policy	A policy outlines what a ministry hopes to achieve and the methods and principles it will use to achieve them. It states the goals of the ministry. A policy document is not a law but it will often identify a need for new laws in order to be able to achieve its goals.
Policies, strategies, programmes and projects	Statements of what government seeks to achieve through its work and why. Strategies are sequentially structured descriptions of how these policies will be enacted. Programmes (outside of the budgeting context) are high-level, big-picture plans showing how strategies will be implemented. Projects are specific conceptually-linked sets of activities intended to achieve particular results that will lead to the achievement of programme goals.
Programme Management	The co-ordinated organisation, direction and implementation of a portfolio of projects and activities that together achieve outcomes and realise benefits that are of strategic importance.
Qualified audit opinion (on financial statements)	The financial statements contain material misstatements in specific amounts, or there is insufficient evidence for us to conclude that specific amounts included in the financial statements are not materially misstated. (AGSA. July 2014)
Silo Mentality	Page (2005:141) gives a lengthy exposition of silo mentality-It refers to a position where policy problems are defined, processed and handled on the basis of the intellectual and physical resources of the particular organisation that is handling it (see also Mulgan, 2005).
Supply chain management (SCM)	Procuring goods and services through a tender or quotation process and monitoring the quality and timeliness of the goods and services provided. (AGSA. July 2014)
Result-based management	This approach to management is based on four pillars: <ul style="list-style-type: none"> • definition of strategic goals which provide a focus for action; • specification of expected results which contribute to the achievement of these goals; and the alignment of programmes, processes and resources in support of these expected results; • on-going monitoring and assessment of performance, integrating lessons learnt into future planning; and • improved accountability for results (whether programmes made a difference in the lives of ordinary South Africans)
Unauthorised expenditure	Expenditure that was in excess of the amount budgeted or allocated by government to the auditee, or that was not incurred in accordance with the purpose for which it was intended. (AGSA. July 2014)

Preface

Improving municipal audit outcomes is a key component of improving municipal service delivery and developmental local government outcomes such as job creation and poverty reduction. Provincial government has a critical role to play in supporting municipalities to comply with legislation as well as to enhance their administrative and service delivery capacity and effectiveness.

Operation Clean Audit played an important role in this process. However, certain challenges were experienced and it is critical that all relevant stakeholders learn from these challenges and identify lessons to inform improving Provincial support which can effectively assist municipalities to carry out their mandates in a transparent and accountable manner.

It is hoped that this evaluation will be part of a broader multi-stakeholder learning process which can contribute towards the achievement of improved municipal audit results in the years to come through more effective Provincial support to municipalities.

SIGNATORY TO BE DECIDED BY OTP

Format of the Report

This evaluation report is divided four main sections as follows:

1. Policy Summary of the Evaluation.
2. Executive summary.
3. Main Evaluation Report.
4. Annexures.

The policy summary of the evaluation describes the evaluation's main policy recommendations for senior decision-makers.

The executive summary provides a snapshot of the whole evaluation. This includes the aim of the evaluation, the key findings, and the main conclusions and recommendations.

The main report provides a detailed evaluation and is structured as follows:

1. Introduction including evaluation questions, design, and methodology.
 - 1.1 Brief background to the evaluation;
 - 1.2 Brief Overview of the relevant legislative context;
 - 1.3 Brief overview of the auditing process;
 - 1.4 Evaluation questions and methodology;
 - 1.5 Report structure; and
 - 1.6 Challenges incurred during the evaluation and limitations of the evaluation methodology.
2. Findings: How was OCA implemented in the Eastern Cape?
 - 2.1 What was the OCA approach and model and what methodology was used to deploy [OCA] resources?
 - 2.2 OCA Resources: How much was allocated for the project [OCA] and how was [OCA] funding utilized?
 - 2.3 What municipal audit and OCA implementation lessons are contained in the OCA documents? and
 - 2.4 Did the [OCA] project have mechanisms for transfer/transition from disclaimer to qualified opinion?
3. OCA lessons from Six Municipal Case Studies.
 - 3.1 Municipal audit results achieved;
 - 3.2 OCA approach and process and municipal ownership;
 - 3.3 OCA coordination including monitoring and reporting;
 - 3.4 OCA services and skills; and
 - 3.5 Municipal implementation of OCA support
4. How can the lessons learnt further inform the MSIF and District Support Model to ensure coordinated financial management support to municipalities?

- 4.1 Brief overview of the Western Cape municipal support model and approach.
 - 4.2 Which other strategies in the sector are addressing the same thematic areas as that of the OCA, incl. PT programmes, and what is the extent of similarities and differences and how are they going to be synchronized for collaboration purposes and into District Support Services?
 - 4.4 Is there a departmental wide strategy to sustain the improvement of audit outcomes that has been achieved through OCA and other similar programmes?
 - 4.5 Are there any corrective measures in place to deal with the obstacles that were faced by OCA to ensure the effectiveness of District Support Service model or alternative models?
 - 4.6 Is the department(s) ready to integrate OCA into District Support Services and how is this process going to be undertaken?
5. Conclusions and Recommendations:
- (a) How lessons learnt can further inform the Municipal Support Intervention Framework or other modalities of support incl. the Eastern Cape District Support Services Model (through the Municipal Support Intervention Framework (MSIF))
 - (b) Recommendations for skills and expertise to strengthen successful oversight and intervention for good financial governance.
6. Annexures.
- .

Policy Summary

This evaluation has been commissioned by the Eastern Cape Provincial Government: Office of the Premier with funding support from the GIZ: South Africa, as part of the Governance Support Programme. The overall purpose of this evaluation, as specified in the Terms of Reference (TOR), is to ensure that lessons from past Eastern Cape Operation Clean Audit (OCA) implementation inform improvements to Provincial support to municipalities.

Evaluation Design and Methodology: This evaluation follows a mixed-methods approach which includes six municipal case studies, interviews with 50 key informant interviews, and analysis of documents including AGSA audit reports and other documents on OCA or related initiatives.

Main findings and conclusions: A total of about R129 million was spent on OCA EC between 2010/11 – 2013/14 with about R25 million of this going towards travel and accommodation (of specialists at municipalities) costs. OCA worked with between 15-25 municipalities per year over this period. The audit outcomes for municipalities in the provinces have generally improved although not as rapidly as planned and hoped as a result of support coordination challenges, municipal capacity challenges, municipal commitment to OCA support, and political interference. In 2009/10 there were 22 municipalities with either disclaimers (19) or adverse findings (3). In 2013/14 this had improved by ten municipalities to thirteen municipalities (1 with adverse and 12 with disclaimers). Regression in some municipal audit findings have also been experienced - an indication that the benefits of municipal support have not always been sustainable due to municipal capacity, and/or leadership challenges, and/or ineffective support.

Lessons learned: A number of changes are required in the way Provincial government (PT and CoGTA) provide financial management and governance support to municipalities in order to improve effectiveness and impact.

Recommendations for improving Municipal Support including effective District Support Centres include the need to improve Provincial government's municipal monitoring system (including a more effective role for inter-governmental structures) and the need for OTP, PT and CoGTA EC to agree on a joint approach to supporting municipalities, including clear and specific municipal financial and governance support roles for each Department, and to put in place joint planning, management and monitoring processes and structures. Only once clarity and agreement has been achieved on these issues should PT and CoGTA municipal support staffing and budget issues begin to be addressed, including the allocation of staff to District Support Offices. Strategy and approach should inform structure.

Recommendations for skills and expertise needed to strengthen successful oversight and intervention for good financial governance: In addition to improving the functioning of inter-governmental structures at the Provincial and District level, steps need to be taken to improve the effectiveness of MPACs as well as for OTP to conduct an independent evaluation of the effectiveness of the Provincial municipal fraud reporting and investigation system.

Evaluation of Operation Clean Audit: Eastern Cape: 27 April 2015

Prepared by Impact Economix (www.impacteconomix.com) for the Eastern Cape Province: Office of the Premier.

An improvement plan to implement this evaluations recommendations needs to be developed by OTP, PT and CoGTA EC and submitted to Cabinet for approval.

Executive Summary

Introduction:

This evaluation has been commissioned by the Eastern Cape Provincial Government: Office of the Premier with funding support from the GIZ: South Africa, as part of the Governance Support Programme. Impact Economix was appointed on 8th January 2015 to undertake the evaluation.

The overall purpose of this evaluation, as specified in the Terms of Reference (TOR), is to ensure that lessons from past Eastern Cape Operation Clean Audit (OCA) implementation (what worked well and what did not work well in terms of supporting different categories of municipalities to sustainably improve audit outcomes) inform improvements to Provincial support to municipalities, including the design of an effective District Support Service Model.

Evaluation Design and Methodology:

This evaluation follows a mixed-methods approach which includes six municipal case studies, interviews with key informant interviews, and analysis of documents including AGSA audit reports and other documents on OCA or related initiatives.

The following six municipal case studies were identified (these received different levels of OCA support and have different levels of capacity) to gather detailed evidence on what worked well and what did not work well with the OCA model/ approach/ and support services.

- a) Two District Municipalities: Chris Hani and Alfred Nzo (these received intensive OCA support in 2013);
- b) Two Local Municipalities: Emalahleni and Instiska Yethu; and
- c) Two Plenary (low capacity) Municipalities: Nxuba and Great Kei.

A total of fifty (50) key informant interviews were conducted. These key informants were distributed as follows: Thirty-three (33) municipal officials (Mayors, MMs, CFOs, chairpersons of audit committees and MPACs, internal audit units, Directors Corporate Services), nine (9) OCA support officials, five (5) Eastern Cape Provincial Government officials, one National Treasury official, one SALGA official and one GIZ official (and previous OCA specialist).

This data was analysed and triangulated to ensure that wherever possible data from more than one source was used to inform the findings and conclusions for each evaluation question. This strengthens the validity of the evaluation as well as the confidence in the findings, conclusions and recommendations.

Main findings and conclusions:

A total of about R129 million was spent on OCA EC between 2010/11 – 2013/14 with about R25 million going towards travel and accommodation (of specialists at municipalities) costs. OCA worked with between 15-25 municipalities per year over this period with support varying in intensity from periodic one week visits to municipalities, to more intensive three

month visits, to the secondment of OCA officials to service in acting positions as MMs or CFOs at municipalities while municipalities sought to fill these positions with permanent candidates.

Municipal Audit results achieved: The audit outcomes for municipalities in the provinces have generally improved between 2003/2004 and 2013/2014. In 2009/10 there were 22 municipalities with either disclaimers (19) or adverse findings (3). In 2013/14 this had improved by ten municipalities to thirteen municipalities (1 with adverse and 12 with disclaimers). 23 municipalities out of 45 improved their audit outcomes when comparing the 2009/10 and the 2013/14 financial years. A slightly higher proportion (34%) of OCA supported municipalities improved their Audit Outcomes compared to Non-OCA supported municipalities (19%) between 2012/13 – 2013/14. 3 of the 18 municipalities supported by OCA in 2012/13 regressed in their audit outcomes whilst 6 improved for the 2013/14 audit. 4 of the 24 municipalities supported by OCA in 2010/11 financial year regressed in their audit outcomes whilst 5 improved. This regression in audit findings is an indication that the benefits of municipal support have not always been sustainable due to municipal capacity and/or leadership challenges.

Some of the main concerns with repeated negative municipal audit findings relate to procurement management, unauthorised, irregular and fruitless and wasteful expenditure, and material miss-statements (found in 22 or almost 50% of municipalities in the 2013/14 audit). The amounts of unauthorised, irregular, and fruitless and wasteful expenditure are often fairly large (in proportion to the overall municipal budgets) with at least R500 million in unauthorised and fruitless and wasteful expenditure (both identified and not identified by management) being identified for the six municipal case studies for the 2009/10 and 2013/14 financial years. The trend data shows that there has not always been a favourable downward trend between 2009/10 and 2013/14 which is a negative reflection on indicators which should have shown improvement over time if audit action plans had been effectively implemented and if political interference in SCM had been avoided.

The findings on predetermined objectives in 2013/14 show that the main repeated finding was “reported information not useful” in 33 municipalities, followed by information not reliable” in 26 municipalities. Regarding compliance with HR legislation in 2013/14, the AG identified various issues in each of the municipalities and these show a range of serious HR challenges which are likely to pose challenges with respect to improving audit outcomes.

There has been a large increase in spending on consultants for financial management assistance in the last two financial years (2012/13 – 2013/14) with over R60 million being spent in the six municipal case studies since 2009/10. This is an indication that either government support initiatives are under-resourced and cannot provide the level or intensity of service needed, or that they are not able to provide all the required support services and/or skills.

While there have been some improvement in audit results, it is likely that this improvement has not been as rapid and wide-spread as it could have been due to a number of complex and inter-related challenges which include:

- (a) Poor coordination of support across interventions as well as weaknesses in the operation of inter-governmental coordinating structures;
- (b) Challenges with OCA management and reporting and internal coordination with other support Directorates within CoGTA, as well as the lack of escalating strategic issues impacting on OCA's effectiveness to HoD and MEC level;
- (c) Challenges with buy-in and commitment to OCA support was found in some municipalities and this resulted in poor implementation and sustainability of OCA support that had been provided;
- (d) Political interference in administrative processes contributed to the growing volume of irregular expenditure;
- (e) Instability and lack of continuity at both a political and administrative level impacting on changes in senior municipal management and a lack of sustained momentum in implementing audit action plans; and
- (f) Lack of sufficient financial management staff capacity to absorb OCA, and other, support at some municipalities which resulted in the benefits of such support not being sustainable and the regression in, and/or continually repeated negative, audit findings.

One of the core issues regarding financial governance is that the municipality's governance institutions need to operate effectively, namely the Section 79 Committees, Council, audit committee, risk committee and MPAC. It is clear that MPACs are generally not able to function effectively due to lack of leadership agreement on their roles (due to a legislative vacuum) as well as lack of administrative and research resources to support their effective functioning.

In addition there need to be effective fraud reporting, investigation and disciplinary processes. Key informants indicated that the processes to filter fraud reports and complaints submitted to the national fraud hot line (0800701701), which are then forwarded to the Provincial Office of the Premier for further action is not effective.

Each of the six municipalities have reported still requiring financial management and governance support in a range of different areas which include (but is not limited to) strengthening MPACs, strengthening SCM internal controls, resolving assets issues, improving financial reporting, strengthening the performance management system (e.g. cascading performance agreements), and assistance with debt collection and revenue generation strategies (including improving indigent registrations). It is going to be important for PT and CoGTA to engage and coordinate which department is responsible for providing what kinds of support.

Lessons learned:

Theme	Lessons for Eastern Cape Provincial municipal support
OCA approach and process and municipal ownership	1. Improving municipal audit outcomes requires sound management, administrative and governance capacity, skills, processes and systems to be in place. Therefore, a holistic, comprehensive and coordinated support approach and response is needed from both national and

	<p>provincial Treasuries and CoGTA Departments.</p> <ol style="list-style-type: none"> 2. The past OCA approach did not generally promote municipal ownership, was not cost efficient, often resulted in unsustainable support being provided, and was poorly coordinated. 3. The proposed new OCA approach from a CoGTA push to a “municipal demand” approach holds promise. However, to maximise the effectiveness of Provincial municipal support the following elements need to be in place: <ol style="list-style-type: none"> a. The municipal leadership should ideally be open to receiving support or want support. b. Municipal managers need to be involved in a process to identify their support needs and priorities. c. National and Provincial departments, as well as other support partners such as SALGA and the private sector etc, then need to define their support roles and actions. d. Ideally these actions need to be captured in the form of a document (which can be called a Municipal Support Action Plan or MSAP in the mean time) which is then submitted to and approved by municipal leadership (Council). e. Provincial government needs to provide a combination of transversal as well as special project support to municipalities from head office, as well as coordinate and administer the effective functioning of certain inter-governmental monitoring structures, as well as District level hands-on technical support by qualified specialists, f. The Municipal Managers and Mayors then need to take responsibility for monitoring the implementation of the MSAPs and reporting progress. Municipal performance management systems also need to be further developed and effectively implemented and managed, including following disciplinary processes where appropriate. g. Municipal oversight structures (e.g. audit and risk committees and MPACs) need to be effectively resourced and supported in order to operate effectively. h. Challenges with the implementation of MSAPs need to be escalated to the appropriate level and PT and CoGTA EC need to have effective processes in place to address these challenges. 4. It is important that the FMCMM model self-assessment results is used to inform the development of coordinated Municipal Support Action Plans. 5. Each municipality needs to have a certain minimum financial management staffing capacity (filled posts) in relevant financial management support areas before hands-on or training support is provided to that municipality in a specific aspect of financial management. 6. It is vital that Provincial government adopt a partnership, as opposed to a big brother, approach to supporting municipalities and that all processes are carefully designed to achieve municipal ownership of any support which is provided. 7. Municipal support plans (called Municipal Governance Action Plans in
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	<p>the Western Cape) need to be developed for the lower capacity, vulnerable municipalities through joint interaction between the municipality and PT and CoGTA EC.</p> <p>8. Management of municipal support requires pro-active managers with carefully developed performance agreements which include KPIs for resolving transversal constraints impacting on improved municipal audit outcomes (e.g. effective MPACs, effective ICT and document management systems, appointment of competent MMs and CFOs which meet minimum competencies etc.).</p>
OCA coordination including monitoring and reporting	<p>1. All role-players involved in providing support to municipalities need to participate in both Provincial and District-level inter-governmental structures of various kinds whereby organisation and municipal- specific support plans are presented and shared to allow for the identification of duplication, synergies and coordination opportunities.</p> <p>2. It is ideal that PT should be the primary driver of municipal financial management support as part of their mandate in the MFMA and that CoGTA EC provide a range of governance and service delivery support.</p>
OCA services and skills	<p>1. Provincial support skills which are needed included skills in GRAP. In addition, good experience with and knowledge of municipal legislation and governance issues is required on the part of Provincial support officials. It is probably appropriate that PT focus on providing support officials with GRAP skills and that PT take responsibility for driving municipal financial management support in terms of its mandate under the MFMA.</p>
Municipal implementation of OCA support	<p>1. It is important for CoGTA EC to prepare a carefully designed and coordinated (with organisations such as SALGA and PT) programme of municipal Councillor support ahead of the next municipal elections (to be held mid 2016) so that this can be implemented as soon as practically possible after the municipal elections.</p> <p>2. To minimise disruptions (and, in some cases, a regression or deterioration) in municipal service delivery and administrative reform aimed at improving audit outcomes, it is important for Provincial government to have a clear approach and set of pre-designed processes to support municipalities to ensure that Section 56 and Section 57 appointments are filled as soon as possible by individuals who at least comply with the regulations outlining minimum competency requirements and that steps are taken to ensure that these positions are filled by permanently appointed individuals as soon as possible after the elections (if such positions need to be filled).</p>

Recommendations for improving Municipal Support including effective District Support Centres:

- R1 In the short term it may be necessary to agree on an immediate support plan per municipality outlining what support PT and CoGTA will provide to each municipality in the Province for the 2015/16 financial year.

- R2 Coordinated municipal support begins with coordinated planning between both Provincial departments as well as between spheres and other relevant support organisations. Steps to improve the coordination of support need to be identified, agreed, and actioned by both OTP, CoGTA EC, and PT EC, and include (but is not limited to) OTP playing a leadership role in ensuring inter-governmental structures effectively support coordinated municipal support, establishment of a joint PT/ CoGTA EC Municipal Support Committee, PT EC and CoGTA EC implementing a coordinated approach to developing their 2016/17 APPs, and all role-players agreeing to use the FMCMM assessment tool to develop coordinated Municipal Support Action Plans which municipalities submit to Council for approval and which are included in municipal IDPs.
- R3 PT EC and CoGTA EC HODs to instruct senior management from PT and CoGTA need to meet between monthly and quarterly to oversee the change process of support approach and role clarification and agreement.
- R4 The development of an Eastern Cape District support model for municipal finance and governance support needs to be undertaken jointly by both CoGTA EC and PT EC. However, the details of what support will be provided under this district model should only be developed and finalised once the following has been clarified and agreed:
- How the entire Eastern Cape Province intends to institutionalise a collaborative, integrated, and symbiotic municipal support model;
 - An overarching municipal support roles approach, model and process between PT and CoGTA has been agreed, including streamlining municipal assessments and monitoring and reporting processes. CoGTA EC and PT EC Departmental structures may need to be revised to reflect a coordinated division of support roles between departments. Processes to transfer existing human resources between departments may then need to be agreed to reflect these revised departmental roles and structures. The PT and CoGTA support approach should include various options for providing support in addition to District Support Centres, such as dedicated and specialised municipal help lines for specific issues such as elections support, legal support, SCM support, accounting support etc. (with detailed design and implementation of support to build on lessons identified from the Western Cape).
- R5 Clarification and agreement is then needed on specific municipal support roles between PT and CoGTA EC as well as between the various Directorates within CoGTA EC as well as District Municipalities. Structures and processes need to be put in place whereby the support plans of each role-player are discussed both at an overall National/ Provincial level, as well as at a municipal specific level. Annexure 3 provides the MFMA context for specific departmental roles however this needs to be supplemented with the Municipal Systems and Structures Act relevant provisions impacting on Departmental roles. Key informants interviewed indicated that PT's roles should include responsibility for municipal SCM support.
- R6 Clarification and agreement is also needed on the roles to be played by various inter-governmental coordination structures within the overall municipal monitoring and support process including the monitoring of individual Municipal Support Action Plans

- in District inter-governmental forums attended by representatives of both PT and CoGTA.
- R7 A set of coordination and inter-governmental structures and processes will need to be agreed at Provincial level and which rationalises the reporting needs of both CoGTA (national and provincial) and Treasury (national and provincial) to minimise the reporting burden on municipalities. It may be necessary for OTP to ensure that this happens (including facilitating coordination between the two departments). Ideally the Eastern Cape Province (PT and CoGTA) can conduct a rapid learning review tour of the Western Cape to identify lessons and good practices to inform the refinement of the Eastern Cape's municipal support intergovernmental structures and processes.
- R8 PT and CoGTA need to design/ develop joint municipal monitoring and reporting processes which are strongly aligned to strengthened inter-governmental structures and processes.
- R9 Only once clarity and agreement has been achieved on issues covered by R2-R8 should PT and CoGTA EC municipal support staffing and budget issues begin to be addressed, including the allocation of staff to District Support Offices. Strategy and approach should inform structure. As part of this process the possibility of PT and CoGTA sharing District Offices should be explored to improve the cost effectiveness of Provincial Government's District Support Services. The Department of Public Works needs to be part of this process and there may be a need to form a PT/ CoGTA/ DPW inter-departmental committee to coordinate the process of strengthening District Support Offices.
- R10 This evaluation report to be presented to the CoGTA EC and PT EC HODs and communicated to all Eastern Cape municipalities on the basis of a joint PT-CoGTA communication plan.

Recommendations for skills and expertise needed to strengthen successful oversight and intervention for good financial governance:

- R11 CoGTA EC to ensure that the municipal monitoring system and processes include key performance indicators which accurately reflect the performance and effectiveness of municipal oversight role-players and structures including Mayors, Speakers, Councils, the internal audit, risk management, and MPAC structures.
- R12 CoGTA EC to identify actions to strengthen the effective functioning of MPACs. These actions include, but are not necessarily limited to, ensuring that all MPACs are properly resourced with research and administrative capacity.
- R13 The OTP needs to commission and independent evaluation of the effectiveness of the Province's fraud reporting and investigation processes in the Province which include an evaluation of the effectiveness of the Provincial government's fraud hot line reporting process. In addition, CoGTA must take pro-active steps to ensure that all municipalities have approved fraud prevention and anti-corruption policies in place as well as the resources and processes required to effectively implement these policies. . CoGTA EC's monitoring system for municipalities must include key indicators of the effectiveness of fraud and corruption systems.

Way Forward and Next Steps:

1. This evaluation report to be presented to the HODs of PT EC and CoGTA EC.

2. The EC: CoGTA, EC: PT, and OTP need to draft a **Management Response** to the report's recommendations using the Presidency's template and guidelines.
3. An **Integrated (across OTP, CoGTA EC and PT EC) Improvement Plan** then needs to be developed by both the EC: LGTA and EC: PT using the Presidency's guidelines. This must then be submitted to Provincial Cabinet for approval.
4. The results of the evaluation will be communicated with municipalities throughout the province (and ideally the evaluation report circulated to all municipalities on the basis of a joint PT-CoGTA EC communication plan).
5. OTP must then monitor the implementation of the Evaluation Improvement Plan and report on implementation progress to the relevant structures.

1. Introduction

This report presents the results of an Evaluation of Operation Clean Audit: Eastern Cape: 2010—014. Section one contains the following sub-sections:

- 1.1 Brief background to the evaluation
- 1.2 Brief Overview of the relevant legislative context
- 1.3 Brief overview of the auditing process;
- 1.4 Evaluation questions and methodology;
- 1.5 Report structure; and
- 1.6 Challenges incurred during the evaluation process and limitations of the methodology.

1.1 Background to the evaluation incl. Terms of Reference

The overall purpose of this evaluation, as specified in the Terms of Reference (TOR), is to ensure that lessons from past Eastern Cape Operation Clean Audit (OCA) implementation (what worked well and what did not work well in terms of supporting different categories of municipalities to sustainably improve audit outcomes) inform improvements to Provincial support to municipalities, including the design of an effective District Support Service Model.

The evaluation will focus on:

- i. Review of the implementation of OCA, identification of lessons learnt (good or bad);
- ii. Recommendations how lessons learnt can further inform the Municipal Support Intervention Framework; and
- iii. Recommendations for skills and expertise needed to strengthen successful oversight and intervention for good financial governance.

In 2009 the new Minister for Cooperative Governance and Traditional Affairs (CoGTA), Sicelo Shiceka, launched Operation Clean Audit 2014 (OCA 2014). It was the signature intervention in the incoming new government's plan to "turnaround" local government. The objective of OCA 2014 was that all 283 municipalities (now 278) and provincial departments should achieve a clean audit on their financial statements by 2014.

Since 2009, there have been a wide range of municipal strategies and support initiatives which have been implemented alongside OCA. The latest such strategy is COGTA's "Back to Basics" (launched towards the end of 2014). These strategies and their relationship to OCA will be discussed later in this report in order to identify implications to inform recommendations moving forward with respect to municipal support for governance and financial management, as well as District Support Offices, in the Eastern Cape.

This evaluation has been commissioned by the Eastern Cape Provincial Government: Office of the Premier with funding support from the GIZ: South Africa, as part of the Governance Support Programme.

Impact Economix was appointed on 8th January 2015 to undertake the evaluation.

1.2 Brief overview of relevant legislative context

The Municipal Finance Management Act (No. 56 of 2003) (MFMA) contains numerous provisions which are relevant to the financial management monitoring, capacity support, and intervention in municipalities by National and Provincial Treasury and Local Government/CoGTA Departments. These include in summary the following:

- National and Provincial Treasury supervision over local government finance management – Chapter 2
 - Monitor and assess
 - Budget preparation and implementation, including expenditure; revenue collection and borrowing
 - Compliance
- “National and Provincial Governments” Municipal Capacity Building – Chapter 5
 - By agreement assist in building capacity
 - Support efforts by municipalities to identify and resolve financial problems
 - Monitor and share results
 - Inter-governmental relations in fiscal and financial relations
 - Municipal Intervention – Chapter 13
 - Discretionary
 - Mandatory
- Various executive obligations of the MECs for Local Government
 - In-year monitoring and reporting to the Provincial Legislature
 - Budget intervention – section 26 read with section 55
 - Unauthorised, irregular, fruitless and wasteful expenditure – section 32(4)
 - Councillor’s Remuneration – section 167
 - Annual Reporting – section 131

The MFMA Chapter 5 mandates Provincial Treasuries to monitor and support municipalities to comply with the MFMA thereby promoting sound and sustainable financial management.

With respect to the AGSA municipal audit report, Section 131 of the MFMA states:

131. (1) A municipality must address any issues raised by the Auditor-General in an audit report. The mayor of a municipality must ensure compliance by the municipality, with this subsection.

(2) The MEC for local government in the province must-

(a) Assess all annual financial statements of municipalities in the province. the audit reports on such statements and any responses of municipalities to such audit reports, and determine whether municipalities have adequately addressed any issues raised by the Auditor-General in audit reports: and

(b) Report to the provincial legislature any omission by a municipality to adequately address those issues within 60 days.

However, Section 135 of the MFMA makes it clear that the primary responsibility to avoid, identify and resolve financial problems in a municipality rests with the municipality itself

Regarding accountability relationships it is also clear that CoGTA EC MEC is accountable to the Provincial Executive, the Legislature, and the National Minister and Legislature.

Municipal officials and councils are accountable within the municipality, to the MEC for Local Government and to the community.

The Municipal Systems Act (2000) also establishes principles of cooperative governance and includes various executive obligations of the MECs for Local Government with respect to the following:

- IDPs
- Appointment of section 57 managers
- Municipal Performance Management
- Monitoring – section 105
- Investigation – section 106
- Councillor discipline

1.3 Overview of the audit process

The AG: SA's external audit reports provide assurance on the credibility of auditees' financial and performance information as well as their compliance with legislation. There are role players in local government, other than the external auditors, that are also required to contribute to assurance and confidence by ensuring that adequate internal controls are implemented to achieve auditees' financial, service delivery and compliance objectives. Such assurance providers include senior auditee officials, various committees (for example, Municipal Public Accounts Committees, performance committees and audit committees) and internal audit units. Other role players that should provide assurance further include oversight structures and coordinating or monitoring departments. Oversight structures consist of the provincial legislatures, the portfolio committees on local government and the National Council of Provinces. Coordinating or monitoring departments include the Department of Performance Monitoring and Evaluation, the National Treasury and provincial treasuries, the national and provincial departments of cooperative governance as well as the offices of the premier.

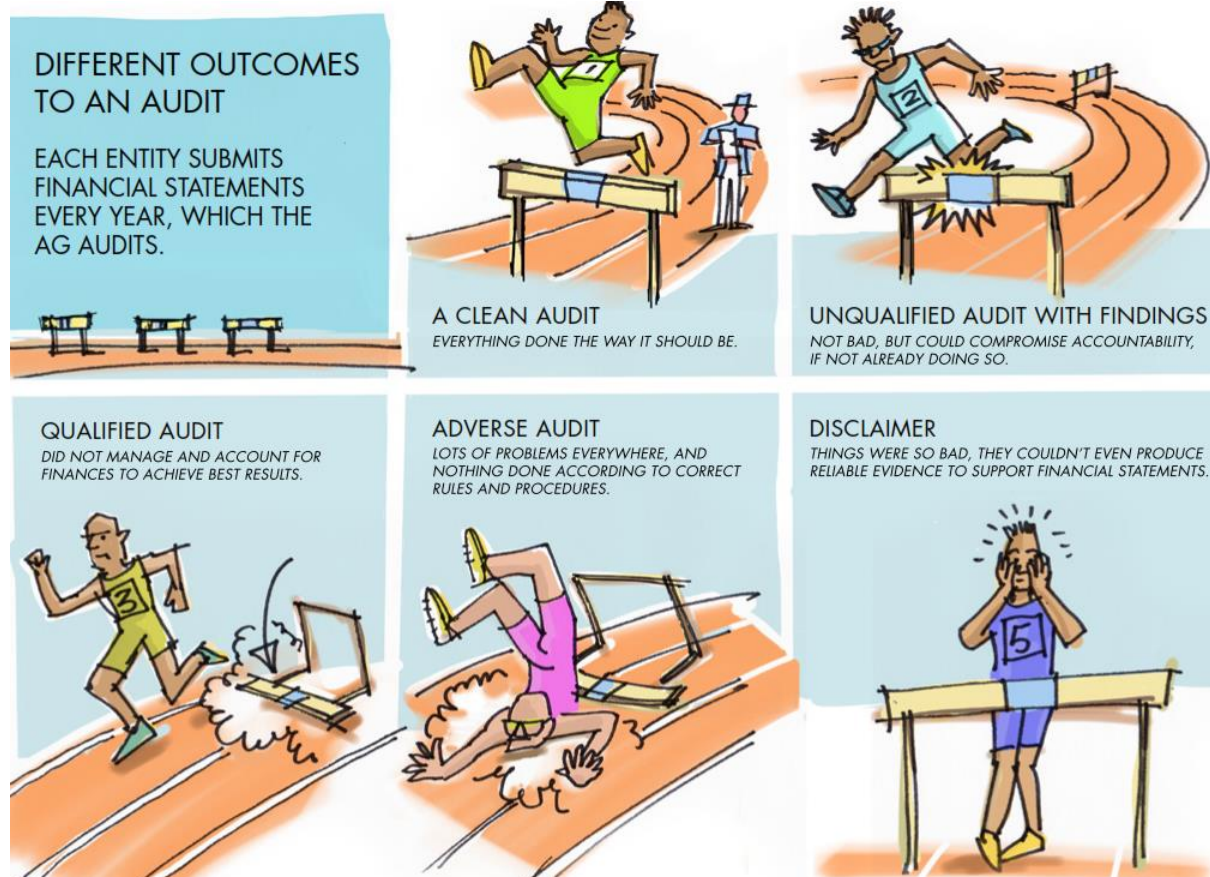
The AGSA audits the following three areas- each of which is briefly described here:

- a) Financial statements;
- b) Reporting on predetermined objectives; and
- c) Compliance with legislation.

The MFMA requires municipalities and municipal entities to compile and submit annual financial statements for auditing by 31 August (or 30 September in the case of consolidated financial statements) of each year. The financial statements submitted for

auditing must be free from material misstatements. Misstatements refer to incorrect or omitted information in the financial statements. Examples include the incorrect or incomplete classification of transactions, or incorrect values placed on assets, liabilities or financial obligations and commitments. The objective of an audit of financial statements is to express an audit opinion on whether the financial statements fairly present the financial position of auditees at financial year-end and the results of their operations for that financial year. The following audit opinions can be expressed:

1. **Clean audit outcome:** The financial statements are free from material misstatements (in other words, a financially unqualified audit opinion) and there are no material findings on reporting on performance objectives or non-compliance with legislation.
2. **Financially unqualified audit opinion:** The financial statements contain no material misstatements. Unless we express a clean audit outcome, findings have been raised on either reporting on predetermined objectives or non-compliance with legislation, or both these aspects.
3. **Qualified audit opinion:** The financial statements contain material misstatements in specific amounts, or there is insufficient evidence for us to conclude that specific amounts included in the financial statements are not materially misstated.
4. **Adverse audit opinion:** The financial statements contain material misstatements that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements.
5. **Disclaimer of audit opinion:** The auditee provided insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts, or represents a substantial portion of the information contained in the financial statements.



Source: AGSA (October 2014).

Legislation requires auditees to report against their predetermined objectives and to submit such annual performance reports for auditing. The objective of this audit of predetermined objectives is to determine whether the reported performance against auditees' predetermined objectives in the annual performance report is useful and reliable in all material respects, based on predetermined criteria. This means that the reported performance information must be valid, accurate and complete. Since the 2009-10 financial year, the AGSA has included a separate audit conclusion, based on the results of the audit on predetermined objectives, in management reports.

Legislation sets out the activities that auditees are charged with in serving the citizens and stipulate any limits or restrictions on such activities, the overall objectives to be achieved, and how due process rights of individual citizens are to be protected. Auditees are subject to legislation such as the Municipal Finance Management Act and the Municipal Systems Act, of which the objectives are proper financial management and performance management, transparency, accountability, stewardship and good governance. The Public Audit Act requires the AGSA to audit compliance with legislation applicable to financial matters, financial management and other related matters each year.

Material instances of non-compliance are reported in the audit report. To enhance accountability, auditees must identify and fully disclose any unauthorised, irregular

as well as fruitless and wasteful expenditure incurred. In most part, such expenditure is incurred as a result of non-compliance with legislation.

1.4 Evaluation questions from the Terms of Reference and methodology

1.4.1 Evaluation Questions

The TOR contains the following evaluation questions:

- a) What has been the annual change in audit outcomes since the establishment of Operation Clean Audit? How many municipalities regressed, maintained and improved
- b) How much was allocated for the project [OCA]?
- c) How was [OCA] funding utilized? And what methodology was used to deploy [OCA] resources?
- d) Did the [OCA] project have mechanisms for transfer/transition from disclaimer to qualified opinion?
- e) What external factors positive, supported or hindered the success of OCA.
- f) Are there any corrective measures in place to deal with the obstacles that were faced by OCA to ensure the effectiveness of District Support Service model or alternative models?
- g) Which external partners, government departments supported the [OCA] initiative?
- h) Which other strategies in the sector are addressing the same thematic areas as that of the OCA and what is the extent of similarities and differences and how are they going to be synchronized for collaboration purposes?
- i) Which other programmes in the department(s) of Provincial Treasury carry out the same functions as OCA and how are these going to be synchronized into District Support Service?
- j) Is there a departmental [CoGTA EC] wide strategy to sustain the improvement of audit outcomes that has been achieved through OCA and other similar programmes?
- k) Is the department(s) ready to integrate OCA into District Support Services and how is this process going to be undertaken?

These questions were subsequently grouped under the following three main themes (which correspond to the sections of this report) and into a logical sequence as follows and which informs the structure of this report:

Table 2 OCA Evaluation questions in logical sequence

Main Evaluation Questions	Detailed Evaluation Questions
1. How was OCA implemented in the Eastern Cape including approach followed, use of resources, roles and	1.1 What was the OCA approach and model and what methodology was used to deploy [OCA] resources?
	1.2 OCA Resources: How much was allocated for the project [OCA] and how was [OCA] funding utilized?

responsibilities, inter-governmental mechanisms etc.	1.3	What municipal audit and OCA implementation lessons are contained in the OCA documents?
	1.4	Did the [OCA] project have mechanisms for transfer/transition from disclaimer to qualified opinion?
2. Lessons: What worked well and what challenges were experienced with OCA support approach/ model and implementation in the Eastern Cape 10/11 – 13/14?	2.1	What has been the annual change in audit outcomes since the establishment of Operation Clean Audit? How many municipalities regressed, maintained and improved?
	2.2	What worked well and what challenges were experienced with OCA support approach/ model and implementation in the Eastern Cape 10 /11 – 13/14 (from the 6 municipal case studies) in terms of the following themes? 2.2.1 OCA approach and process and municipal ownership; 2.2.2 OCA coordination including monitoring and reporting; 2.2.3 OCA services and skills; and 2.2.4 Municipal implementation of OCA support.
3. How can the lessons learnt further inform the MSIF and District Support Model to ensure coordinated financial management support to municipalities?	3.1	Which other strategies in the sector are addressing the same thematic areas as that of the OCA, incl. PT programmes, and what is the extent of similarities and differences and how are they going to be synchronized for collaboration purposes and into District Support Services?
	3.2	Is there a departmental (CoGTA EC) wide strategy to sustain the improvement of audit outcomes that has been achieved through OCA and other similar programmes?
	3.3	Are there any corrective measures in place to deal with the obstacles that were faced by OCA to ensure the effectiveness of District Support Service model or alternative models?
	3.4	Is the department(s) ready to integrate OCA into District Support Services and how is this process going to be undertaken?

1.4.2 Evaluation Design and Methodology

This evaluation follows a mixed-methods approach which includes six municipal case studies, interviews with key informant interviews, and analysis of documents including AGSA audit reports and other documents on OCA or related initiatives.

A mixed methods research design is a procedure for collecting, analysing, by “mixing” both quantitative and qualitative research and methods in a single study to understand a research problem and answer research questions. In considering qualitative research, the researcher relied on the views of participants; asked broad, general questions; collected data consisting largely of words (or text) from participants who were mostly municipal officials; described and analysed these words for themes; and conducted the inquiry in a subjective, biased manner. It is based on Constructivism with multiple realities; it is biased and inductive in nature. Qualitative research generally involves listening to the participants’ voice and subjecting the data to analytic induction (e.g., finding common themes) and is more

exploratory in nature with examples of data collection methods including interviews, open-ended questionnaires, observations, content analysis and focus groups.

In quantitative research the researcher decides what to study; asks specific narrow questions, collects quantifiable data from participants (a large number of participants); analyses these numbers using statistics; and conducts the inquiry in an unbiased, objective manner. It is post-positivist in nature meaning that there is singular reality and that it is objective and deductive. It generally attempts to quantify variables of interest and questions must be measurable. It generally involves collecting numerical data that can be subjected to statistical analysis and examples of data collection methodologies include performance tests, personality measures, questionnaires (with closed-ended questions or open ended but transferred to quantitative data) and content analysis. This was part of the data analysis in the assignment.

Given the above, mixed methods involves combining or integrating qualitative and quantitative research and data in a study. The thinking behind the use of the mixed methods is a realisation that all methods have biases and weaknesses and therefore the collection of both quantitative and qualitative data can minimise the weaknesses of each form of data. Triangulating data sources as a means of seeking convergence across quantitative and qualitative methods deals with limitations of each of the methods hence the decision to use mixed methods.

The decision and justification to use mixed methods in this research is based on the following considerations:

1. Both quantitative and qualitative data, together were predetermined to be able to provide a better understanding of the research problem than either type by itself.
2. One type of research method (qualitative or quantitative) will not be enough to address the research problem or answer the research questions as established as established by the evaluators
3. Pragmatically, it was important to take into account and make use of multiple view points (biased and unbiased; subjective and objective); and
4. Earlier phases of the research process could inform later phases and data collection.

The purpose of using the case study approach is to identify insights based on (primarily) municipal perspectives of what worked well, or not, with OCA support. In other words to learn from what happened and how it happened and better understand changes that took place over time.

The following six municipal case studies were identified to gather detailed evidence on what worked well and what did not work well with the OCA model/ approach/ and support services.

- d) Two District Municipalities: Chris Hani and Alfred Nzo (these received intensive OCA support in 2013);
- e) Two Local Municipalities: Emalahleni and Instiska Yethu; and
- f) Two Plenary (low capacity) Municipalities: Nxuba and Great Kei.

These case studies have been selected using the following criteria:

- Intensity of OCA support received (5 received intensive OCA support and 1 received minimal OCA support);
- Combination of District, local and plenary (low capacity) municipalities; and
- Consistently poor audit outcomes over the past few years with some showing improvements and others not showing improvements.

Figure 1: Audit Result Trends of 6 OCA Evaluation Municipal Case Studies: 2008/09 – 2013/14

Municipality	2008/2009	2009/2010	2010/2011	2011/ 2012	2012/2013	2013/2014
Emalahleni	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified
Alfred Nzo	Adverse	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified
Nxuba	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified	Qualified
Great Kei	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Adverse	Disclaimer
Intsika yethu	Qualified	Disclaimer	Disclaimer	Disclaimer	Adverse	Qualified
Chris Hani	Disclaimer	Disclaimer	Disclaimer	Adverse	Qualified	Qualified

Source: AGSA. March 2015

A total of fifty (50) key informant interviews were conducted. These key informants were distributed as follows: Thirty-three (33) municipal officials, nine (9) OCA support officials, five (5) Eastern Cape Provincial Government officials, one National Treasury official, one SALGA official and one GIZ official (and previous OCA specialist). OCA Officials were chosen on the basis of providing different types of OCA services as well as whether they had provided support to some or all of the six municipal case studies, and/or whether they had been seconded to serve in acting positions in Municipalities.

Interviews were conducted with each of the following role-players within each of these municipalities (with assistance from the Municipal Manager's office) (refer to Annexure 1 for list of interviews conducted):

- Municipal Manager;
- Chief Financial Officer;
- Mayor/ Deputy Mayor;
- Municipal level: Director Finance/ Corporate Services;
- Chairpersons of the Internal Audit Committee and Municipal Public Accounts Committee; and
- Manager: Internal Audit Unit.

COGTA-EC and the Office of the Premier suggested that all the interview appointments for the 6 case study municipalities be arranged through the respective offices of the municipal managers. COGTA-EC provided a contact list for all the municipal managers and their personal assistants.

Initial emails were sent to all 6 municipal managers on the 17th of February requesting interviews in the two weeks that followed. Phone calls and SMS follow up were made to all the municipal manager person assistant to try and secure the best interview date when all

the target officials were available. Once a date was secured, the municipality was asked to prepare an interview schedule of which official was to be interviewed at what time on the selected date.

COGTA-EC and the Office of the Premier were requested to assist in securing interviews with Chris Hani and Alfred Nzo after initial attempts by the research team were not successful. COGTA-EC and the Office of the Premier contacted the municipalities and facilitated the setting up of the interviews.

Transcripts of all interviews were produced and these, together with OCA documentation and data provided by the AGSA EC were analysed using a coding system link to the evaluation questions using Atlas_ti software.

1.5 Report structure

The report is structured as follows:

7. Introduction including evaluation questions, design, and methodology.
 - 1.1 Brief background to the evaluation;
 - 1.2 Brief Overview of the relevant legislative context;
 - 1.3 Brief overview of the auditing process;
 - 1.4 Evaluation questions and methodology;
 - 1.5 Report structure; and
 - 1.6 Challenges incurred during the evaluation and limitations of the evaluation methodology.
8. Findings: How was OCA implemented in the Eastern Cape?
 - 2.1 What was the OCA approach and model and what methodology was used to deploy [OCA] resources?
 - 2.2 OCA Resources: How much was allocated for the project [OCA] and how was [OCA] funding utilized?
 - 2.3 What municipal audit and OCA implementation lessons are contained in the OCA documents? and
 - 2.4 Did the [OCA] project have mechanisms for transfer/transition from disclaimer to qualified opinion?
9. OCA lessons from Six Municipal Case Studies.
 - 3.1 Municipal audit results achieved;
 - 3.2 OCA approach and process and municipal ownership;
 - 3.3 OCA coordination including monitoring and reporting;
 - 3.4 OCA services and skills; and
 - 3.5 Municipal implementation of OCA support
10. How can the lessons learnt further inform the MSIF and District Support Model to ensure coordinated financial management support to municipalities?

- 4.2 Brief overview of the Western Cape municipal support model and approach.
- 4.2 Which other strategies in the sector are addressing the same thematic areas as that of the OCA, incl. PT programmes, and what is the extent of similarities and differences and how are they going to be synchronized for collaboration purposes and into District Support Services?
- 4.4 Is there a departmental wide strategy to sustain the improvement of audit outcomes that has been achieved through OCA and other similar programmes?
- 4.5 Are there any corrective measures in place to deal with the obstacles that were faced by OCA to ensure the effectiveness of District Support Service model or alternative models?
- 4.6 Is the department(s) ready to integrate OCA into District Support Services and how is this process going to be undertaken?

11. Conclusions and Recommendations:

- (c) How lessons learnt can further inform the Municipal Support Intervention Framework or other modalities of support incl. the Eastern Cape District Support Services Model (through the Municipal Support Intervention Framework (MSIF))
- (d) Recommendations for skills and expertise to strengthen successful oversight and intervention for good financial governance.

12. Annexures providing more details on selected issues covered in the evaluation.

1.6 Challenges incurred during the evaluation process and limitations of the methodology

The following challenges can be mentioned and are relevant when interpreting the results of this evaluation:

- 1. A challenge with the case study approach is that the available municipal officials were not always in position from the beginning to the end of OCA (2010-March 2014). As a result we could not always obtain municipal information on certain issues (e.g. on OCA support, other similar support being received, and municipal expenditure on consultants assisting with financial management).
- 2. There are a number of challenges involved in evaluating to what extent OCA support was effective in terms of improving municipal audit outcomes. These include:
 - a. The fact that there were multiple support interventions taking place at the same time in the same municipalities and that these sometimes overlapped both in the support provided in certain areas and how these impact on different audit areas. Isolating which intervention was responsible for what audit change is almost impossible;
 - b. The link between provision of OCA support and effective implementation of that support by the municipality, as well as the sustainability of OCA training, mentoring and advice provided given that municipal officials often change jobs and leave one municipality for another, was often weak. So while

- effective OCA support may have been provided, this support would not necessarily be implemented and translate into audit improvements; and
- c. It was difficult to investigate sequences in detail regarding what OCA support provided when at municipal level as depended on the recollection of officials. Linking support to changes in audit findings is also tricky due to the specific time-frames involved in the provision of support and the audit process time-frames. OCA documentation did contain details of what support was provided to each municipality but it is difficult to trace this through the financial year and into the subsequent audit process and period; and
 - d. Obtaining qualitative data on municipal stakeholder perceptions of the effectiveness of OCA support is complex as municipal stakeholders can have a range of motivations for providing either negative or positive feedback regarding OCA effectiveness. For example, a Municipal Manager or CFO who was a previous OCA specialist may view OCA in a more positive light. On the other hand, a Municipal Manager or CFO of a municipality that has not achieved much improvement in audit outcomes may lay the blame at the door of OCA, whereas the actual problem may lie with either the nature of OCA support and/or the effectiveness of municipal management and leadership in implementing OCA support and/or with deeper structural problems related to the financial viability and poor municipal staff capacity.
3. It was challenging to obtain any detailed information from EC PT and CoGTA EC on the current status of District Support Services although a number of documents were submitted to the author. This may be because the current situation is not clear or plans have not been developed or finalised in any level of detail. This limited the extent to which fully informed conclusions and recommendations could be made regarding District Support Services.

2. Findings: How was OCA Implemented and What Lessons can be Learnt?

2.1 Introduction

This section presents results of the evidence obtained in relation to the key evaluation questions and themes. The results are based on an analysis of the various data sources mentioned in the methodology (see section 1.4). The results are organised according to the following themes and sub-sections:

2.2 How was OCA EC implemented?

- 2.1 What was the OCA approach and model and what methodology was used to deploy [OCA] resources?;
- 2.2 OCA Resources: How much was allocated for the project [OCA] and how was [OCA] funding utilized?;
- 2.3 What municipal audit and OCA implementation lessons are contained in the OCA documents?;
- 2.4 Did the [OCA] project have mechanisms for transfer/transition from disclaimer to qualified opinion?

2.2.1 OCA approach and model

Information on the OCA approach was obtained from interviews with OCA and Municipal officials as well as analysing a wide range of OCA documents. A detailed historical time-line and summary of selected OCA and OCA-relevant documents was compiled (see Annexure 2). The key OCA and selected OCA-related milestones are summarised below in

Table 6 below and further summarised as follows:

- a) The MFMA (2003) came into effect on 1 July 2004. In terms of Section 35(a) of the MFMA, an MoU between the LGTA – EC and PT –EC was drafted in 2006 which stated the following:
- (1) *The parties agree that it is their intention to-*
 - (a) *give effect to the provisions of the legislation;*
 - (b) *inform their respective departments at all levels and spheres of the mutual co-operation contemplated in this agreement;*
 - (c) *meet regularly to monitor the progress of this agreement;*
 - (d) *agree on the respective roles and responsibilities of each department in the implementation of the MFMA;*
 - (e) *ensure that co-ordinated support and assistance is rendered to municipalities;*
 - (f) *determine the other stakeholders;*
 - (g) *reach agreement on data collection and dissemination;*
 - (h) *agree on training*
 - (i) *reach agreement on grey areas; and*
 - (j) *agree on overlapping functions*
 - (2) *The parties further agree that in order to meet the requirements of this agreement they have to overcome the following challenges-*
 - (a) *to co-ordinate all activities and resources earmarked for municipalities*
 - (b) *ensure that various stakeholders are involved in the co-ordination of activities for municipalities*
 - (c) *ensure that municipalities capacitate each other both horizontally and vertically;*
 - (d) *ensure that SALGA is involved as a stakeholder*
 - (e) *to communicate the partnership agreement to all stakeholders*
 - (f) *to avail skilled and trained personnel to ensure that all activities earmarked for municipalities are successful*
 - (3) *The roles and responsibilities of both departments are hereby identified and outlined as they appear in Annexure A herewith."*

The Annexure A referred to above is included in this report as Annexure 3 due to its importance in understanding Departmental role issues in relation to the contents of the MFMA and subsequent coordination challenges which are a theme of this evaluation.

A Memo to the MEC of CoGTA EC +-May 2007 recommended that the MEC sign the MoU and also stated that "there seems to be reluctance on the part of provincial treasury to sign the MoU." The MoU was never signed by the MECs of CoGTA EC and PT and the author has been unable to ascertain the reason that existed for this at the time.

- b) An Eastern Cape Municipal Support Intervention Framework (MSIF) was developed in 2007 and approved by the Eastern Cape Provincial Cabinet in 2012, however it is not clear to what extent this was implemented (although the approach to municipal support was still contained in CoGTA EC 2014 presentations to MuniMEC amongst others).
- c) OCA was launched nationally in 2009 by CoGTA National. OCA Eastern Cape was allocated R30 million for the 2010/11 financial year and a target of employing 30 OCA managers or specialists was established. The intention was to allocate specialists to municipalities that had received disclaimers for the 09/10 audit (At the time there were 22 municipalities with 09/10 audit disclaimers in the Eastern Cape).
- d) April 2010 +-March 2012 OCA was located under the CoGTA EC Municipal Support Services Directorate. Up until sometime in 2011 OCA had eleven support focus areas, however, this was later reduced to eight focus areas.
- e) In +- April 2012 OCA was established as a separate unit within CoGTA and with its own General Manager/ Chief Director and reporting to the DDG. The target was to recruit 30 managers (16 senior). Initially, OCA support was focused on municipalities with disclaimers, however, over time OCA support was continued and/or extended to municipalities that had progressed beyond disclaimers for a variety of reasons.
- f) In November 2010 the PAICC met (it is unclear if this was the first PAICC meeting as OCA PCO was not able to supply PAICC minutes before this period). The PAICC was supposed to be responsible for coordinating OCA implementation and was to meet quarterly, however it only met about 5 times between 2010 and 2014 (See Annexure 4 for the PAICC ToR).
- g) OCA support focus areas initially involved eleven focus areas (CoGTA EC. August 2011) but this was reduced to eight focus areas as follows: ; (i) financial management, (ii) supply chain management, (iii) human resource management, (iv) internal audit (*supporting and ensuring functionality of municipal internal audit units*), (v) oversight (*supporting and assisting oversight structures within the municipality e.g. MPAC*), (vi) contracts management, (vii) environmental management (*management of and accounting for landfill sites*) and (viii) infrastructure management.

The following key support functions were performed in each area of the above focus areas:

- Monitor and support municipalities in the development of audit action plans.
- Monitor the progress made on eliminating issues raised in the AG reports subsequently listed in the audit action plans.
- Monitor and support municipalities to develop or review and implement internal controls.
- Assist municipalities with preparation for compilation of AFS and audit readiness for the annual audit by the AG by 31 August each year.

- Transfer of skills.
- h) OCA support covered a wide range of support areas which were generally identified at a municipal level after reviewing the municipal audit action plans. More detailed investigations or assessments into the root causes of the audit findings were apparently not conducted by OCA according to informants interviewed. These root causes sometimes related to the lack of municipal financial management staff at either or both a senior and lower levels. Because OCA was mandated to support municipalities receiving disclaimer or adverse audit opinions, OCA support resources were sometimes allocated to municipalities where there were no human beings/ municipal officials to be supported in some cases. This resulted in OCA officials actually doing the work which would normally have been performed by municipal officials. It also resulted in a lack of sustainability as OCA skills could not be transferred to officials to carry on the work when OCA support ended.
- i) The OCA 2011 approach at a detailed operational and municipal level as summarised in an October 2011 presentation included the following:
- *Preparation of Weekly plans which are informed by management letters, Audit Reports and Audit Action Plans;*
 - *Fragmentation of task into weekly tasks;*
 - *Introductory meeting held on Monday mornings with MM or his/her representative;*
 - *Present the plan to MM;*
 - *Where the plan clashes with the Municipality's priority areas, reach a consensus on the deliverables for that week and adjust the our plan where necessary;*
 - *Execute the planned work;*
 - *At the end of the week, in the presence of the District Coordinator, give a progress report to the MM; and*
 - *Prepare weekly progress reports for submission to the PCO.*
- j) In general, and in most cases, OCA support areas was not agreed in writing and documented with each municipality. Nor was a report on OCA support formally submitted to Top Management and/or Council for noting and/or endorsement before commencement. This led to a range of challenges which will be later identified in the six municipal case studies.
- k) In some cases, OCA support areas was discussed and agreed with the MMs, and in other cases not. It appears that OCA had a more rigorous engagement and communication process with municipalities in the first two years, but that this became less tightly managed and coordinated at a municipal level in the last two-three years.

A 1 July 2014 OCA Memo from the OCA GM noted the following regarding the OCA approach:

In many cases this support is triggered or initiated by the department without an active involvement of or participation by the beneficiary municipality.

The consequence of this is that in many cases the municipality does not conduct itself in a manner that indicates an understanding of the need for this support. This becomes costly in terms of man hours and financial resources. How does this happen? Officials are sent to a municipality to support it in a functional area that has been identified by the department as needing support. This identification is informed by the audit report or some other objective measure.

The problem is that the leadership of the municipality might not have prioritised addressing the issue which the department sees as a priority. There is therefore an imbalance in the sense that the department is moving at high speed whilst the municipality is either standing still or moving slowly with regards to the issue concerned.

As a result of this imbalance the energy of the department as expressed in man hours and money is wasted. In some cases OCA officials spend time chasing after managers who are too busy with something else. The cost to the department is the expenditure on travelling and subsistence claims as well as on accommodation in hotels and bed and breakfast establishments.

This July 2014 OCA GM Memorandum contained the following recommendations to shift from a “department pushed to a municipality pulled” approach:

- a. A problem or challenge that is facing a municipality is identified either by the municipality (preferable) or by the department. An example would be findings by the auditor general or by monitoring and evaluation of the department.*
- b. The municipality must then develop a plan to address the challenge. The department may be called upon to assist in the development of the plan. However, ownership of the plan remains at the municipality.*
- c. The plan specifies the support required from the department.*
- d. The municipality makes a formal written request to the department requesting the specified support.*
- e. The department and the municipality agree on the specifics of the support which must then be captured in memorandum of agreement.*
- f. The plan and the agreement mentioned in (ii) and (v) respectively above will form the basis of deploying the OCA team or any other team doing similar work.*

It apparently took four years for these lessons to be formally acknowledged and for them to be translated into an alternative OCA approach. Six months later, in December 2014, the MEC approved the decision to terminate OCA and transfer its staff and budget. The new OCA approach has not therefore been implemented, however, it contains important elements that are relevant to informing CoGTA EC's future support model (although the Eastern Cape municipal support approach still needs to be updated and aligned with new national developments regarding Back to Basics and the National Treasury Financial Management Capacity Development

Strategy and Capability Maturity Models). Due to the importance of this Memo the contents are reproduced in Annexure 9 for ongoing reference.

- l) The allocation of specialists was based on a deployment model which constantly evolved as OCA found that in some cases municipalities requested OCA specialists be seconded to the municipality to serve in acting positions (often as acting CFOs or MMs) where these posts had become vacant and would take some time to fill and where there were not existing municipal staff who could be appointed in acting positions. In other cases, OCA specialists applied for Municipal CFO or MM positions (linked to the relationship they had developed with a particular municipality while providing OCA support) and left OCA. As a result, OCA specialist resources started to become depleted and increasingly thinly spread. OCA specialists were therefore only able to spend a few days a month at any one particular municipality. In addition, OCA specialists received a travel allowance based on the distance spent travelling to and from municipalities and in some cases the travel allowance payments were reportedly at a similar level to the OCA specialist monthly salaries.

As a March 2011 OCA document states, specialists were allocated as follows:

Each Cluster is supported by two (2) Specialists in SCM and (2) in Finance who rotates amongst the six municipalities, the specialists visit each municipality for a week where they provide hands on support. Amathola and Chris Hani are the only Clusters with one Finance specialists and one SCM respectively. Environmental Management, infrastructure and Internal Audit are in a shared service model; there is one (1) specialist appointed for each discipline and therefore responsible for all the 24 municipalities.

A 2011 OCA document illustrates support being provided to 24 municipalities (divided into 4 clusters) in eight support areas as follows:

Table 3 Allocation of OCA specialists to 24 municipalities in 2011

BENEFITING MUNICIPALITIES				
CLUSTER:	J. GQABI & CACADU	CHDM	ADM	OR & ANDM
Specialist	1. Joe Gqabi, 2. Maletswai 3. Gariep, 4. Sundays River 5. Makana 6. Koukamma	1. Chris Hani, 2. Sakhisizwe, 3. Inkwanca, 4. Emalahleni, 5. Engcobo,	1. Great Kei, 2. Mquma, 3. Mbashe, 4. Nkonkobe, 5. Ngqushwa, 6. Nxuba	1. KSD 2. Ingquza, 3. Mbizana, 4. Ntabankulu, 5. Mhlontlo, 6. Alfred Nzo, 7. Umzimvubu
SC, Asset Management	Mr. Mapukata (SM) Mr. Mbilini (Man.)	Mr. Malgas (SM)	Mr Ntikinca (SM) Mr. Madikazi (Man.)	Ms.Malinga (SM) Ms L.Pani (Man)
Financial Management	Ms. Soci (Man.) Mr. Kasvosve (Man.)	Ms L.Ngeno (SM) Mr. Gibeni (Man.)	Ms Mokorotlo (Man.)	Ms J. Nxumalo(SM) Mr. Nqeno (Man.)
Infrastructure	Mr. Nofemela (SM)			
Environmental	Mr. Mxenge (SM)			
Contract	Vacant			
Hr & Legal Services	Mr. Sohena /Caga (SM)- seconded to Mbashe Ms. Mtshali (Man.) Transferred to RR			
IGR	Mr. Naku (Man.) Transferred to IGR			
Internal Audit	Mrs.P Ntantala 01 March 2011			

Source: OCA EC

The OCA 2013/2014 annual report shows that OCA support was provided to 29 municipalities which included municipalities that had moved beyond disclaimer or adverse audit findings. The reasons for extending OCA support, as contained in this report, were as follows:

- Most of the municipalities in question were previously supported by OCA; therefore there was a need to continue with projects that were already underway.
- The OCA official responsible for the Oversight focus area supports municipalities in collaboration with Municipal Administration Directorate within the department.
- Other municipalities made special requests to be assisted by the department on environmental management and infrastructure. It should be noted that OCA is the only Chief Directorate that provides environmental management support to municipalities.

Table 4 29 Municipalities that were supported by OCA during the 2013/14 financial year











O.R TAMBO AND ALFRED NZO DISTRICTS	CHRIS HANI DISTRICT	AMATHOLE DISTRICT	CACADU DISTRICT
1. O.R Tambo District Municipality	2. Chris Hani District Municipality	3. Great Kei	4. Baviaans
5. King Sabatha Dalindyebo	6. Intsika Yethu	7. Nxuba	8. Camdeboo

9. Alfred Nzo District Municipality	10. Lukhanji	11. Ngqushwa	12. Makana
13. Mbizana	14. Emalahleni		15. Ikwezi
	16. Inkwanca		
	17. Inxuba Yethemba		
NON-OCA MUNICIPALITY			
18. Engcobo		19. Nkonkobe	20. Koukamma
21. Ntabankulu		22. Amahlathi	
23. Umzimvubu		24. Mngquma	
25. Nyandeni		26. Mbhashe	
27. Mhlontlo			
28. Matatiele			
29. Nelson Mandela Bay Metro			

Source: OCA EC

- m) The way in which OCA support at a municipal level was monitored, changed over time. Initially, a weekly monitoring template was established in 2010/11 which used the robot system to monitor OCA implementation at municipal level for each OCA specialisation / support area as follows:

Table 5 Template for monitoring OCA support weekly at municipal level: 2010/11

   Assessment criteria	03-06 May	
	Assessment	Comments
	Municipality:	
SCM-Chris Hani Cluster		
1. Timeously submission of the		
2. Adherence to the format		
3. Clarity of set objectives		
4. Clarity of achievements		
5. Clarity of recommendations		
6. Level of achievement of plans		
7. All PoE attached		

Source: OCA EC

It is not clear when this system ceased to be used but apparently this took place when OCA moved from the Municipal Support Services Directorate and was placed under a separate GM/ Chief Director as a separate unit.

At some stage, OCA operational reporting switched to monthly reports which were a simplified version of previous progress/ monitoring reports (See Annexure 5 for the OCA specialist monthly report template).

The way in which OCA operations was monitored evolved over time. Initially the OCA monitoring reports included detailed monitoring of progress using a robot colour system as well as % completed system. In addition, progress reports included provision to identify issues which were impeding the effectiveness of OCA / municipal audit improvements and required escalation to higher levels (see Annexure 5 for a selection of different OCA monitoring templates which changed over time).

CoGTA disbanded/ terminated OCA in November 2014 and informed Municipal Managers. It is possible other stakeholders may not be aware of the termination of OCA.

Table 6 below summarises some of the key OCA milestones, starting with the promulgation of the MFMA in 2003.

Table 6 Key OCA and OCA-related mile-stones

Date	OCA and OCA-Relevant Milestones
2003	<ul style="list-style-type: none"> Local Government Municipal Finance Management Act (MFMA) gazetted and comes into effect on 1 July 2004. The MFMA provides for various National and Provincial Treasury and CoGTA government monitoring, capacity support, and intervention processes as well as for Treasury to establish relevant norms and standards.
2006	<ul style="list-style-type: none"> MoU between CoGTA- EC and PT – EC is developed by both Departments in terms of Section 35(a) of the MFMA.
2007	<p>May Internal Memorandum To MEC to sign Provincial Treasury – CoGTA EC MOU outlining MFMA responsibilities, however, MOU is never signed.</p> <ul style="list-style-type: none"> November: Technical Assistance Unit compiles Municipal Support Intervention Framework report which CoGTA: EC adopts
2008	<ul style="list-style-type: none"> April: CoGTA EC: MSIF introduced in pilot municipalities.
2009	<ul style="list-style-type: none"> Fever Tree Commission Report indicated Lack of Collaboration between Transversal Departments. OCA launched by CoGTA National Minister 13 October: CoGTA EC writes “OCA Concept Document” and formally launches OCA as well as the Provincial Audit Improvement Coordinating Committee (PAICC) and Municipal Audit Improvement Audit Committees (MAICCs). (“PAICC is intended to be the vehicle through which OCA will be implemented”) PAICC Terms of Reference (see Annexure4) state that the PAICC to meet quarterly, CoGTA EC to chair and convene, and Committee “will provide regular feedback and progress on the programme activities to the Cabinet Committee on Government and Administration (G & A) and ultimately to the Provincial Executive Council” and will “work closely with the Department of Cooperative Governance and Traditional Affairs, Salga-EC and National Treasury to promote coordination of programmes and ensure effective integrated implementation and reporting.” CoGTA EC allocates R30 million for OCA 2010/11.
2010	<ul style="list-style-type: none"> EC OCA Operational Plan 2010-11 produced with a target of appointing 30 staff (14 senior managers and 16 Managers) and strengthening partnerships with PT including signing an MoU and with the following milestones: <ul style="list-style-type: none"> At least 27 municipalities achieving unqualified audit opinion by 2012 At least 33 municipalities achieving unqualified audit by 2013 All 45 municipalities achieving unqualified audit by 2013 30 September 2010: National: Outcome 9 Local Government Delivery Agreement finalised and advocates “Single Window of Coordination”. November 2010 OCA: National OCA 2010/11 Plan of Action developed by National CoGTA with Provinces for implementation in each Province containing 7 pages of wide-ranging and detailed actions including identifying actions to address “Lack of coordination of MFMA work of Treasury and CoGTA” as follows: <ul style="list-style-type: none"> Establish and ensure functionality of Provincial Coordinating Committees on Operation Clean audit; this is Single Municipal Finance Meeting Nationally convened by CoGTA and jointly chaired by CoGTA and NT. (Joint planning and Quarterly report backs) Review deployment model and TOR of Deployees. MFMA priorities to form part of joint NT and CoGTA quarterly review meetings. <p>Other actions identified included actions to reduce municipal debt and address municipal capacity, such as :</p> <ul style="list-style-type: none"> Establish a provincial & district debt management working group to develop a strategy to deal with outstanding municipal debt (FINANCE) Provinces to establish a debt management forum to implement the strategy FINANCE Develop a long term strategy to address the supply of skills in the market Co-ordinated provincial annual training plans to be approved by PCC’s and monitored for implementation. <ul style="list-style-type: none"> 2 November: First meeting of PAICC held (for which minutes could be obtained from OCA).

	<p>Amongst the resolutions made was that “By 30th November 2010, all municipalities should have signed MOUs.” Noted, that poor attendance at the PAICC “does not augur well for the success of the programme.”</p>
2011	<ul style="list-style-type: none"> • 2 February: CoGTA EC approved the extension of OCA specialists from two (2) years to three (3) years. • 1 March: CoGTA EC publishes IGR Handbook containing CoGTA: EC IGR Strategy, types and purposes of IGR structures and template Terms of References for Structures. • 18 March OCA Background Report: states 20 of 30 OCA posts have been filled on the basis of 3 year contracts. Also states that OCA has “Established a collaboration model or framework with DBSA and Provincial Treasury through District Coordination Forums”. • 18 March: OCA Progress Report: <ul style="list-style-type: none"> ○ 24 Municipalities receiving OCA support Serious weaknesses found in municipal financial management systems, including: <ul style="list-style-type: none"> ○ Lack of proper and adequate systems of financial and internal controls. ○ Inadequate capacity and resources to deliver services. ○ Non adherence to financial policies procedures, legislative framework. ○ Lack of proper records management. • +- April OCA removed from Municipal Support Services Chief Directorate and becomes stand along unit or “special purpose vehicle” • 11 April: Second meeting of PAICC held with apologies from the SG. • 18 May: Municipal elections held. • August: OCA Structure as at August 2011 identifies status of OCA posts per area of expertise. • October 2011 OCA presentation on OCA approach and identifies 18 challenges being faced.
2012	<ul style="list-style-type: none"> • 29 February third meeting of PAICC held and 11 resolutions minuted including OCA to further engage with CoGTA EC Directorates, as well as PT to take forward the resolutions. • February: Detailed OCA 2012/13 Action Plan finalised with pay performance areas and activities in eight OCA focus areas. • February: CoGTA EC decides on set of municipalities to receive “intensive” OCA support for 2012/13 whereby OCA specialists will spend a period of three months (instead of 1 week) at each municipality. • March: CoGTA EC published Draft Window of Coordination document which outlines principles for single window of coordination, classification of municipalities and 3 levels of support each municipality should receive, as well as outlining a set of phases to the support process (as contained in the 2007 TAU MSIF document). • 4 December: PT and CoGTA MOU revised and submitted to MECs for signature but not approved.
2013	<ul style="list-style-type: none"> • February: The 2013/14 OCA Action Plan identifies 21 OCA specialists as other OCA specialists had either been seconded to municipalities to serve in acting positions or permanently appointed in municipalities. • June OCA April-June 2013 Quarterly Progress Report identifies OCA support provided per municipality. • September OCA July-September Quarterly Progress Report identifies OCA support provided per municipality. • 23-25 October CoGTA EC Local Government Indaba held with recommendations developed under the theme “Strengthening Effective Holistic Oversight Function in Municipalities”. • December: OCA October-December 3rd Quarterly Progress Report.
2014	<ul style="list-style-type: none"> • CoGTA presentation on EC Developmental Local Government Approach to National CoGTA on Summarises COGTA EC Municipal Support Intervention Approach which is the same as contained in the 2007 MSIF document. Contains 2014-19 Strategic Priorities and 2014/15 Priority Support Projects. • 28 February: CoGTA EC Document: “District Support Centres: Concept Document for streamlined and seamless support to municipalities” and contains high level implementation plan for District Support Centres as well as current staffing profile. • 4 March: Fourth PAICC meeting held. • 26 March OCA progress report identifies lessons and challenges and summarises new OCA

	approach. <ul style="list-style-type: none"> 7 July: Fifth and final PAICC meeting held. CoGTA OCA GM Memo "OCA Support To Municipalities 2014 And Beyond" identifies a very different OCA approach and model. October: CoGTA National Launches Back to Basics (B2B) approach to municipal support. December 5th: MEC terminates OCA and re-deploys OCA staff and budget
2015	•

2.2.2 OCA resources

Towards the end of 2009, CoGTA EC allocated R30 million for OCA for the 2010/11 financial year and set a target to employ 30 managers (16 senior and 14 middle managers). The overall OCA budget for the 2012/13 – 2014/15 financial years was as follows:

Table 7 OCA Eastern cape summary budget: 2012/13 - 2014-2015

	2012/2013			2013/2014			2014/2015		
	Budget	Expenditure	Balance	Budget	Expenditure	Balance	Budget	Expenditure	Balance
Compensation of Employees	21 460 203	21 107 522	352 681	28 460 071	28 405 246	54 825	25 893 323	21 411 146	4 482 177
Goods & Services	11 394 221	10 312 295	1 081 926	12 544 996	11 866 156	678 840	9 523 580	5 846 601	3 676 979
Payment for Capital Assets	224 293	168 442	55 851	273 259	273 258	1			0
	33 078 717	31 588 259	1 490 458	41 278 326	40 544 660	733 666	35 416 903	27 257 747	8 159 156

Source: Eastern Cape Province: Department of Local Government and Traditional Affairs: General Manager Operation Clean Audit (March 2015)

Total CoGTA EC expenditure on OCA for the 2010/11 – 2014/15 period was therefore in the region of R129 million.

Overall, the number of municipalities supported by OCA changed from year to year, with the total number of municipalities supported by OCA ranging from 29 (2013/14) to 15 (2014/15) in each financial year between 2010/11 to 2013/14:

Table 8: Number of OCA Supported Municipalities per Year from 2009/10 to 2014/15

Financial Year	Number of OCA municipalities supported
2010/11-2011/12	24
2012/13	18
2013/14	29
2014/15	15

Source: Impact Economix analysis of various OCA documents

OCA staff were generally and initially allocated to specific municipalities for a week at a time on the basis of a 3 month allocation schedule.

The allocation of specialists was based on a deployment model which constantly evolved as OCA found that in some cases municipalities requested OCA specialists be seconded to the municipality to serve in acting positions (often as acting CFOs or MMs) where these posts had become vacant and would take some time to fill and where there were not existing municipal staff who could be appointed in acting positions. In other cases, OCA specialists applied for Municipal CFO or MM positions (linked to the relationship they had developed with a particular municipality while providing OCA support) and left OCA. As a result, OCA specialist resources started to become depleted and increasingly thinly spread. OCA specialists were therefore only able to spend a few days a month at any one particular municipality. In addition, OCA specialists received a travel allowance based on the distance spent travelling to and from municipalities and in some cases the travel allowance payments were reportedly at a similar level to the OCA specialist monthly salaries.

As a March 2011 OCA document states, specialists were allocated as follows:

Each Cluster is supported by two (2) Specialists in SCM and (2) in Finance who rotates amongst the six municipalities, the specialists visit each municipality for a week where they provide hands on support. Amathole and Chris Hani are the only Clusters with one Finance specialists and one SCM respectively. Environmental Management, infrastructure and Internal Audit are in a shared service model; there is one (1) specialist appointed for each discipline and therefore responsible for all the 24 municipalities.

A 2011 OCA document illustrates support being provided to 24 municipalities (divided into 4 clusters) in eight support areas as follows:

Table 9 Allocation of OCA specialists to 24 municipalities in 2011

BENEFITING MUNICIPALITIES

CLUSTER:	J. GQABI & CACADU	CHDM	ADM	OR & ANDM
Specialist	1. Joe Gqabi, 2. Maletswai 3. Gariep, 4. Sundays River 5. Makana 6. Koukamma	1. Chris Hani, 2. Sakhisizwe, 3. Inkwanca, 4. Emalahleni, 5. Engcobo,	1. Great Kei, 2. Mquma, 3. Mbashe, 4. Nkonkobe, 5. Ngqushwa, 6. Nxuba	1. KSD 2. Ingquza, 3. Mbizana, 4. Ntabankulu, 5. Mhlontlo, 6. Alfred Nzo, 7. Umzimvubu
SC, Asset Management	Mr. Mapukata (SM) Mr. Mbilini (Man.)	Mr. Malgas (SM)	Mr Ntकिनca (SM) Mr. Madikazi (Man.)	Ms.Malinga (SM) Ms L.Pani (Man)
Financial Management	Ms. Soci (Man.) Mr. Kasvosve (Man.)	Ms L.Ngeno (SM) Mr. Gibeni (Man.)	Ms Mokorotlo (Man.)	Ms J. Nxumalo(SM) Mr. Nqeno (Man.)
Infrastructure	Mr. Nofemela (SM)			
Environmental	Mr. Mxenge (SM)			
Contract	Vacant			
Hr & Legal Services	Mr. Sohena /Caga (SM)- seconded to Mbashe Ms. Mtshali (Man.) Transferred to RR			
IGR	Mr. Naku (Man.) Transferred to IGR			
Internal Audit	Mrs.P Ntantala 01 March 2011			

Source: OCA EC

For the 2012/13 financial year, OCA decided to provide what was called “intensive support” to municipalities whereby allocated OCA specialists would spend three months at each municipality (instead of a week at a time).

The OCA 2013/2014 annual report shows that OCA support was provided to 29 municipalities (see **Table 4** below) which included municipalities that had moved beyond disclaimers. The reasons for extending OCA support, as contained in this report, were as follows:

- Most of the municipalities in question were previously supported by OCA; therefore there was a need to continue with projects that were already underway.
- The OCA official responsible for the Oversight focus area supports municipalities in collaboration with Municipal Administration Directorate within the department.
- Other municipalities made special requests to be assisted by the department on environmental management and infrastructure. It should be noted that OCA is the only Chief Directorate that provides environmental management support to municipalities.

Table 10 29 Municipalities that were supported by OCA during the 2013/14 financial year

O.R Tambo And Alfred Nzo Districts	Chris Hani District	Amathole District	Cacadu District
1. O.R Tambo District Municipality	2. Chris Hani District Municipality	3. Great Kei	4. Baviaans
5. King Sabatha Dalindyebo	6. Intsika Yethu	7. Nxuba	8. Camdeboo

9. Alfred Nzo District Municipality	10. Lukhanji	11. Ngqushwa	12. Makana
13. Mbizana	14. Emalahleni		15. Ikwezi
	16. Inkwanca		
	17. Inxuba Yethemba		
NON-OCA MUNICIPALITY			
18. Engcobo		19. Nkonkobe	20. Koukamma
21. Ntabankulu		22. Amahlathi	
23. Umzimvubu		24. Mnquma	
25. Nyandeni		26. Mbhashe	
27. Mhlontlo			
28. Matatiele			
29. Nelson Mandela Bay Metro			

The 2013/14 OCA Action Plan identifies the following 21 OCA specialists. Other OCA specialists had either been seconded to municipalities to serve in acting positions or permanently appointed in municipalities:

- 6 x Financial Management;
- 5 x Supply Chain and Asset Management;
- 4 x Human Resource Management
- 2 x Internal Audit
- 1 x Infrastructure Management (offering a shared service in all OCA municipalities);
- 1 x Environmental Management (offering a shared service in all OCA municipalities);
- 1 x Contracts Management (offering a shared service in all OCA municipalities);
- 1 Oversight (offering a shared service in all OCA municipalities).

The OCA under-expenditure relative to budget in 2014/15 is related to the loss of OCA staff to municipalities. It was not possible to identify all OCA specialists that ended up being seconded or permanently appointed at municipalities, however, in the six municipal case studies investigated in this evaluation, the following secondments and appointments were identified:

Table 11: OCA official Temporarily/Permanently Seconded to Municipalities

Institution	Name	Surname	Position	Currently in Acting position at municipality, seconded by OCA	Permanently employed by municipality, seconded from OCA	Temporarily seconded to municipality between 2010-2014, but back at OCA
Greater Kei Municipality	Viwe	Mapukata	Municipal Manager	Yes (Great Kei since 2014)		Yes (Bizana 2013)
Nxuba Municipality	Siphiwo	Caga	Municipal Manager		Yes (Nxuba)	

y						
OCA Support Official	Mvu yisi	Nofe mela	Infrastructure: OCA Support Official	Yes (Lukanji now)		Yes (Mbashe in 2014)

Currently, CoGTA EC OCA staff comprises 29 people (as of February 2015) made up as follows: 1 General Manager, 5 project office staff and 23 project implementers. Some of these staff are currently being used in 3 Eastern Cape municipalities where Section 139 interventions are being implemented. These OCA human resources are contracted employees until June 2016.

The detailed OCA budget for 2012/13 – 2014/15 shows that a large portion of the budget was spent on travel, accommodation and daily allowance costs at about R25 million over these three financial years. The travel allowance was a significant income earner for OCA specialists and key informants indicated that this was in some cases a perverse incentive as it encouraged unnecessary travel to municipalities. The cost-efficiency of the OCA approach was not ideal in terms of the expert deployment approach and travel costs involved.

Table 12 OCA Eastern Cape: detailed budget 2012/13 - 2014/15

	2012/2013			2013/2014			2014/2015			
	Budget	Expenditure	Balance	Budget	Expenditure	Balance	Budget	Expenditure	Balance	
Adverts for Tenders	43 500.00	43 500.00	0.00			0.00			0.00	
Audio Visual Equipment	8 696.00	8 695.80	0.20			0.00			0.00	
Domestic Equipment	8 778.00	8 778.00	0.00			0.00			0.00	
Office Equipment	19 038.00	19 038.00	0.00			0.00			0.00	
Office Furniture	333 455.00	333 390.00	65.00			0.00			0.00	
Laptop Bags			0.00			0.00	34 435.00	17 285.00	17 150.00	
Computer Peripherals						0.00	30 000.00		30 000.00	
Desktop Printer						0.00	50 000.00		50 000.00	
Uniform & Protective Clothing			0.00			0.00	8 910.00		8 910.00	
IT Consumables	81 500.00	81 304.00	196.00	27 286.00	27 285.25	0.75	20 740.00	20 740.00	0.00	
Catering	31 230.00	31 230.00	0.00	23 200.00	11 996.14	11 203.86	18 200.00	9 810.00	8 390.00	
Consultants	196 556.00	196 540.00	16.00	968 940.00	968 939.01	0.99	1 049 940.00	1 049 940.00	0.00	
Entertainment	4 000.00	3 088.24	911.76	3 606.00	3 106.50	499.50	2 000.00	1 964.00	36.00	
Stationery	79 900.00	72 154.89	7 745.11	54 271.00	52 485.75	1 785.25	75 000.00	64 499.00	10 501.00	
Operating Leases	13 267.00	13 217.21	49.79			0.00			0.00	
Accommodation	5 307 617.00	4 420 957.72	886 659.28	5 854 000.00	5 073 570.12	780 429.88	4 299 420.00	3 211 828.00	1 087 592.00	
Daily Allowance	360 820.00	297 614.73	63 205.27	426 000.00	494 788.74	(68 788.74)	30 600.00	250 129.00	(219 529.00)	
Car Rentals	26 327.00	25 399.02	927.98	34 000.00	21 066.27	12 933.73	19 000.00	6 802.00	12 198.00	
S&T Km Allowance	4 009 182.00	3 942 039.71	67 142.29	4 768 800.00	4 887 225.72	(118 425.72)	3 360 345.00	3 199 346.00	160 999.00	
Air Ticket	119 441.00	76 088.89	43 352.11	191 200.00	159 629.44	31 570.56	98 000.00	35 849.00	62 151.00	
Printing & Publications	280 600.00	280 599.99	0.01	10 049.00	10 048.56	0.44			0.00	
Membership & Subscriptions	4 845.00	2 526.00	2 319.00	3 360.00	2 269.10	1 090.90	1 090.00	1 090.00	0.00	
Training & Development							50 000.00			
Venues & Facilities	465 469.00	456 132.93	9 336.07	180 284.00	153 745.65	26 538.35	105 900.00	101 603.00	4 297.00	
	11 394 221.00	10 312 295.13	1 081 925.87	12 544 996.00	11 866 156.25	678 839.75	9 253 580.00	7 970 885.00	1 282 695.00	

Source: Eastern Cape Province: Department of Local Government and Traditional Affairs: General Manager
Operation Clean Audit (March 2015)

2.2.3 Municipal Audit and OCA implementation challenges and lessons based on OCA documentation

OCA progress reports and presentations consistently identified a wide range of OCA implementation challenges and which need to inform the lessons learned. This section also includes lessons identified extracts from minutes of the PAICC meetings which were held between 2012-2014. Annexure 8 contains detailed extracts from OCA progress reports and PAICC minutes which were used to inform the following lessons summary.

The challenges, and their root causes, negatively impacting on municipal audit outcomes were accurately identified in the 2009 OCA concept document as follows (although these challenges are not all encompassing) and these challenges were repeatedly identified throughout OCA 2010-2014 implementation in numerous progress reports.

The main challenges facing OCA and identified in these documents are as follows:

(a) Challenges facing both provincial and municipal governments:

- Lack or inadequate leadership and supervision;
- Lack of systems to manage audit queries and recommendations by both internal and external auditors;
- Inadequate systems to manage good governance practices (especially, conflict of interest and conflict of interest frameworks) within provincial departments and municipalities;
- Leadership and management inaction, especially with regard to the follow up of audit queries, both from internal and external auditors; and
- Inadequate administrative and political oversight to strengthen accountability and responsibility.

(b) Challenges facing municipal governments:

- The lack of monitoring and evaluation of the support being rendered to municipalities. A number of support providers are currently rendering various types of support to municipalities. As a consequence support rendered to municipalities is fragmented without being properly coordinated. The result is that the impact of the support being rendered can be described as minimal at best;
- A sizable number of municipalities are unable to collect their budgeted revenue making them reliant on grant funding for their survival;
- High turnover of skilled and competent managers and technical personnel.

c) Challenges facing OCA specifically:

- Lack of awareness and or buy in by municipalities;
- Lack of understanding of the role of OCA by municipalities , thus requiring OCA to perform operational/ day to day functions that require someone to be permanently stationed at the Municipality;
- Lack of service level agreement between OCA and the municipality;

- Lack of feedback on tasks to be carried out by municipal officials in order to meet particular audit action plan targets;
- Instability in municipalities necessitating seconding of OCA officials to fill in key positions;
- Project Implementers are unable to conducting monitoring and evaluation in their respective focus areas due to the number of municipalities supported;
- Lack of cooperation by some municipalities, unavailability of staff in key positions and non-implementation of OCA recommendations. This was resulting in lack of implementation of all audit action plan recommendations and similar repeat audit findings at municipalities;
- Inadequate staff complement at municipal level resulting in lack of continuity & implementation of OCA recommendations;
- Lack of collaboration with existing support to ensure integration of support efforts;
- Budget constraints to address audit findings (e.g. Appointment of service providers to do lifespan assessments, rehabilitation of landfill sites & absence of drawings affects the development of a GRAP compliant Infrastructure Asset Register);
- The OCA deployment strategy is affecting OCA effectiveness owing to insufficient OCA staff compliment;
- Limited OCA staff time to evaluate the implementation of developed systems & procedures – e.g. Developed Action Plans, templates and registers;
- Over- reliance on service providers. There is no monitoring mechanism in place to ensure transfer of skills is effected in those municipalities that have co-sourced the audit function;
- MPAC: Technically all municipalities have MPACs but they do not receive support from the municipalities such as secretariat. Furthermore, the level of seniority of the MPAC members makes it difficult for the structure to challenge administrative functions. Of concern is that in some municipalities MPAC members are not clear of their functions. It was then suggested that SALGA and the department should provide continuous training;
- Revised Support Model: Traditionally, the support that is provided to municipalities is initiated by the department which is based on audit reports. As a result, in most cases the departmental officials struggle to secure appointments or working sessions with municipal officials in order to provide support. Therefore, the department has over the years incurred a lot of expenditure on travel and accommodation of officials who are deployed to municipalities; and
- The province currently doesn't have a Provincial CFO Forum. All CFOs gathered in a meeting held on 24 June 2014 in which a resolution was taken that the province should establish a CFO Forum.

Some of the root causes behind these challenges were identified as follows:

- Lack of document management and organised filing systems;
- Lack of IT support / fully fledged IT units to support financial systems and Electronic Data Management Systems;
- Lack of effective political oversight;
- Non-availability of key personnel during audits;

- Lack of political leadership to obtain clean audits;
- No culture of performance;
- Corruption;
- No real understanding of the prevailing capacity in municipalities (individual, institutional and environmental);
- High turnover of personnel and a lack of a proper retention strategy by many municipalities;
- Lack of proper application of HR policies and nepotism is resulting in unqualified people being appointed;
- There is a lack of proper financial controls in municipalities, municipalities are employing too many people in management positions and are not employing enough people to do the implementation work and people who are employed to do the work are often doing other things; and
- The support rendered to municipalities is often fragmented and uncoordinated thus causing it to be largely ineffective.

Some of the identified lessons learnt included the following:

- Accountability for addressing audit issues need to be enforced uncompromisingly. Coupled with this is the issue of leadership. For a municipality to overcome any problem or challenge both the political and administrative leadership direct the efforts of the municipality to turn around. It has been a recurrent finding of the Auditor-General that non-involvement of the leadership has been a major contributor poor audit outcomes.
- Municipalities need to demonstrate commitment to turning themselves around. (CoGTA EC cannot turn around any municipality without its commitment).
- Strict attention has to be paid to whether OCA support is accepted by the municipality. Otherwise the whole activity becomes a futile exercise
- Filling of positions that are critical for improving audit outcomes and/or for effective and efficient administration should be prioritised.

Some of the selected recommended changes to the OCA approach which were recommended between 2010-2014 included an overall change in the OCA approach, as well as other supporting actions, such as the following

- OCA will change its approach on providing support to municipalities. The support will be based on the requests that are be submitted by municipalities. The pivotal starting point is the plan that will be submitted by Mayors. Requests for support shall be made in writing, clear and specific. OCA will not support municipalities which do not have clear targets and envisaged results. This approach will ensure that there is credible PoA and justification of the expenditure that is incurred by the department in respect of the support that is provided to municipalities;
- Full ownership of the project by the municipality will be will be driven through ensuring that the municipality develops its own turnaround plan for achieving improved audit outcomes and the OCA support must for into this municipal specific plan;
- Full engagement of the municipal leadership in driving the project will be promoted through a range of measures including;

- The mayor of the municipality will be called upon to present the turnaround plan to the MEC
- Progress reports to be submitted and tabled to the MEC within twenty days after the end of each quarter.
- The Municipal Manager to chair monthly meetings for monitoring progress in Intensive Operation Clean Audit Support
- Bi-Weekly monitoring and evaluation meetings to be conducted;
- OCA GM, CoGTA District Co-ordinator, District Municipality and Provincial Planning & Treasury must also attend the above mentioned meetings.
- Share best practices from other provinces (learn from Western Cape coordination approach);
- Capacitate the OCA project coordination office so that they are able to analyse reports of OCA project implementers;
- Comprehensive plan on coordination is required and the plan should focus on the 45 municipalities;
- IT infrastructure has to be dealt with before looking at the functionality and also look at where IT can be best located in the organisational structure. An immediate action should be taken through processes regarding IT in the municipalities. A fully fledged and functioning [OCA] ICT work stream should be formed as soon as possible;
- OCA should be a standing item in MuniMEC and OTP meetings to report on obstacles and strides made. More importantly we should give specifics on each municipality, maybe ten to fifteen in each meeting and rotate;
- Districts as Hubs of Excellence: It was stated that the OCA Programme of Action or Plan also covers an element of Districts as hubs of excellence. Normally, the province support municipalities without interacting or involving the districts which resulted in duplication of efforts. However, there is a structure called District Mayors' Forums (DMAFO) where the district mayor meets all the mayors of the local municipalities. Currently there are only two DMAFOs active (Amathole and Chris Hani Districts). OCA is a standing item in these forums; and
- However, the department in collaboration with PT and the District Municipalities has established joint meetings for the purpose of synchronizing the support provided to municipalities. The first joint meeting has been established in the Cacadu District and the plan is to rollout it out to other districts.

To the author's knowledge, none of the above recommendations were implemented. It is difficult to speculate as to the reasons for this non-implementation, however, the two possibilities have been raised by key informants:

- Lack of a strong pro-active driver of OCA (GM); and
- Marginalisation of OCA with CoGTA by other CoGTA Directorates (OCA seen as separate unit from the CoGTA and not integrated into its operations).

2.2.4 OCA Mechanisms for transfer from disclaimer to qualified audit

In general, OCA did not have a mechanism or process to transition municipalities from disclaimer to qualified audit opinions. At a basic level OCA support was focused on municipalities that received disclaimer findings from the AG. If a municipality improved from

a disclaimer to an adverse or qualified finding, then OCA support was terminated. There were a few exceptions to this general rule where some municipalities that had qualified findings and specifically requested support from OCA.

For a number of reasons explored previously in the OCA lessons, as well as in the six municipal case studies, some municipalities regressed and were not able to sustain their qualified audit opinions. In those cases, OCA support would resume. These reasons included leadership instability (changes in either senior officials and/or politicians), lack of municipal buy in and ownership of OCA support (e.g. officials feeling threatened) and/or a lack of municipal staff to absorb and implement OCA support moving forward. NT and the AGSA has identified these, and others, as fundamental problems and root causes that ideally need to be addressed before OCA and other support can be effective in improving audit outcomes.

2.3 Brief overview of the Western Cape's municipal support model and approach

The key features and lessons identified from a brief review of the Western Cape approach (which was developed based on an interviews with two Directors (one from WCG PT: Municipal Governance and one WCG DLG: Municipal Capacity Support) as well as a review of key documents) are summarised as follows (refer to **Annexure 12** for the detailed Western Cape case study report):

It must be noted that the Western Cape municipal context differs from that of the Eastern Cape's in that it does not have the homeland history and therefore the Western Cape's smaller rural municipalities do not suffer from financial viability, neglected infrastructure, and low revenue base problems to the same extent of the Eastern Cape. In addition, it can be argued that it is not as challenging to attract and retain skilled personnel to the Western Cape municipalities and this is one reason why the municipal skills shortages may not be as acute in the Western Cape.

The Western Cape achieved 18 out of 30 clean municipal audits in the 2013/14 financial year, compared to 2 out of 45 in the Eastern Cape. Key features of the Western Cape approach to municipal financial support and governance aimed at improving audit outcomes include the following:

- The PT is the drive of municipal financial support and is responsible for municipal audits at a Provincial level in terms of PT's mandate under the MFMA;
- All municipal support is provided by PT and DLG Directors at head office level and through a Provincial-Municipal inter-governmental processes and interactions which include Municipal Governance Review and Outlook (MGR&O) strategy and process (see Figure 2) which includes MGR&O self assessment tool and Municipal Governance Action Plan (MGAP) which is signed off by MM and attached to IDP (to ensure municipal commitment);
- PT has also established in 2011/12 the **Western Cape Financial Management Grant** which grew from an initial R3.5 mil and currently provides about R25 million in funding support (a portion of this amount is provided to NT and a proportion to DLG). Both PT and DLG sit jointly to decide what support is provided to which municipality

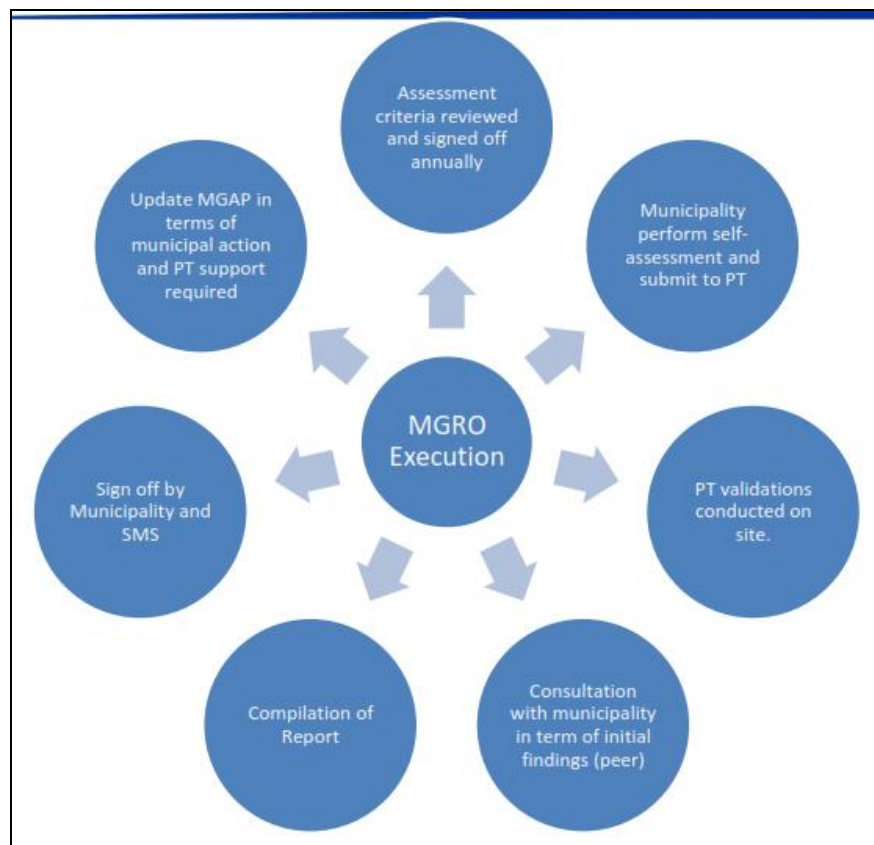
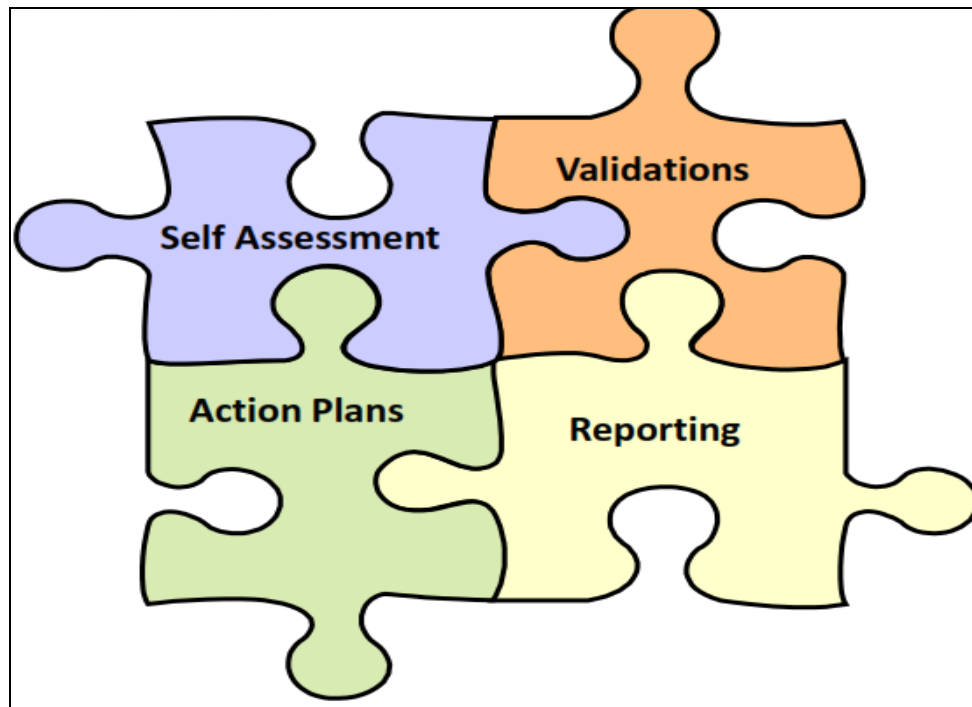
on the basis of grant funding criteria (which ensures that the funding does not fund items that are already covered by existing National government grants).

- PT has also established targets for clean audits per municipality divided into short, medium and long term as follows (from a 2013 presentation):
- There is close PT and LG collaboration and joint work through joint municipal interactions, including conducting joint municipal assessments which cover both municipal financial management as well as governance issues. PT and LG have joint quarterly management team meetings to coordinate support at a municipal level;
- The Western Cape uses various inter-governmental structures to strengthen coordination, assist with monitoring and identifying municipal support needs, as well as information sharing (for explaining regulations and giving guidance on good practices etc.), including the following. Key to effective coordination and communication in these structures is that municipalities are required to present relevant information at a level which allows for coordination of support between PT, DLG, and other relevant role-players:
 - MuniMEC and MinTECH (LG coordinates);
 - Provincial Audit Improvement Coordinating Committee (driven by PT);
 - District Coordinating Forum: Technical (Municipal Managers) (driven by DLG);
 - District Coordinating Forum (Municipal Mayor's) (driven by DLG);
 - Municipal Chief Finance Officer Forum (driven by PT);
 - Chief Risk Officer Forum (driven by PT);
 - Audit Audit Executive Forum (driven by PT);
 - Audit Committee Chairs Forum (driven by PT);
 - Accounting Forum (driven by PT);
 - Supply Chain Management Forum (driven by PT);
- These inter-governmental structures are linked to various Provincial-Municipal engagement processes which take place at key points in the year and which are linked to the MFMA reporting cycle. In February there are MGR&O engagements (at a District level) with Municipal Managers and Directors and representatives of PT and DLG and where each municipality makes presentations on progress and challenges. These focus on various issues including audit readiness, clean governance and challenges being experienced and support required at a municipal level. In September-October, joint Provincial and municipal planning happens where municipal issues inform the PT and DLG Provincial plans for the next financial year. In addition, there are the MuniTech engagements between February-April which focus on budget issues where visits to Municipalities take place to assess the sustainability of the budget, the links to the IDP and which provide another forum to identify municipal support needs. These are aligned to the mid-year review of municipal financial statements. These sessions are attended by representatives of all Provincial Departments (see Figure 3);
- Some of the interesting aspects of the Western Cape support provided includes the following:
 - The WCG has established a range of mechanisms to ensure quality training is provided to municipalities. This includes a partnership with a University as a training provider, as well as a Provincial Training Academy and a Training Committee to coordinate training provided by all provincial departments.

- The WCG uses dedicated telephonic help desks to assist municipalities with specific kinds of support which include: legal queries; help to address accounting queries related to GRAP compliant AFS, SCM assistance etc.
- If municipalities contact PT or DLG telephonically to request support, then the municipality is requested to submit such a request formally in writing. In some cases, the original support request is refined or expanded when the municipality commits the request to writing.
- The bi-annual MGR&O annual municipal engagements provide a wealth of information on support needs which inform the development of Municipal Governance Action Plans (MGAPs). Transversal issues (impacting on many municipalities) are identified and these inform the agenda of the various Forums which have been established, as well as PT circulars which may be required (e.g. BTO structures guideline), so that guidance and information sharing can be tailored to addressing key issues which municipalities have identified.
- Aside from the 10 vulnerable municipalities which have been identified for intensive support and MGAPs, support is provided to other municipalities in the form of focused special projects (which may include the appointment of specialised consultants). Examples would include change management and organisational restructuring. There is also transversal DLG support in nine areas which includes ICT.
- The DLG Governance Directorate support includes the following (this list is not necessarily comprehensive):
 - Legal advice (including the correct operation of Council structures)
 - Anti-corruption policies and investigations.
 - Councillor issues including complaints submitted to MECs.
 - Election assistance issues (there is a dedicated Provincial help line before and after elections for MMs).
 - Performance contracts for MMs and Directors- each municipality's compliance with new regulations is monitored very closely.
 - MPAC training

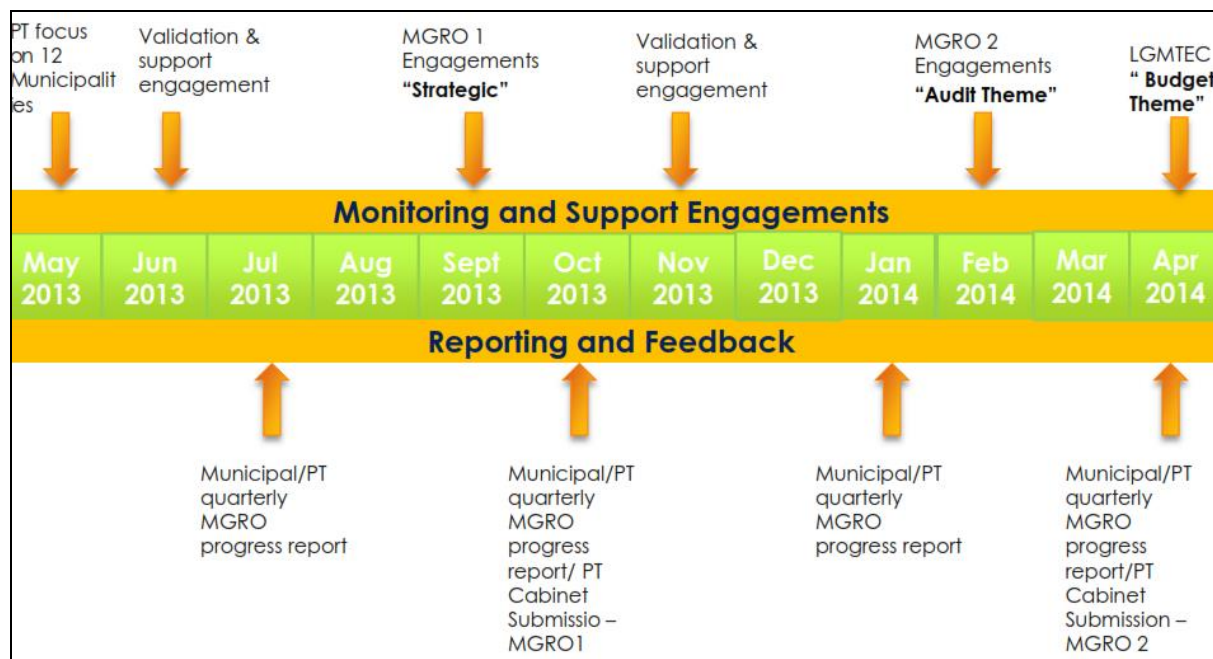
Regarding the use of District Support Centres in the Eastern Cape, the point was made that the MEC for Local Government needs to play the primary coordination function of ensuring all Provincial Sector departments support municipalities in a coordinated manner. By decentralising the coordination of support to a District level there is the danger that the MEC will not have information on what departments are doing in the Districts and Districts may not be getting the same message from Provincial Government. Provincial departments need to be coordinated at head office level before going to the Districts. District Municipalities should rather play a coordination role at District level.

Figure 2 Western Cape Municipal Governance and Review & Outlook Support Model



Source: Vink. 2014.

Figure 3 Key Western Cape Municipal Support Annual Milestones and Time-frames



Source: Vink. 2013

2.3.1 Conclusions regarding overall implementation of OCA support

The main challenges regarding the effectiveness of OCA support which can be identified from the OCA documentation include the following. Conclusions are made according to the following four main themes which have been identified:

1. OCA approach and process and municipal ownership

- 1.1 The challenges, and their root causes, negatively impacting on municipal audit outcomes were accurately identified in the 2009 OCA concept document and these challenges were repeatedly identified throughout OCA 2010-2014 implementation in numerous progress reports. However, it is difficult to identify if any systemic or strategic solutions to these challenges were implemented by CoGTA EC (as key informants interviewed did not mention such implementation). OCA did not appear to have strong operational management or leadership in that OCA specialists reported numerous challenges and constraints and identified mitigating actions to OCA management, however these do not appear to have been implemented, including escalating such issues to the CoGTA HOD or MEC level (incl. political challenges) for decision-making where necessary. Possible reasons for this state of affairs include the perception that OCA was not integrated into the operations and management of CoGTA (it was perceived as a separate unit and CoGTA staff perceived OCA staff negatively as they were earning higher salaries partly due to receiving large transport allowances), as well as the perception that the OCA GM was not pro-active in escalating issues to the CoGTA HOD or MEC or taking forward broader systemic recommendations which were intended to enhance the effectiveness of OCA. OCA Quarterly

progress reports are merely lists of actions taken per municipality and contain no overall strategic analysis or recommendations. However, OCA presentations with more strategic analysis were made in selected inter-governmental structures such as the PAICC, CoGTA internal quarterly review meetings etc.

- 1.2 The OCA management and implementation approach changed when OCA was moved from the CoGTA EC Municipal Support Directorate and became a separate unit. This contributed towards both coordination challenges internally with other CoGTA EC support functions as OCA staff were perceived negatively as they earned higher salaries. In addition, the OCA engagement process with municipalities became less consistent with no clear or standard operating procedures followed to initiate, launch, and manage OCA support at a municipal level. Weekly meetings between OCA and the MM ceased to take place and as a result the gap between OCA providing support and that support being effectively communicated within and implemented by the municipality widened.
- 1.3 There was an insufficiently thorough and consistent OCA process from the inception, or starting, process of engaging with municipalities, through to the support implementation process, to the support exit process. There was no thorough municipal assessment process to accurately identify support needs. Nor was there a clear process to engage municipal leadership and obtain municipal commitment to the support process. Amongst other issues, this resulted in OCA support being provided to municipalities that did not always have the human resources to absorb the support (e.g. vacancy levels in many finance departments are still between 20-30% of approved posts in many municipalities) so that the support was implemented and sustainable in terms of its impacts on reducing negative audit findings. After the support was completed there was no close out or progress report or learning left behind on what had been achieved, what support was provided, what future issues existed or had to be addressed moving forward etc.
- 1.4 The change in the OCA support approach from a “department push” to a “municipal pull” approach was also only defined and agreed in 2014 as OCA was coming to an end.
- 1.5 There does not seem to have been any initiative to learn from the Western Cape approach (despite this being mentioned on numerous occasions) (OCA EC did apparently visit Free State Province) to OCA and/or municipal support. There are clearly important lessons from the Western Cape approach and which CoGTA EC ideally should identify and adapt from the Western Cape experience as a matter of urgency regarding at least the following areas:
 - (a) The PT and DLG service delivery model including:
 - The Municipal Governance Review and Outlook (MGR&O) strategy and process (see Figure 2) which including the self-assessment tool, Municipal Governance Action Plan (MGAP) and the design and

implementation of PT and DLG monitoring and coordination structures, and reporting and decision-making processes;

- The way in which intensive support is provided to the vulnerable municipalities which have been identified for intensive support and MGAPs;
- The way in which municipal governance support is designed and provided/ resourced;
- What processes and services are coordinated at head office level;
- What the role of District Offices are and how these are resources and managed;
- What Transversal support projects provide specific support across municipalities (i.e. not at an individual municipal level);
- How municipal training is organised and provided in the Province.
- The design and implementation of the **Western Cape Financial Management Grant** as part of the broader support approach; and
- The ways in which individual municipal requests for different kinds of support are responded to, managed, and monitored.

b) How PT and DLG coordinate their joint planning and support.

2. OCA coordination including monitoring and reporting

Coordination was poor at all levels and this contributed to reducing the effectiveness of OCA support in contributing towards improved municipal audit outcomes.

Coordination structures were either missing or were not used effectively and this included the lack of detailed reporting on support plans per role-player at a detailed municipal level.

- a. The 2006/2007 CoGTA EC and PT MFMA MoU was never signed and there appeared to be very little joint PT CoGTA EC Planning (even for the 14-19 Strategic Plans and 15/16 APPs) or Joint Management implementation coordination;
- b. The National CoGTA OCA 2010/11 Programme of Action contained detailed actions which reflected the roles of PT, SALGA and others and which were strategic in nature, however, it's unclear to what extent these actions were implemented at either national or provincial level. The EC OCA plan did not clearly align or integrate with this National OCA Plan and identified opportunities contained in the National CoGTA plan for PT and CoGTA EC collaboration do not seem to have been taken forward;
- c. PT EC PAICC did not meet quarterly as per its TOR (it met 5-6 times over 4 years) and there are indications that its recommendations were not fully implemented. Recommendations contained in the PAICC minutes often did not include the responsible party for implementing the recommendations (which could have undermined accountability and implementation). There was a two year gap between February 2012 and March 2014 when the PAICC did not meet. It is not clear if monitoring of PAICC minutes and recommendations took place during this period, however, this does not appear to have taken place;

- d. There were serious gaps in IGR and Coordination structures (e.g. there was no Provincial Chief Financial Officer Forum and the lack of District Mayor's Forums) which only started to be addressed in 2014 as OCA was coming to an end; and
- e. The existing IGR structures do not seem to have been used effectively to present OCA municipal support progress and plans at a municipal-specific level so that key challenges could be escalated to the HOD and MEC level and so that different support role-players could improve their coordination through sharing of each other's plans.

3. Municipal implementation of OCA support

The May 2011 municipal elections, in all likelihood, contributed to administrative and political instability which in turn contributed to challenges with implementing audit action plans, administrative capacity, and sustaining audit improvements as many Councillors were new and needed time to be trained and to properly understand their oversight roles and responsibilities on financial and predetermined objectives. Also Section 57 management contracts expired or were terminated leading to administrative instability, impacting on availability of officials during the audit. Political instability in mainly coalition led municipalities as well as a few others created governance instability, poor decision making and indecisiveness impacting on the filling of key positions of section 56 managers including MMs and CFOs.

2.4 What lessons can be learnt from OCA implementation in the six municipal case studies?

2.4.1 Introduction and brief overview of the Six Municipal Case Studies

This section contains the following sub-sections:

- 2.3.2 Municipal Audit findings Province-wide as well as for OCA supported municipalities including the six municipal case studies
- 2.3.3 OCA approach and process and municipal ownership
- 2.3.4 OCA coordination including monitoring and reporting
- 2.3.5 OCA services and skills (incl. OCA gaps)
- 2.3.6 Municipal implementation of OCA support

The detailed data tables from which Section 2.3's lessons findings and results are based (or derived from) are contained in Annexure 11.

Certain status quo data on the six municipal case studies was collected with the assistance of the AGSA-EC and which is summarised as follows (See Annexure 10 for the detailed municipal case studies status quo profile data):

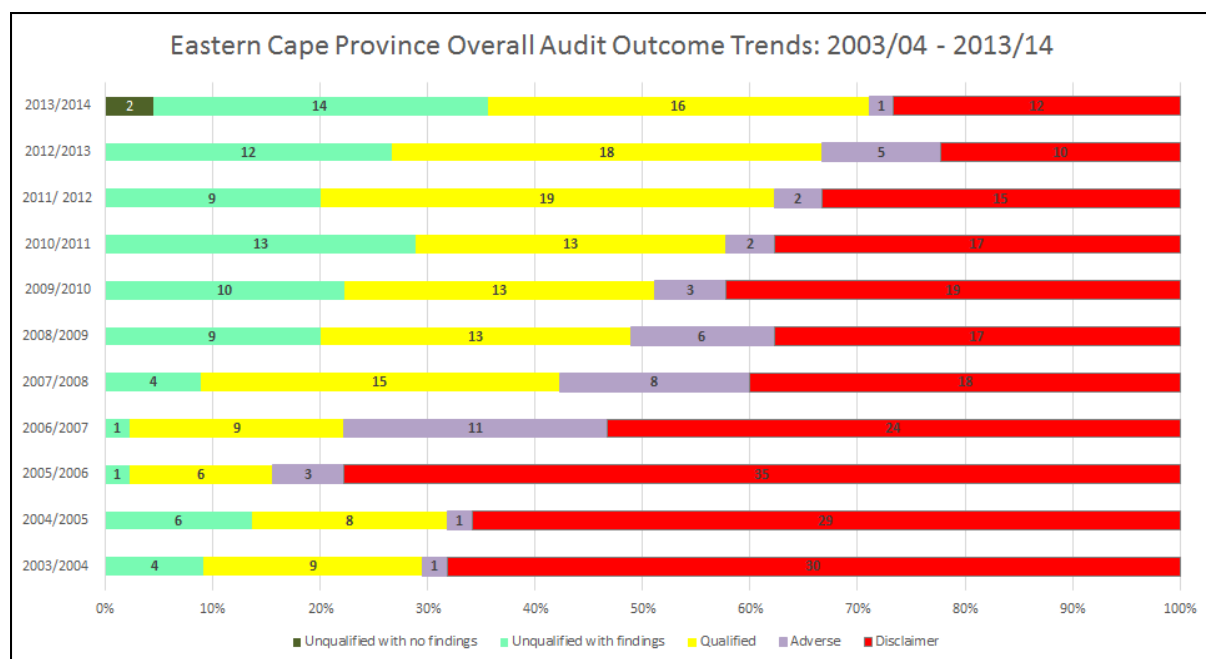
- The 6 municipalities range in total population size from around 800,000 (with annual municipal budgets of between R500-R700 mil.) for the two District Municipalities, to 100,000-150,000 for the two local municipalities, and around 25,000-40,000 for the two rural municipalities (with the latter four municipalities having annual budgets of between R90-R200 mil.);
- All but two municipalities have had some leadership stability with no changes in the MM or CFO position in the 2012/13 and 2013/14 years (Nxuba had an acting CFO in 2012/13 and Greater Kei had both an acting MM and CFO in 2013/14). NT's study on Municipal Finances shows a correlation between good leadership stability and positive audit findings); and
- Some of the municipal MMs and CFOs do not yet meet the NT minimum competency regulation requirements (Emalahleni and Greater Kei MM and CFO, Nxuba CFO), or are in the process of receiving NT training to comply with these regulations. Vacancy levels within the finance departments are often quite high (at between 20-27% of total approved posts- AG data). Performance agreements are in place for MMs and CFOs however it is not clear if these comply with recent regulations. None of the municipalities had performance management agreements/ systems that cascaded down to managers below Directors (although some are starting to pay attention to this issue but require further support).

2.4.2 What Municipal audit trends and results have been achieved province wide and in the six municipal case studies?

Eastern Cape Audit Trends and Results:

Figure 4 shows that the audit outcomes for municipalities in the provinces have generally improved between 2003/2004 and 2013/2014. This improvement is shown by the general increase in the municipalities with unqualified with findings and qualified audit outcomes as well as a decrease in municipalities with disclaimer audit outcomes. In 2009/10 there were 22 municipalities with either disclaimers (19) or adverse findings (3). In 2013/14 this had improved by ten municipalities to thirteen municipalities (1 with adverse and 12 with disclaimers). 23 municipalities out of 45 improved their audit outcomes when comparing the 2009/10 and the 2013/14 financial years. Between 2012/13 and 2013/14 financial years, the 64% of municipal audit outcomes remained unchanged whilst 11% regressed.

Figure 4 Eastern Cape Province Overall Audit Outcome Trends: 2003/04 - 2013/14



Source: Impact Economix Analysis of AGSA data (March 2015).

Figure 5 shows that a slightly higher proportion (34%) of OCA supported municipalities improved their Audit Outcomes compared to Non-OCA supported municipalities (19%) between 2012/13 – 2013/14. 3 of the 18 municipalities supported by OCA in 2012/13 regressed in their audit outcomes whilst 6 improved for the 2013/14 audit. 4 of the 24 municipalities supported by OCA in 2010/11 financial year regressed in their audit outcomes whilst 5 improved.

Figure 5: Operation Clean Audit: Comparison on 2012/13 - 2013/14 Audit Outcome Trend: OCA Supported vs Non-OCA Supported Municipalities

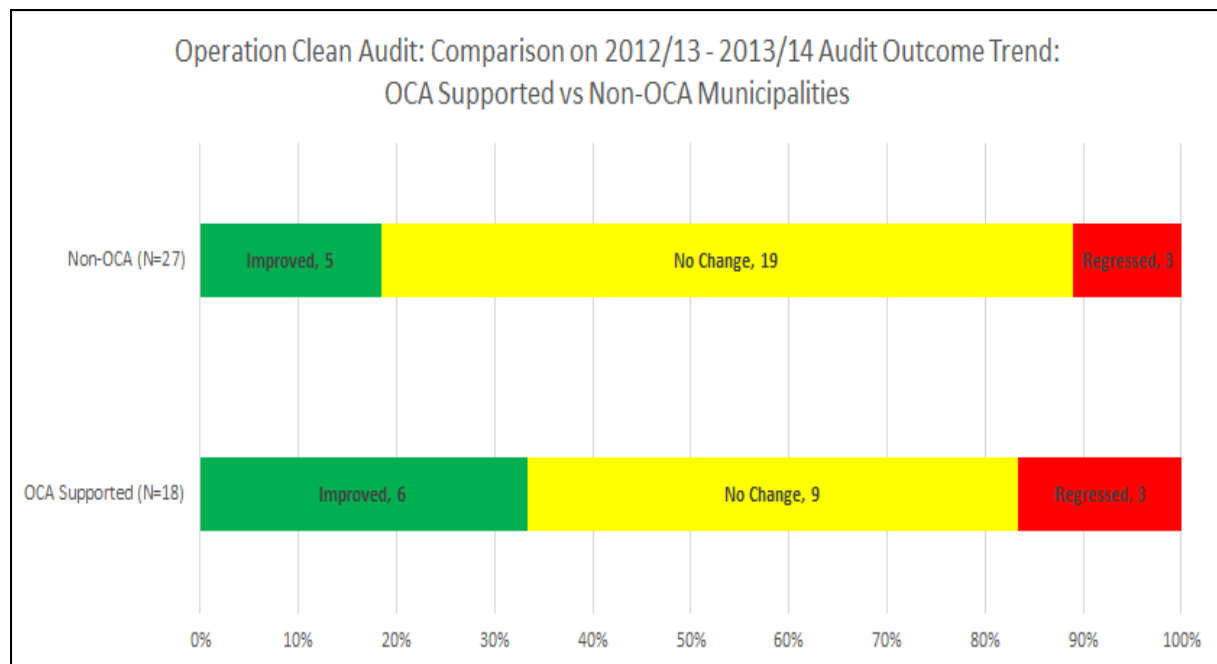


Figure 6 shows that distribution of findings on non-compliance in audit outcomes for all municipalities in the Eastern Cape Province for the 2013/14 financial year. The highest number of repeat findings were on procurement management, unauthorised, irregular and fruitless and wasteful expenditure, and material miss-statements. Issues related to consequence management and performance management were also commonly found. Unauthorised, irregular, fruitless and wasteful expenditure (UIF) was the most commonly area qualified under the 2013/14 municipal audit in the Eastern Cape Province (in 22 municipalities). The findings on predetermined objectives in 2013/14 show that the main repeated finding was “reported information not useful” in 33 municipalities, followed by information not reliable” in 26 municipalities.

Audit Findings per six municipal case studies:

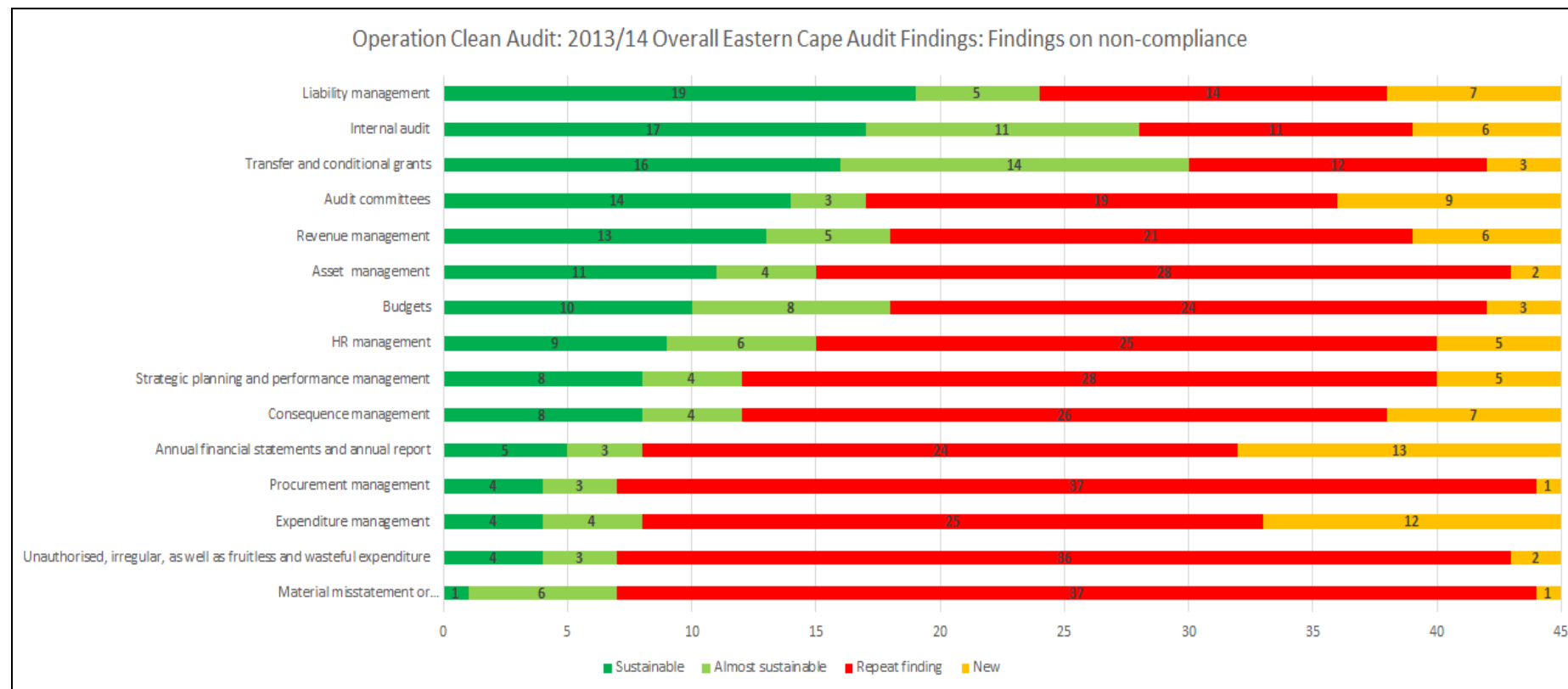
Table 13 shows that audit outcomes trend for the 6 case study municipalities considered in this evaluation. This shows a persistent trend over 5-6 years of receiving disclaimers, and a number of regressions over this time (Alfred Nzo in 2009/10, Instikayethu in 2009/10 and Greater Kei in 2013/14). At the same time, five of the municipalities improved their audit rating over this five year period and achieved qualified opinions in either 2012/13 or 2013/14.

Table 13: Audit Outcome Trend for 6 Case Study Municipalities

Municipality	2008/2009	2009/2010	2010/2011	2011/ 2012	2012/2013	2013/2014
Chris Hani	Disclaimer	Disclaimer	Disclaimer	Adverse	Qualified	Qualified
Alfred Nzo	Adverse	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified
Emalahleni	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified
Intsikayethu	Qualified	Disclaimer	Disclaimer	Disclaimer	Adverse	Qualified
Nxuba	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified	Qualified
Great Kei	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Adverse	Disclaimer

Source: Impact Economix Analysis of AGSA data (March 2015).

Figure 6: Overall 2013/14 Eastern Cape Audit Outcomes: Findings on non-compliance



Source: Impact Economix Analysis of AGSA data (March 2015).

Between 2012/13 and 2013/14, 3 of the 6 case study municipalities improved their audit outcomes whilst 1 regressed. All six municipalities had repeated findings on the quality of their performance objectives (the information was both not useful and reliable) as well as on compliance with legislation.

Regarding compliance with HR legislation in 2013/14, the AG identified various issues in each of the municipalities and these show a range of serious HR challenges at Chris Hani District Municipality and Nxuba Local Municipality which are likely to pose challenges with respect to improving audit outcomes (unfortunately the AG's database did not have HR compliance data for the other four municipalities).

Regarding the 13/14 audit, the main compliance issues of continuing concern are the following:

- Annual financial statement misstatements or limitations;
- Unauthorised, irregular as well as fruitless expenditure;
- Procurement management;
- Performance management as well as consequence management;
- HR management;
- Budgets; and
- Revenue management.

Regarding the 13/14 audit, the main compliance issues where favourable audit findings have been achieved are the following:

- Asset management;
- Audit committees;
- Internal audit; and
- Transfers and conditional grants.

The 13/14 audit findings per municipality with respect to disclosure/ accuracy of information provided shows that the main 13/14 disclosure areas of concern are as follows:

- Property assets;
- Liabilities: payables and accruals; and
- Contingent liabilities.

Regarding other financial management indicators, the 13/14 audit findings per municipality show that the main area of concern is irregular expenditure in terms of SCM regulations. The amounts of unauthorised, irregular, and fruitless and wasteful expenditure are often fairly large (in proportion to the overall municipal budgets) with at least R500 million in unauthorised and fruitless and wasteful expenditure (both identified and not identified by management) being identified for the six municipalities for the 2009/10 and 2013/14 financial years (see Table 14). The data shows that there has not always been a favourable downward trend between 2009/10 and 2013/14 which is a negative reflection on indicators which should have shown improvement over time if audit action plans had been effectively implemented and if political interference in SCM had been avoided.

Table 14 Six Municipal case studies: Trends in unauthorised and fruitless and wasteful expenditure: 2009/10 - 2013/14

		2009/10 Total Mil.	2013/14 Total Mil.	Total (Mil.)
Unauthorized expenditure	Chris Hani	103	144	247
	Alfred Nzo	0	106	106
	Emalahleni	0	12	12
	Intsikayethu	0	47	47
	Nxuba	6.3	9.9	16.2
	Great Kei			0
Fruitless & wasteful expenditure not ID by Mgmt.	Chris Hani	0	0	0
	Alfred Nzo	0	2.1	2.1
	Emalahleni	18	49	67
	Intsikayethu	0	0	0
	Nxuba	0	0	0
	Great Kei	0	0	0
Fruitless & wasteful expenditure iID by Mgmt.	Chris Hani	0.161	0.125	0.286
	Alfred Nzo	0	0.043	0.043
	Emalahleni	0	0.266	0.266
	Intsikayethu	0	0.122	0.122
	Nxuba	0	0.897	0.897
	Great Kei	0	0.755	0.755
TOTAL		127.461	372.208	499.669

Source: Impact Economix analysis of AGSA- EC data (March 2015).

Other trends in the audit findings show a reduction in many negative audit findings however misstatements in the financial statements were still reported in 2013/14.

2.4.3 OCA approach, model and process and municipal ownership

The main lessons regarding the overall OCA approach, process and municipal ownership identified from the six municipal case studies include the following:

- There was not a clear and consistent OCA launch, inception and roll-out process followed which began with reaching written agreement with municipal leadership regarding what the specific objectives of OCA support were, what specific OCA support would be provided, and how OCA support would be coordinated internally as well as how OCA support and the role of OCA specialists would be communicated to municipal staff. This resulted in some cases in low levels of municipal ownership of OCA support, as well as some municipal staff feeling threatened by OCA (e.g. OCA support is replacing them as they are not doing their jobs properly)- all of this negatively impacted on the degree to which OCA support which was provided was effectively implemented by municipal staff; and
- There was a lack of coordination between CoGTA and PT with regards to conducting assessments and there was also not a proper root-cause analysis of the reasons why municipalities were receiving negative audit findings. Such an analysis should ideally have been used to inform the identification of municipalities to receive support (i.e.

including whether municipalities have sufficient financial management staff in place to absorb and benefit from support) as well as the development of OCA action plans and support.

Municipal views on the effectiveness of OCA support were mixed, with some municipal representatives noting that OCA support had made a positive impact on addressing the root causes of certain audit findings (e.g. improving document management and being able to supply contracts, improving internal controls and compliance with SCM regulations, assisting governance and oversight structures such as MPACs, and improving compliance by ensuring that relevant policies were in place and in some cases procedures to implement policies). These municipalities tended to have municipal leadership that were committed to improving their audits and had in some cases ensure that OCA was well coordinated and communicated within the municipality.

In municipalities with negative views of OCA in terms of both their views on OCA effectiveness, as well as levels of satisfaction with OCA support, it is likely that there had been poorer communication with municipal leadership and / or that municipal officials that had received OCA support had, in some cases, left the municipality resulting in poor sustainability and continuity with implementing OCA support and/or low capacity municipalities did not have staff for OCA to transfer skills to, resulting in unsustainable support and regression after OCA support was terminated. In addition, there was dissatisfaction with the short one week time period that OCA specialists spent at municipalities which were not receiving intensive support as this was perceived to undermine the implementation of OCA support and systems and procedures that had been developed. Some municipalities indicated the need for more intensive, hands-on, ongoing support that went beyond providing training workshops so that municipal officials were clear exactly how to implement new systems, policies, procedures and templates.

2.4.4 Coordination and monitoring of OCA support including other OCA relevant support being provided.

The main financial management interventions which were being implemented in parallel to OCA support included the following:

1. National Treasury: Municipal Finance Improvement Programme involving funding for interns to assist with finance administration as well as finance experts that were placed at municipalities for 6 months. Apparently support plans were developed jointly between municipal leadership and finance experts at the beginning of the support process. Support included assisting to improve SCM compliance and internal controls and addressing reconciliations.
2. Provincial Treasury:
 - a. CFO Support Programme (it is not clear if this was the same as the MFIP above) including assistance with Section 71 reports (monthly statements).
 - b. Budget process.
 - c. Annual financial statement preparation and compliance.
 - d. Training of new Councillors.
 - e. Debt collection models and systems.

- f. Late payments of equitable share.
- 3. SALGA:
 - a. Visiting municipalities quarterly and reviewing audit action plans and contacting PT and PWC to provide support.
 - b. Attend some audit committee meetings and participated in Councillor training including for MPACs.
 - c. Plays a political mediating role to resolve issues around S57 managers in selected municipalities.
 - d. Facilitates the Provincial Finance Working Group which has a standing item on municipal finance and where OCA progress was apparently reported and where municipalities share their challenges as well as good practices.
 - e. HR support and assists with organograms (presumably assists with trade union consultation processes in some way).
 - f. Currently conducting assessments of thirteen municipalities with adverse/disclaimer findings with the Public Affairs Research Institute.
- 4. Price Waterhouse Coopers (apparently via an agreement with SALGA) provided free training for audit committees (and possibly other support).
- 5. District municipalities:
 - a. Deployed IT interns and assisted with IT governance and municipal web sites.
 - b. Coordinated indigent registration drives with LMs.
- 6. Consultants were appointed to assist with preparation of financial statements, internal auditing, asset issues, and assistance with audit action plans.

One official dealing with municipal revenue made the following critical comments regarding National Treasury's Municipal Financial Management Improvement Programme:

That one [MFIP] I didn't find to be assisting, as a matter of fact on the exit of that particular person we did a report and some of the issues they were raising there were not of assisting, like you would give them your challenges and they would just put it there, so they were not kind of a hands on. I think we need more hands on support rather than being taken for workshop and sitting in the workshop and saying this is how you are supposed to be doing it. Rather be in a position where you are hands on and saying this is the process that were are doing and you start from A and this is what you need to do, these are the templates, you know and do a work through for a month or two. I think that would have more impact.

What happened is I would raise my issues with that person and then that would then be reflected in that particular report as if this is what is done kind of thing. I was very surprised with the report, as it seemed like he done this and that whilst it was not done and he did not assist us with any of that. The information he just extracted from the employees and he put that down in his report.

They would come in on a daily basis and sit in the CFO's office and he'd basically prepare a report. He'd attend our meetings with those finance attends; he would sit in those meetings from time to time in those meetings he would comment or maybe advise. Once or twice he would sit with the debtors I can't recall what he assisted the debtors clerk with. Either from that he'd be in the CFO's office preparing his report or I remember asking what is he supposed to be doing? Isn't he supposed to be coming

and assisting in the income side and saying these are the issues and this how we are going to address them?

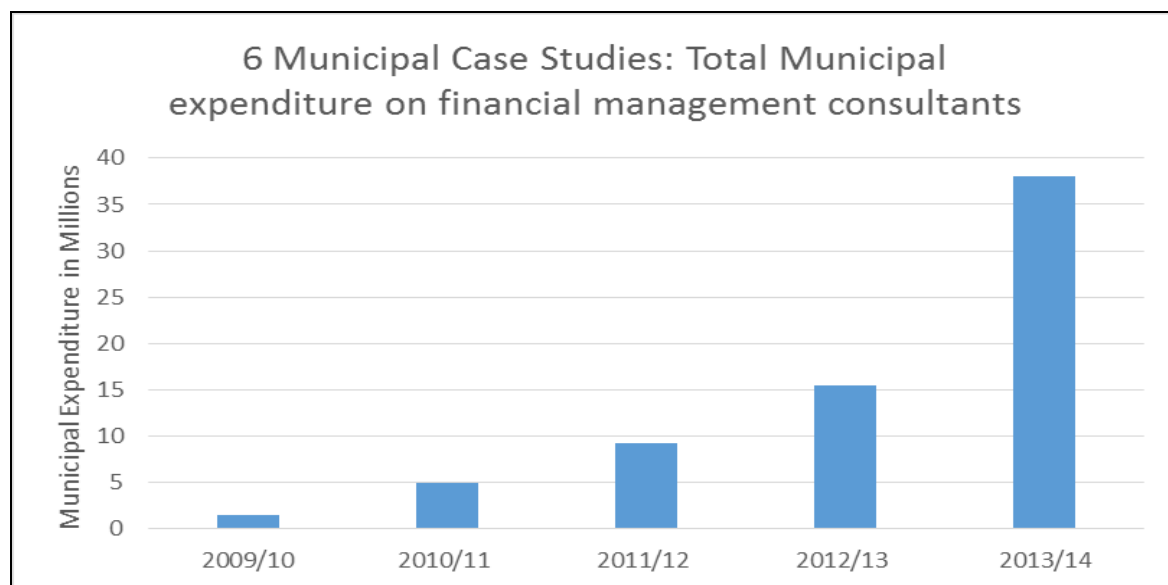
There has been a large increase in municipal expenditure on consultants to assist with financial management from at least R1.5 mil. in 2009/10 to at least R37.98 mil. in 2013/14 (this data is not complete and has gaps- the totals will therefore be higher). A total of at least R69 million (the actual total will be higher) has been spent by the six municipalities over the past five financial years (an average of R11.5 million/ municipality). It is not clear if District Municipality expenditure includes assistance for local municipalities (although it is assumed that it does). There are various possible reasons for the growth in municipal expenditure on consultants to assist with financial management and it is not possible to identify the main reason within the scope of this evaluation without looking in detail at exactly what consultants were appointed to do. Possible reasons for this growth include that some municipalities do not have the expertise to use their new financial systems and rely on consultants to produce financial reports and perform basic functions such as producing payroll slips etc., challenges with producing GRAP compliant asset registers, challenges with producing Annual Financial Statements, as well as the possibility that existing support initiatives (which include MFIP, CFO Support Programme, and OCA) were insufficient to meet all municipal financial management support needs.

Table 15 Expenditure on consultants for financial management per support per six Municipalities: 2009/10 - 2013/14

Municipality	2009/10	2010/11 (Mil.)	2011/12 (Mil.)	2012/13 (Mil.)	2013/14 (Mil.)
Chris Hani District	0.8	1.0	0.7	0.5	5.5
Alfred Nzo District	0.2	3.9	5.2	4.8	18.0
Emalaheni	<i>Not in ASMIS</i>	<i>Not in ASMIS</i>	1.2	1.2	1.18
Intsikayethu	<i>Not in ASMIS</i>	<i>Not in ASMIS</i>	<i>Not in ASMIS</i>	2.7	5.0
Nxuba	<i>Not in ASMIS</i>	0.4.	1.0	0.1	4.1
Greater Kei	0.5	<i>Not in ASMIS</i>	1.2	6.2	4.2
TOTAL	1.5	4.9	9.3	15.5	37.98

Source: AGSA – EC database.

Figure 7 Minimum Municipal Expenditure Amongst 6 Municipal Case Studies on Financial Management Consultants 2009/12 - 2013/14



Source: AGSA. 2015 (note these are minimum amounts as data on consultant financial management expenditure was not available for all 6 municipalities for all financial years).

Municipal views on the effectiveness of OCA coordination were mixed, with some reporting positive views and others negative views (i.e there was poor coordination between OCA and various initiatives). Where municipalities reported positive views on OCA coordination, it appears the the municipal MM played a strong driving role in ensuring that OCA and other support providers participated in municipal top management meetings where relevant, as well as ensuring that OCA support and required management actions were well coordinated at both top management level and lower management levels.

One key informant noted that there was some complementarity between OCA support and PT support and that this was assisted by the MM engaging with PT to indicate what support the municipality needed when OCA support resources were not sufficient:

“Of course at the level of municipality, it was difficult for us because OCA had its own program you know, you will sometimes need assistance and OCA will be in other municipality. And then you will ensure that you solicit support from treasury. So, I would say that what treasury was doing was complimenting where OCA is falling short. It was more of a complimentary because the way treasury operates they don't come for its better OCA was here, treasury will come for a day after a day they would leave, it was after they deployed someone for six months when I approached them to say look we need a continued support from treasury as a department that in standards for us in terms of finances. And they agreed that they will provide it and indeed they provided.”

2.4.5 OCA Services provided

Municipal representatives were asked about what OCA support they were aware of and that the municipality had received. These responses do not reflect all OCA support provided to the municipality for a number of reasons including the ability of representatives to remember

what support had been provided, as well as the fact that some representatives were not in their current positions from 2010, or the beginning of OCA. The summary of the main OCA support provided is as follows:

- MPAC Councillor training on their oversight role;
- Internal audit unit support including policies and processes;
- Document management and filing system support;
- HR recruitment support for CFOs;
- SCM internal controls;
- Land fill site compliance; and
- Various policies and procedures to improve compliance.

Regarding OCA specialist skills, most key informants were satisfied with these although two municipalities expressed dissatisfaction saying that the OCA specialist did not have “sufficient training in GRAP regarding financial statements” and the other stating that the OCA specialist was not sufficiently familiar with municipal processes.

The main lessons regarding the adequacy of OCA skills provided are as follows:

- The lower capacity municipalities were grateful to have OCA experts present in the municipality to fill their staffing gaps and where OCA experts actually performed certain work duties that ordinarily should have been performed by municipal staff;
- The medium, or higher, capacity municipalities in some cases felt that OCA staff were not sufficiently experienced with municipal management and understanding the municipal processes and environment, as well as detailed understanding of municipal financial issues, and were not always satisfied with the support provided for that reason (this may also be a reason for the growth in municipal expenditure on consultants as discussed in Section 2.3.4);
- OCA did not provide IT support and this was a gap that existed in some municipalities (although one District attempted to fulfil this need); and
- It is important that support is provided by specialists who have municipal experience and are knowledgeable regarding municipal legislation, processes, and service delivery.

Municipal officials were asked if there were specific types of support (with a primary focus on financial management) that the municipality still needed assistance with and a wide range of responses were received. These responses range from strengthening MPACs, strengthening SCM internal controls, resolving assets issues, improving financial reporting, strengthening the performance management system (e.g. cascading performance agreements), and assistance with debt collection and revenue generation strategies (including improving indigent registrations).

2.4.6 Implementation of OCA support and building municipal capacity

A number of successes and challenges with OCA support have been reported by municipalities.

Successes regarding implementation of OCA support:

- a) MPACs and audit committees were established. Audit committees generally function well (and they also the skills as use outside consultants). However, MPACs are experiencing a range of challenges which undermine their effectiveness. These include the lack of administrative support (MPAC chairpersons need an administrative assistance to support the MPAC functioning and logistics as well as to conduct research), the lack of municipal administrative adherence to MPAC's reporting requirements (Directors submitting reports within deadlines), a lack of understanding of role of MPACs by political leadership, and a lack of implementation of MPAC recommendations.

Challenges identified regarding the implementation of OCA support and which, in some cases, constrained sustained improvements in audit outcomes, included the following:

- a) Chris Hani District shared audit committee efficient re reducing costs and ineffective re challenges in finding dates for meeting;
- b) The quality of municipal reports is often poor and reflect outdated or incorrect information which undermine the effective operation of oversight committees;
- c) Municipal staff that had been capacitated by OCA specialists would later leave the municipality's employ and this resulted in a vacuum and/or loss of skills;
- d) Where there was either weak leadership and/or management and/or buy-in to OCA there was sometimes weak implementation of audit action plan and oversight structure recommendations; and
- e) Lower capacity municipalities require intensive support hands-on/ better skilled officials so providing support via workshop training is insufficient. There is a fine line between taking over the responsibilities of the municipality and providing support.

Lessons identified regarding OCA's effectiveness in building municipal financial management capacity included the fact that OCA successes achieved with developing many new policies and procedures to improve improve compliance were undermined in some municipalities where:

- a) Municipal commitment was low and and negative perceptions or suspicion of OCA existed by officials. This was exacerbated by poor municipal leadership/ Director's internal communication of new policies/ procedures and managing and cascading these down to staff in their departments (which can sometimes be linked to MMs not prioritising OCA support and ensuring OCA was linked to management meetings); and
- b) There was political interference in administrative process which undermined SCM policies and procedures and resulted in irregular expenditure (as well as possible corruption- although no direct evidence of corruption was identified).

The following example was provided regarding poor implementation of internal audit recommendations:

"Take infrastructure or community services. We did an audit on cemetery management where we highlighted that there are no layout plans for the graves, the area where the community is using the graves. People just bury their loved ones anywhere. There is no guide as to how you should dig your grave. You find a grave this big and one this small. Those are the things that affect your community directly. And to my surprise that issue hasn't been resolved, even today. However a budget

was spent for those cemeteries. In the name of us resolving that. We are doing landscaping on this, we will fix drainages for the cemeteries. But today, you can visit that grave from 2012, it is still the same. That is a direct impact on service delivery. It is one thing a municipality should provide. A proper grave yard."

Finally, municipal key informants were asked to provide suggestions for strengthening / improving the OCA approach or model. The main suggestions were as follows:

- More intensive, hands-on, ongoing support that went beyond providing training workshops so that municipal officials were clear exactly how to implement new systems, policies, procedures and templates (this applies to lower capacity municipalities);
- Support officials could spend a few months in one municipality and then they should be rotated to another municipality so that there is scope to share lessons from what worked well in other municipalities; and
- "They should find a way of integrating the issue of you know clean audit together with service delivery, so [CoGTA EC] should be able to assist the municipality to link it [support] up with treasury, national treasury and other various departments within the IGR framework."

2.5 Conclusions and Lessons Learnt

The main conclusions which can be identified from the findings are organised into the four themes and are as follows:

1. Audit Results achieved

While there have been some improvement in audit results, it is likely that this improvement has not been as rapid and wide-spread as it could have been due to a number of complex and inter-related challenges which include:

- (g) Poor coordination of support across interventions as well as weaknesses in the operation of inter-governmental coordinating structures;
- (h) Challenges with OCA management and reporting and internal coordination with other support Directorates within CoGTA, as well as the lack of escalating strategic issues impacting on OCA's effectiveness to HoD and MEC level;
- (i) Challenges with buy-in and commitment to OCA support was found in some municipalities and this resulted in poor implementation and sustainability of OCA support that had been provided;
- (j) Political interference in administrative processes contributed to the growing volume of irregular expenditure;
- (k) Instability and lack of continuity at both a political and administrative level impacting on changes in senior municipal management and a lack of sustained momentum in implementing audit action plans; and
- (l) Lack of sufficient financial management staff capacity to absorb OCA, and other, support at some municipalities which resulted in the benefits of such support not being sustainable and the regression in, and/or continually repeated negative, audit findings.

2. OCA approach and process and municipal ownership

The lack of a PT and CoGTA coordinated support process, including a joint municipal (self) assessment tool, resulted in the following:

- OCA support being provided to some municipalities that did not have sufficient financial management staff to absorb the OCA support or ensure that the OCA support would be sustainable in terms of skills transfers to existing municipal staff;
- OCA (or the municipalities) not developing a written support plan which showed the roles of different support role-players and contained targets which the municipal leadership could formally agree to prior to support commencing. This contributed towards a lack of municipal ownership and buy-in to OCA support in some cases which in turn contributed to poor implementation of outputs (e.g. policies, procedures and internal controls) which OCA specialists assisted to put in place; and
- Some municipal MMs and Directors not engaging (sufficiently) with their staff at the beginning of the OCA support process to introduce OCA and its role to lower level officials. This resulted in OCA specialists often being perceived negatively as coming in to do the work of the municipal officials (with the perceived assumption by these officials that the officials were not seen to be doing their work properly). This limited municipal staff's receptiveness to OCA support and the degree to which they both accepted advice/ mentoring from OCA specialists as well as the degree to which policies, procedures, systems and controls that OCA had assisted to develop were effectively implemented by municipal staff. The lack of performance management systems and procedures below Director level contributed to poor municipal implementation of new policies, procedures and systems. All of this resulted in certain AGSA audit findings re-occurring (particularly with respect to SCM and irregular expenditure).

3. OCA coordination including monitoring and reporting:

Due to ineffective coordination from CoGTA and PT, some degree of coordination was only achieved within certain municipalities (and not at a Provincial level between support interventions and role-players) as a result of the relevant MM playing a pro-active and hands-on role in ensuring linkages were made with municipal management and support initiatives, including OCA.

In almost all municipalities, reports on OCA support were not submitted to either municipal management or to Councils. This is linked to the fact that OCA support plans were not committed to writing at the beginning of the process. Nor were these support plans submitted to, and approved by, Council.

4. OCA services and skills:

- 4.1 Most municipalities were satisfied with the OCA skills provided, although some felt that support specialists needed more training in GRAP and financial statement issues. Presumably these skills could more reasonably be expected to be found in PT officials. Other key informants felt that some OCA specialists were not sufficiently familiar with municipal legislation or processes.
- 4.2 There has been a large increase in spending on consultants for financial management assistance in the last two financial years (2012/13 – 2013/14). This is an indication that either government support initiatives are under-resourced and cannot provide the level or intensity of service needed, or that they are not able to provide all the required support services and/or skills.
- 4.3 Each of the six municipalities have reported still requiring financial management and governance support in a range of different areas which include (but is not limited to) strengthening MPACs, strengthening SCM internal controls, resolving assets issues, improving financial reporting, strengthening the performance management system (e.g. cascading performance agreements), and assistance with debt collection and revenue generation strategies (including improving indigent registrations). It is going to be important for PT and CoGTA to engage and coordinate which department is responsible for providing what kinds of support.

5. Municipal implementation of OCA support:

- 5.1 There have been a number of challenges with municipalities taking forward and implementing OCA support that has been provided. This has undermined progress in improving municipal; audit outcomes. These challenges include constraints to the effective operation of MPACs and political interference in SCM processes.
- 5.2 It is clear that broader municipal governance support needs to be coordinated with financial management support plans and must also be provided to municipalities to ensure their oversight structures are able to operate effectively if meaningful progress is to be achieved with implementing audit action plans and improving audit results.
- 5.3 It is possible that legislative amendments may be required to assist in improving the effectiveness of MPACs through clarifying the role and functioning of MPACs and ensuring MPACs are able to hold the executive to account.

The main lessons identified regarding the provision of effective Provincial support to municipalities to improve financial management, governance, and audit outcomes are organised according to the four themes as follows:

Table 16 Lessons for Eastern Cape Provincial municipal support for OCA evaluation

Theme	Lessons for Eastern Cape Provincial municipal support
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<p>OCA approach and process and municipal ownership</p>	<ol style="list-style-type: none"> 1. Improving municipal audit outcomes requires sound management, administrative and governance capacity, skills, processes and systems to be in place. Therefore, a holistic, comprehensive and coordinated support approach and response is needed from both national and provincial Treasuries and CoGTA Departments. 2. Each municipality's state of management, administrative and governance capacity, skills, processes and systems is at various levels of development and effectiveness and therefore there needs to be a clear municipal diagnosis process to inform the identification of municipal needs and which takes place through a coordinated process between national and provincial Treasuries and CoGTA Departments (but with clear roles identified and agreed throughout this process). 3. Each municipality needs to have a certain minimum financial management staffing capacity (filled posts) in relevant financial management support areas before hands-on or training support is provided to that municipality in a specific aspect of financial management. A clear message from Provincial government to municipalities is needed as to certain minimum capacity which needs to be in place before support can be provided in certain areas. Failure on the part of municipalities to prioritise and fill certain financial management posts not only contributes towards poor audit outcomes but it also contributes to a waste of Provincial funds spent on support that does not sustainably contribute towards improving municipal capacity. 4. It is vital that Provincial government adopt a partnership, as opposed to a big brother, approach to supporting municipalities and that all processes are carefully designed to achieve municipal ownership of any support which is provided. The provincial support process should involve a combination of a structured municipal self-assessment which covers both financial management and governance issues (whereby municipalities identify their strengths and weaknesses and level of development) as well as a structured annual calendar of inter-governmental engagements where municipalities present their challenges in forums to both PT and CoGTA officials. This will allow PT and CoGTA to identify additional support needs over and above the self-assessment process. 5. Municipal support plans (called Municipal Governance Action Plans in the Western Cape) need to be developed for the lower capacity, vulnerable municipalities through joint interaction between the municipality and PT and CoGTA EC. These plans must include the specific roles and responsibilities of all parties involved, as well as specific deliverables, time-frames and monitoring and reporting arrangements. These plans must be approved by municipal Councils before implementation commences and also be included in municipal IDPs. 6. Management of municipal support requires pro-active managers with carefully developed performance agreements which include KPIs for resolving transversal constraints impacting on improved municipal audit
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	outcomes (e.g. effective MPACs, effective ICT and document management systems, appointment of competent MMs and CFOs which meet minimum competencies etc.).
OCA coordination including monitoring and reporting	<ol style="list-style-type: none"> 1. All role-players involved in providing support to municipalities need to participate in both Provincial and District-level inter-governmental structures of various kinds whereby organisation and municipal- specific support plans are presented and shared to allow for the identification of duplication, synergies and coordination opportunities. 2. It is ideal that PT should be the primary driver of municipal financial management support as part of their mandate in the MFMA and that CoGTA EC provide a range of governance and service delivery support. However, it is vital that PT and CoGTA EC need to design and implement joint municipal engagement and support identification and implementation processes and management structures if such support is hoping to meaningfully and cost-effectively impact on improving municipal audit results.
OCA services and skills	<ol style="list-style-type: none"> 1. Provincial support skills which are needed included skills in GRAP. It is probably appropriate that PT focus on providing support officials with GRAP skills and that PT take responsibility for driving municipal financial management support in terms of its mandate under the MFMA.
Municipal implementation of OCA support	<ol style="list-style-type: none"> 1. It is important for CoGTA EC to prepare a carefully designed and coordinated (with organisations such as SALGA and PT) programme of municipal Councillor support ahead of the next municipal elections (to be held mid 2016) so that this can be implemented as soon as practically possible after the municipal elections. This will ensure that Councillors are capacitated to understand their roles and responsibilities as well as relevant municipal legislation and processes. This is important for various reasons including ensuring that the ward committee system functions well, that public participation is facilitated including the IDP process, and that governance structures are able to function effectively. 2. To minimise disruptions (and, in some cases, a regression or deterioration) in municipal service delivery and administrative reform aimed at improving audit outcomes, it is important for Provincial government to have a clear approach and set of pre-designed processes to support municipalities to ensure that Section 56 and Section 57 appointments are filled as soon as possible by individuals who at least comply with the regulations outlining minimum competency requirements and that steps are taken to ensure that these positions are filled by permanently appointed individuals as soon as possible after the elections (if such positions need to be filled).

3. How can the lessons learnt further inform the MSIF and District Support Model to ensure coordinated financial management support to municipalities?

Section three reviews the following issues in order to inform final lessons, conclusions and recommendations regarding District Support Services which are contained in Section four.

- 3.1 Which other strategies in the sector are addressing the same thematic areas as that of the OCA, incl. PT programmes, and what is the extent of similarities and differences and how are they going to be synchronized for collaboration purposes and into District Support Services?
- 3.2 Is there a departmental (CoGTA) wide strategy to sustain the improvement of audit outcomes that has been achieved through OCA and other similar programmes?
- 3.3 Are there any corrective measures in place to deal with the obstacles that were faced by OCA to ensure the effectiveness of District Support Service model or alternative models?
- 3.4 Is the department(s) ready to integrate OCA into District Support Services and how is this process going to be undertaken?

3.1 Other strategies and programmes in the sector carrying out similar functions to OCA and synchronisation / collaboration issues and differences and how are they going to be synchronized for collaboration purposes and into District Support Services?

3.1.1 Existing strategies and initiatives similar to or related to OCA

At National level, National Treasury is responsible for addressing municipal financial management while CoGTA is supposed to focus on Governance.

The following initiatives can be identified which involve municipal capacity assessments of various kinds and which are supposed to inform the identification of municipal support needs:

- a) Back to Basics (COGTA);
- b) National Treasury's municipal support including the Financial Management Capacity Development Strategy (FMCDS) which includes the Financial Management Capability Maturity Model (FMCMM) and assessment as well as the Municipal Financial Management Improve Plan (MFIP) phase 2;
- c) Provincial Treasury support and the Municipal CFO Support Programme;
- d) SALGA's Municipal Audit Support Programme (MASP); and
- e) FNB's Academy for Municipal Excellence.

Annexure 13 contains further details on each of the above initiatives.

There may be other relevant initiatives which have not been identified or discussed here due to time limitations (e.g. the Municipal Support Improvement Grant, CoGTA's "Adopt a Municipality" initiative etc.).

One clear challenge is that both National and Provincial governments are conducting a wide range of municipal assessments, and also require a wide number of municipal reports and there is clear overlap and duplication involved which also has the unintended effect of consuming large amounts of municipal time and resources which detracts from their service delivery resources. The NT FMCMM needs to be the primary municipal financial management assessment tool that is used by all role-players to develop coordinated financial management and governance support plans.

3.1.2 How are these initiatives going to be synchronized for collaboration purposes and into District Support Services?

At a national level, key informants have reported that Treasury needs to take responsibility for coordinating the MFMA and all related municipal financial management support and that CoGTAS role is to focus on municipal governance (which could include internal audit committees and MPACs) and service delivery. At the same time, the legislation sometimes assigns functions to both Treasury and CoGTA where the roles are not clear (e.g. Annual report processes).

At Provincial level the issue of which departments provide what support to municipalities (linked to the mandates and roles of each Department) for financial management is still being clarified between OTP, Provincial Treasury and Provincial Local Government (an event was held in December 2014 where Departments were asked to communicate their roles). Currently both PT and CoGTA both have Municipal Finance Units and there is clear duplication which needs to be addressed as a matter of priority.

At this stage, the following comments can be made regarding synchronising municipal financial management support initiatives:

- a) The first step is to develop a set of detailed agreed financial management and governance support role between PT and CoGTA. It is possible that these roles may need to be phased with certain roles agreed for the 15/16 financial year and a slightly different set of roles agreed for the 16/17 year etc. as certain financial management support roles shift from CoGTA to PT (Annexure 3 provides the MFMA context for specific departmental roles however this needs to be supplemented with the Municipal Systems and Structures Act relevant provisions impacting on Departmental roles).
- b) There are a wide range of uncoordinated initiatives, beginning with municipal assessments, to developing support plans, to implementing these plans. In order to begin moving away from this uncoordinated situation, structures and processes need to be put in place whereby the support plans of each role-player are discussed both at an overall National/ Provincial level, as well as at a municipal specific level.

- c) All role-players need to agree to use the results of the FMCMM assessment (which should now just be available from NT/ PT) and agree to developing ONE Municipal Support Action Plan (MSAP) per municipality. A format for these support plans needs to be agreed which should ideally include short (0-1 year), medium (1-3 years) and long term (3-5 years) actions with the primary implementation responsibility of each role-player for each action clearly indicated. These action plans then need to be formally agreed with municipal management and submitted to Council for approval.
- d) A set of coordination and inter-governmental structures and processes will need to be agreed at Provincial level and which rationalises the reporting needs of both CoGTA (national and provincial) and Treasury (national and provincial) to minimise the reporting burden on municipalities. Ideally The Eastern Cape Province (PT and CoGTA) can conduct a rapid learning review tour of the Western Cape to identify lessons and good practices to inform the refinement of the Eastern Cape's municipal support intergovernmental structures and processes. As part of these inter-governmental monitoring processes, municipalities will be required to report progress with implementation of the MSAPs and all Provincial officials will be present to assist in refining their support on an ongoing basis.

3.2 Is there a [CoGTA] departmental wide strategy to sustain the improvement of audit outcomes that has been achieved through OCA and other similar programmes?

No clear strategy can be identified from documents which have been provided by CoGTA EC. The picture that emerges from CoGTA EC's departmental plans is still one of uncoordinated support and departmental structure within CoGTA EC. There are larger issues of role clarity, inter-governmental coordination and monitoring processes and structures, as well as the support model and approach which first need to be resolved and which in a sense could be regarded as the contents of a strategy to sustain improved audit results.

A March 2012 CoGTA: EC document on the Single Window of Coordination contains the proposals for the following.

- Principles of the Single Window of Coordination Plan;
- The type of support rendered to municipalities;
- Types of Municipal interventions; and
- Prerequisites to support and intervene.

It appears that these proposals are very high level and general and are the same as contained in the 2007 MSIF document prepared by the then Treasury Assistance Unit (see Annexure 14) for key contents from the 2012 document on Single Window of Coordination). This document contains details of 3 different support levels as well as a support approach however, this appears to have been superseded by the Back to Basics approach as well as by the FMCMM process.

CoGTA: EC has identified the following 2014-2019 medium term strategic objectives for its Strategic Goal 2: Strengthening municipal institutional capacity to promote governance and effective service delivery:

STRATEGIC GOALS	STRATEGIC OBJECTIVES
SG 2: To strengthen municipal institutional capacity to promote governance and effective service delivery	SO 2: To provide support services and monitor the effective municipal administration matters within the regulatory framework
	SO 3: To provide support services and monitor the implementation of efficient and effective financial management systems in municipalities in accordance with the applicable Acts
	SO 4: To improve public trust and credibility in local government through public participation
	SO 5: To facilitate improved functionality of 45 municipal institutions through the complete implementation of individual performance management and development systems aligned to the organisational performance management systems
	SO 6: To provide support and high quality management services to municipalities in respect of capacity assessment, capacity building and to improve municipal ICT
	SO 7: To provide effective, coordinated and hands-on support to municipalities, improve performance, monitoring, reporting and evaluation services

Source: CoGTA EC. 2014

The CoGTA EC 2014/15 Operational Plan provides a slightly different version of Programme 2's Strategic Objectives as follows:

Strategic Goal 2: To strengthen municipal institutional capacity to promote governance and effective service delivery	SO: 2	To improve effective management support on municipal administration matters within the regulatory framework
	SO: 3	To promote effective financial management to municipalities for clean financial management in accordance with the applicable Acts
	SO: 4	To improve public trust and credibility in local government through public participation
	SO: 5	To facilitate improved functionality of 45 municipal institutions through the complete implementation of individual performance management and development systems aligned to the Organisational performance management systems
	SO: 6	To improve municipal capacity assessment, capacity building and ICT through the provisioning of effective high quality management support
	SO: 7	To improve municipal performance, monitoring and evaluation services through effective and coordinated hands-on support

Source: CoGTA EC. July 2014.

CoGTA: EC has identified the following 2014/15 priorities to implement this Strategic Goal/ Programme 2:

- Improve Audit Outcomes of Municipalities through ongoing hands-on support.
- Fast track implementation of LGTAS projects as a National/Provincial Priority Programme of the Minister/MEC [although LGTAS ceased to exist some years ago].

- Operationalization of the District Coordination Programme through a phased approach over MTEF period.
- Develop and consolidate a Branch calendar, feeding into the Departmental calendar, as means to improve coordination
- Develop a tool to curb irregular expenditure in municipalities
- Monitor Legislative Compliance of municipalities
- Conducting Capacity Assessment in 45 municipalities
- Monitoring and reporting on Outcome 9.
- Facilitate Strategic and Technical training for municipalities.
- Support municipalities with functional ICT systems and implementation of ICT Governance Framework
- Establishment of Public Participation Fora as a platform for the general public involvement.
- Improve management of Petitions to avoid Service Delivery Protests.
- Strengthen coordination of the CDW Programme
- Institutionalize grassroots democracy through community participation
- Strengthen the Single Window of Coordination through MUNIMECs, DIMAFO's, PROWAF and KSD intervention.
- Implement the Provincial IGR Strategy in partnership with OTP

CoGTA EC's 2014/15 Operational Plan (Annual Performance Plan) contains the following sub-programme details on Programme 2: Developmental Local Government:

SUB-PROGRAMME	
2.1	DDG: Local Government
2.2	Municipal Governance, Support and Monitoring Services <ul style="list-style-type: none"> • Office of the General Manager - Municipal Governance, Support and Monitoring Services • Municipal Support and Performance Management • Municipal Evaluation and Capacity Assessment • Municipal Administration • Municipal Human Resource Management and Development • Municipal Development Finance • Municipal Information Management Technology Support Services
2.3	Municipal Public Participation and Intergovernmental Relations <ul style="list-style-type: none"> • Office of the General Manager – Municipal Public Participation and Intergovernmental Relations • Municipal Public Participation • Intergovernmental Relations
2.4	Operation Clean Audit

Source: CoGTA EC. 2014

There appears to be potential duplication between Municipal Development Finance and Operation Clean Audit as follows and it is not clear where or how District Support Services is reflected in CoGTA EC's programme structure or organisational structure:

• **Municipal Development Finance**

Strategic objective:

To promote effective financial management to municipalities for clean financial management in accordance with the applicable Acts

Objective statement:

To ensure sound financial management in all municipalities in the Eastern Cape

Overall responsibility: Mr. M. Nonkonyana

Reporting period: Monthly and Quarterly

Budget: R114 78 700

PI	Performance indicators	Timeframe as per APP/ Activities/ Performance Outputs				Annual Target APP 2014/ 15:
		2014		2015		
		Q1	Q2	Q3	Q4	
1.	% (Number) of municipalities supported to achieve unqualified audit opinions	- <ul style="list-style-type: none"> • Verify existence and implementation of internal control systems in municipalities. • Monitor and support municipalities on update of books and accounts • Monitor the implementation of audit remedial plans. 	- <ul style="list-style-type: none"> • Monitor the implementation of audit remedial plans. • Monitor the readiness of municipalities to compile Annual Financial Statements. • Support municipalities on the review of AFS. • Monitor the submission of Annual Financial Statement by 31 August. • Monitor and support municipalities on update of books and accounts. 	67% (30) <ul style="list-style-type: none"> • Monitor municipalities in responding on issues raised by AG during the audit. • Monitor the development of audit remedial plans. • Monitor and support municipalities on update of books and accounts. 	- <ul style="list-style-type: none"> • Monitor the development and the implementation of audit remedial plans. • Monitor and support municipalities on update of books and accounts. 	67%(30) of municipalities supported to achieve unqualified audit opinions
		R1 606 927	R7 700 000	R440 997	R771 514,66	R10 519 438,66
2.	% (number) of municipalities with more than 50% collection of own revenue	- <ul style="list-style-type: none"> • Verify the existence and implementation of credit control and debt collection policies and corresponding by- 	- <ul style="list-style-type: none"> • Collect and collate information on billing and collection levels. • Assess information and determine collection trends. • Monitor and support 	- <ul style="list-style-type: none"> • Collect and collate information on billing and collection levels. • Assess information and determine 	62% (28) <ul style="list-style-type: none"> • Collect and collate information on billing and collection levels. • Assess information and determine collection trends. 	62% (28) of municipalities with more than 50% collection of own revenue

Source: CoGTA EC. 2014

2.4 Sub-Programme: Operation Clean Audit (OCA)

Strategic objective:						
To provide support services and monitor the implementation of efficient and effective financial management systems in municipalities in accordance with the .						
Objective statement:						
To address financial and administrative challenges in municipalities through supporting them in developing proper systems, structures and procedures which about good governance and effective accountability to municipalities.						
Overall responsibility: Mr. Z.H Mdikane						
Reporting period: Monthly, Quarterly and Annual						
Budget: R11 644 480						
PI	Performance indicator	Timeframe as per APP/ Activities/ Performance Outputs				Annual Target APP 2014/15:
		2014			2015	
		Q1	Q2	Q3	Q4	
1.	Number of municipalities supported to implement the Clean Audit Programme (OCA) <ul style="list-style-type: none">• Monitor and support municipalities in the development of audit action plans.• Monitor the progress made on eliminating issues raised in the AG reports subsequently listed in the audit action plans.• Monitor and support municipalities to establish an effective control environment.• Support municipalities in maintaining adequate human resource management systems and procedure to ensure good governance.• Assist municipalities with preparation of	6 <ul style="list-style-type: none">• Monitor and support municipalities in the development of audit action plans.• Monitor the progress made on eliminating issues raised in the AG reports subsequently listed in the audit action plans.• Monitor and support municipalities to establish an effective control environment.• Support municipalities in maintaining adequate human resource management systems and procedure to ensure good governance.• Assist municipalities with preparation of	7 <ul style="list-style-type: none">• Monitor and support municipalities in the development of audit action plans.• Monitor the progress made on eliminating issues raised in the AG reports subsequently listed in the audit action plans.• Monitor and support municipalities to establish an effective control environment.• Support municipalities in maintaining adequate human resource management systems and procedure to ensure good governance.• Assist municipalities with preparation of	2 <ul style="list-style-type: none">• Monitor and support municipalities in the development of audit action plans.• Monitor the progress made on eliminating issues raised in the AG reports subsequently listed in the audit action plans.• Monitor and support municipalities to establish an effective control environment.• Support municipalities in maintaining adequate human resource management systems and procedure to ensure good governance.• Assist municipalities with preparation of	15 <ul style="list-style-type: none">• Monitoring progress and ensuring sustainability outcomes of support	15 municipalities supported to implement the Clean Audit Programme (OCA)

Source: CoGTA EC. 2014

3.3 Are there any corrective measures in place to deal with the obstacles that were faced by OCA to ensure the effectiveness of District Support Service model or alternative models?

CoGTA EC has apparently, in collaboration with PT and the District Municipalities, established joint meetings for the purpose of synchronizing the support provided to municipalities. The first joint meeting has been established in the Cacadu District and the plan is to rollout it out to other districts. However, it is unlikely that all support coordination levels can be resolved at a District level. Coordination and role clarity processes need to be agreed overall at Departmental level between PT and CoGTA.

A major challenge facing municipalities concerns the reporting requirements that a range of national and provincial departments impose on municipalities as part of complying with a range of legislative requirements related to the MFMA and other sector-specific legislation. The current investigation into developing a local government monitoring system is a first step in addressing this issue. However, system and process re-design is needed at both a national and a provincial level so that reporting templates and process are harmonised.

Apparently discussion on coordinating between PT and CoGTA has begun at a high level with HODs. However, at this stage the 2015/16 APPs for PT and CoGTA have apparently been developed separately without any attempt at role clarity or coordination.

3.4 Is the department(s) ready to integrate OCA into District Support Services and how is this process going to be undertaken?

As discussed in 3.2 and 3.3 above, there are broader issues that need to be resolved and agreed between PT and CoGTA before the role of the District Support services can be clarified and before further implementation regarding resourcing District Support services can proceed.

CoGTA EC has published various documents regarding District Support Services however these tend to be very high level and have not been developed through a coordinated approach with PT and this is the glaring gap that now needs to be addressed.

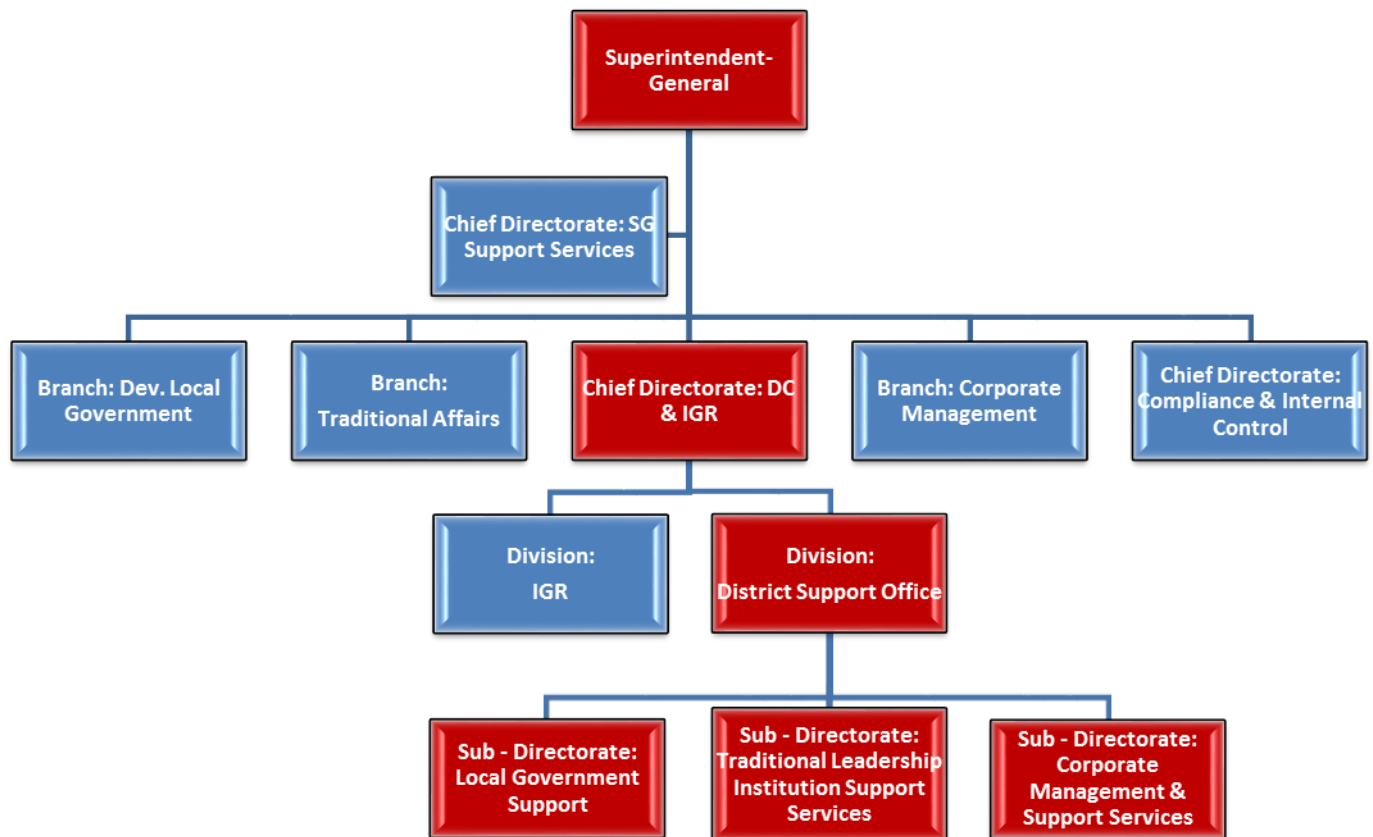
CoGTA EC published a 28 February 2014 document entitled “District Support Centres: Concept Document”. This document states the following:

The District Support Centre will be headed by the General Manager whose responsibility include provide strategic leadership to the Chief Directorate, policy development and oversee performance of the District Support Centres. The District Support Centres will be headed by a Senior Manager responsible for general management of operations of the sub-programmes within the DSCs.

The envisaged sub-programmes within the DSC will be the following:

- Local Government Support;
- Corporate Management Support Services; and
- Traditional Leadership Institution Support Services.

Of concern is that municipal support is placed under district support, whereas in reality, different kinds of municipal support probably need to be provided by different CoGTA EC Directorates at head office level in addition to support provided at a District level.



Source: CoGTA EC. 28 February 2014

Table 17 Current District Support Office Operations

District	Status Quo		Challenges	Recommendations
	Human Resources	Physical Resources		
Bhisho	<ul style="list-style-type: none">1 General manager1 Personal Assistant	General lack of tools of trade Office space, furniture and network Support Staff Budget (delegations)	Poor internal coordination due to no alignment of departmental programmes Lack of external coordination due to no integration tool	Full ownership of decentralisation Approval and implementation of District Coordination Service delivery Model
Amathole	<ul style="list-style-type: none">1 Senior Manager1 Manager1 Personal Assistant1 Intern			
Cacadu	<ul style="list-style-type: none">1 Senior Manager1 Manager2 Senior Administration Clerk13 General Workers (excess staff)			
Chris Hani	<ul style="list-style-type: none">1 SMS1 Personal Assistant4 Administrative Officers (excess staff)3 General Workers (excess staff)			
Joe Gqabi	<ul style="list-style-type: none">1 SMS1 Personal Assistant			
OR Tambo & Alfred Nzo DMs	<ul style="list-style-type: none">1 SMS1 Personal Assistant			

Source: CoGTA EC. 28 February 2014

It has been beyond the scope of this evaluation to assess the skills, experience and qualifications of the above District Support Centre staff, however, the Chief Director mentioned that a skills audit may be needed. It is unclear what “excess staff” refers to in the above table. Only Bhisho, Amathole and Cacadu Districts have either a senior or General Manager.

This 28 February 2014 CoGTA EC “District Support Centres: Concept Document” contains the following implementation plan, although no commentary is provided on the implementation plan which is strange as all most of the completion dates were for 2013:

Table 18 District Support Centre Implementation Plan

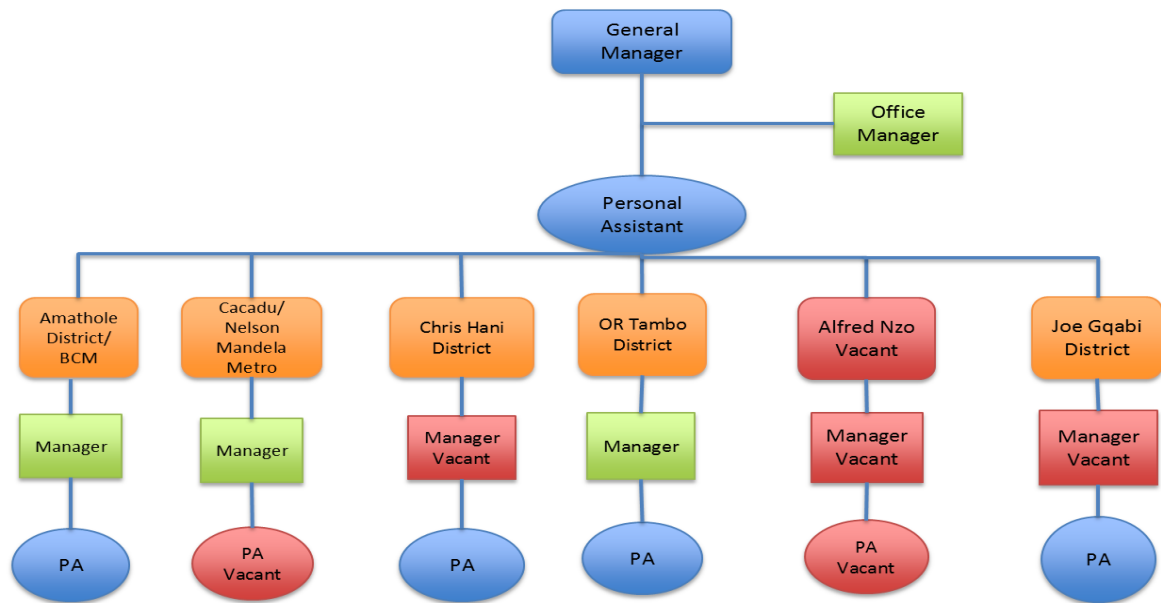
START DATE	DESCRIPTION	ACTIVITIES	RESPONSIBLE PERSON	END DATE	REQUESTED REASOURCES
18/02/2013	Situation Analysis	<ul style="list-style-type: none"> ▪ Budget (office accommodation, personnel costs, renting costs, or engage Public Works, look at current budget, movement of personnel) ▪ Human Resources (how is support service is going to decentralise personnel i.e. their readiness) ▪ Assets ▪ Traditional Institutions (for detail information) ▪ Support to be given to Municipality ▪ Benchmarking (provincially and nationally) 	All District Coordinators/ GM/ Cooperate Services	28/02/2013	All resources
01/03/2013	Consultation to relevant stakeholders	<ul style="list-style-type: none"> ▪ Communication to Stakeholders: ▪ HOTL ▪ Unions ▪ SALGA ▪ Municipalities ▪ Employees ▪ MEC / SG (their commitment) ▪ Portfolio Committee ▪ OTP and Provincial Planning and Treasury 	District Support Centre / GM	31/03/2013	All resources
01/04/2013	Benchmarking (Provincially and Nationally)	Identify benchmark partners Identify benchmarks areas Process Mapping Undertake benchmarking studies	District Support Centre / GM/ Cooperate Services	TBA	All resources

START DATE	DESCRIPTION	ACTIVITIES	RESPONSIBLE PERSON	END DATE	REQUESTED REASOURCES
		Generate and present Reports			
01/04/2013	Identify Pilot Areas focusing on 2 districts	<ul style="list-style-type: none"> ▪ Quick wins (HR of district offices) ▪ Rural - Chris Hani District ▪ Urban - Cacadu District for piloting and ▪ Must have Traditional Affairs regions ▪ System readiness (BAS, Persal and Logic) ▪ Pilot, Learn and move to other districts ▪ Decentralising the support to Metros ▪ Steering committee will make a proposal to SG and MEC ▪ Other district will be business as usual 	District Coordinators/ GM	31/03/2014	All resources
TBA	Develop a Stakeholder Management Strategy	<ul style="list-style-type: none"> ▪ Identify key stakeholders ▪ Clarify Roles ▪ Identify key support niches ▪ Solicit inputs from internal external stakeholders ▪ Seek strategy approval from SG 	General Manager	TBA	Financial Workshop venue Accommodation

START DATE	DESCRIPTION	ACTIVITIES	RESPONSIBLE PERSON	END DATE	REQUESTED REASOURCES
TBA	Develop an Engagement Strategy	<ul style="list-style-type: none"> ▪ Review reports (section 46 reports, AGs reports, Assessment reports) ▪ Consult municipal stakeholders ▪ Map engagement process ▪ Solicit inputs from internal and external stakeholders ▪ Seek strategy approval from SG ▪ Develop Engagement Toolkit 	General Manager	TBA	Financial Workshop venue Accommodation

Source: CoGTA EC. 28 February 2014

A 22 July 2014 CoGTA: EC presentation to MECs on the District Support Model contained the following current staffing situation for District Support Centres:



Department of Local Government & Traditional Affairs

Source: CoGTA EC. 22 July 2014

An EC: CoGTA Memorandum from the Acting HOD to the MEC (signed 28 November 2014) titled "Discontinuing Operation Clean Audit and Disbanding the Operation Clean Audit Unit" communicated the following:

- OCA had been terminated and fifteen (15) OCA officials would be assigned to one of four municipalities (Inkwanca, Makana, KSD, and Ikwezi) (with eight (8) officials to remain with the Project Management Office and six (6) other OCA officials having been seconded) with effect from 1 December 2014.
- The OCA budget amount of just over R10 million would be moved to Municipal Administration to meet departmental cost pressures.
- Municipalities be informed of the decision to terminate OCA including the Mayors at the next MuniMEC (this took place on 2nd December 2014).

This Memo contained the following additional recommendations:

- OCA officials be assigned to functions within CoGTA: EC including municipal interventions in accordance with their skill areas;
- Processes and procedures be speedily established/ reviewed and implemented (in line with Section 105 of the Municipal Systems Act) to support and monitor municipalities to develop their capacity to practise sound financial management and good governance;
- Any necessary and consequential adjustments be made to the internal organisation of the department in order to strengthen its capacity to support municipalities to manage their own affairs, exercise their powers and perform their functions.

Prepared by Impact Economix (www.impacteconomix.com) for the Eastern Cape Province: Office of the Premier. The Acting HOD added (on 5 December 2014) additional recommendations regarding allocating more support and funding to the KSD Municipality and stated “The discontinuation of the [OCA] project: a process of thorough reviews of that project be done to assess its success”.

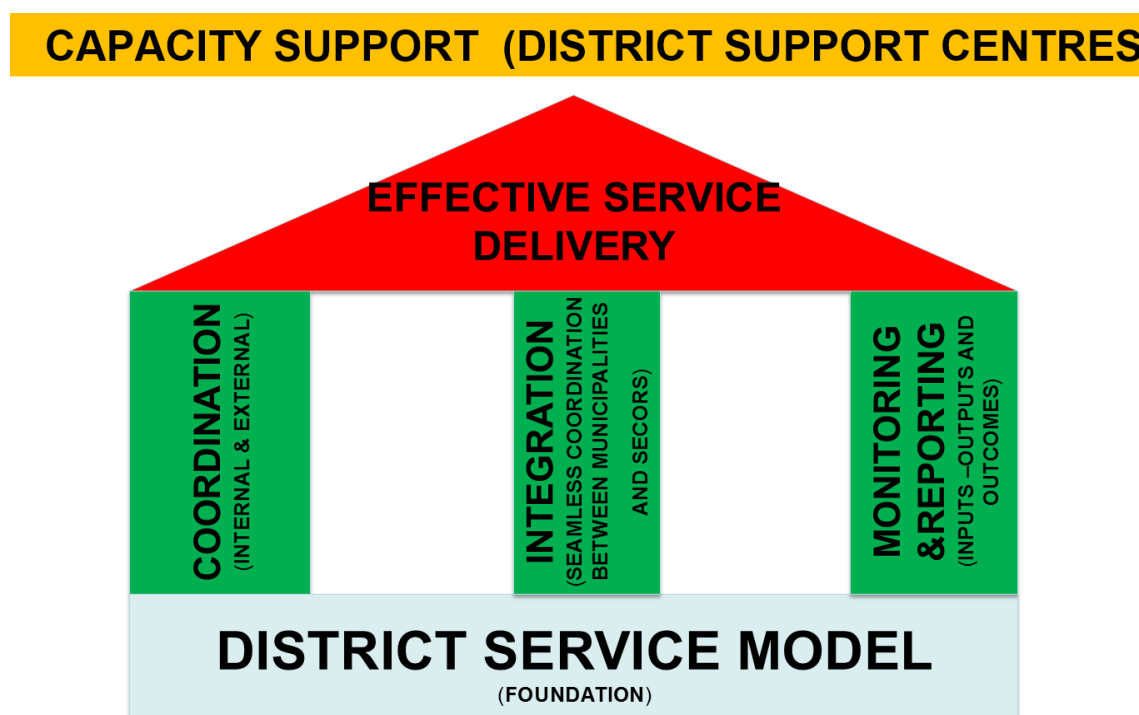
A CoGTA EC: Municipal Support December 2014 presentation to MinMEC contains further information on the proposed District Support Centres (DSCs), however, this is very general:

It proposes that DSCs serve two main functions:

- Support the district municipalities in monitoring and evaluating and assisting the municipalities in these DMs.
- Support the local houses of traditional affairs and traditional councils within the borders of the DM

It states that a District Service Delivery Model Concept Document and Procedure Manual have been approved.

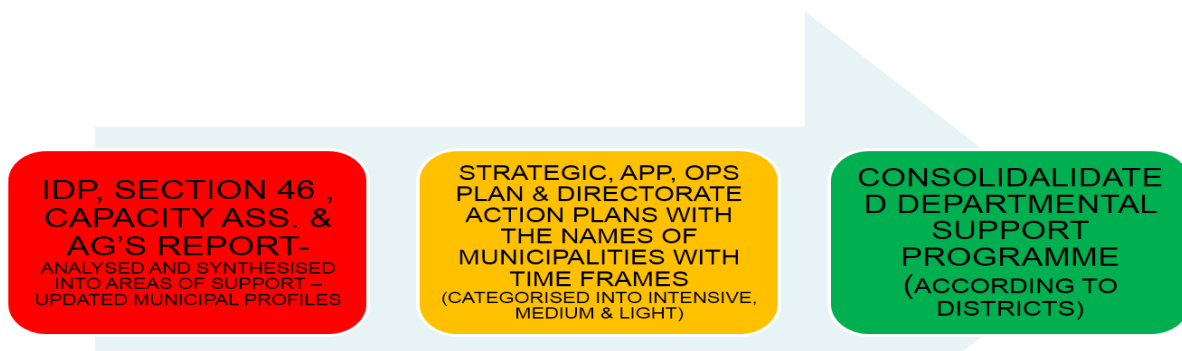
Figure 8 High level Eastern Cape CoGTA EC District Service Model



Source: CoGTA: EC. December 2014.

Regarding internal and external coordination, this CoGTA EC December 2014 presentation contains the following summaries:

INTERNAL COORDINATION



EXTERNAL COORDINATION



Regarding IGR structures, the presentation recommends the following:

- District Support Centres (DSCs) to be responsible for coordination at local IGR level;
- CoGTA, PPT & OTP, SALGA as well as District Municipality to be responsible for coordination at District IGR level;

Linking IGR structures:

Political Fora	Technical Fora	Function
Cabinet Committees	Clusters	Provide strategic direction for implementation of PoA.
PCF	TSG	Consider issues from MuniMEC and deal with bottlenecks
Political MuniMEC	Technical MuniMEC	Escalate issues to TSG & PCF for intervention & feedback lower structures
DIMAFO	Technical IGR - District	Consolidate District Service Delivery issues for attention of the Province
Political IGR- LM	Technical IGR - LM	First layer of IGR coordination
Ward Committee	War-Room	Generate ward based planning

This presentation ends with the following recommendation: “Implementation of District Service Delivery Model; DSCs to be the ENTRY and EXIT points for Coordination and Integration of Support at District/Metro level.” The presentation also states that the “District Service Delivery Model Concept Document and Procedure Manual have been approved”, however a request for these documents submitted to CoGTA EC and attaching the December 2014 MuniMEC presentation which referred to these documents resulted in the same December 2014 MuniMEC presentation being forwarded to the author in response (hence making it unclear if the December 2014 presentation is in fact the Service Delivery Concept Document, although it is clearly not the Procedure Manual).

An 18 July 2014 CoGTA EC presentation to MECs on the “District Service Delivery Model” end with identifying the following critical success factors:

- Ownership of Service Delivery Model by all Stakeholders
- Change Management of all Stakeholders
- Consultation and Communication of Service Delivery Model
- Collaboration and Establishment of Partnerships
- Effective Integrated Planning

One key informant raised the possibility that CoGTA EC should meet with PT to assess whether it is logistically feasible for the two departments to consider sharing office space in each District and if possible to develop a plan to move towards this objective including assessing office space requirements to accommodate the planned number of personnel in each District. There are obvious advantages from CoGTA EC and PT sharing District Offices which would include both cost efficiencies as well as potential coordination advantages. Both departments would need to show the will to address any supply chain management and

Prepared by Impact Economix (www.impacteconomix.com) for the Eastern Cape Province: Office of the Premier.
financial management complications which may have to be addressed to realise the objective of shared District Offices.

The picture that emerges is that larger municipal support role clarity issues both between PT EC and CoGTA EC have not been resolved and that current CoGTA EC departmental plans are not coordinated between Directorates. These issues first need to be resolved before the support role of District offices can be clarified and before the District Support Model can be taken forward and implemented.

4. Lessons, Conclusions and Recommendations

4.1 Introduction

This section contains overall lessons, conclusions and recommendations which are organised according to the following sub-sections and informed by the findings contained in Sections 2-3:

- i. Lessons from the implementation of OCA;
- ii. Recommendations how lessons learnt can further inform the Municipal Support Intervention Framework; and
- iii. Recommendations for skills and expertise needed to strengthen successful oversight and intervention for good financial governance.

4.2 OCA Implementation Lessons

Lessons from OCA are organised in terms of the four main themes and are as follows:

Table 19 Lessons for OCA EC Implementation

Theme	Lessons for Eastern Cape Provincial municipal support
OCA approach and process and municipal ownership	<ol style="list-style-type: none"> 1. Improving municipal audit outcomes requires sound management, administrative and governance capacity, skills, processes and systems to be in place. Therefore, a holistic, comprehensive and coordinated support approach (including a coordinated assessment and action plan development process) and response is needed from both national and provincial Treasuries and CoGTA Departments. 2. The past OCA approach did not generally promote municipal ownership, was not cost efficient, often resulted in unsustainable support being provided, and was poorly coordinated- all of which resulted in a sub-optimal contribution towards improving municipal audit outcomes. 9. The proposed new OCA approach from a CoGTA push to a “municipal demand” approach holds promise. However, to maximise the effectiveness of Provincial municipal support, at least the following elements need to be in place: <ol style="list-style-type: none"> a. The municipal leadership should ideally be open to receiving support or want support and if possible be in a position to request support. b. Municipal managers need to be involved in a process to identify their support needs and priorities which ideally should include a self-assessment tool where the municipality’s level of maturity is identified in relation to a wide range of financial management, governance and service delivery KPAs, KPIs and outputs which relate to both compliance issues as well as municipal performance dimensions. c. National and Provincial departments, as well as other support partners such as SALGA and the private sector etc, then need to define their support roles and actions (with short, medium, and long term actions and clear responsibilities identified) in relation to these

	<p>prioritised needs in a coordinated manner.</p> <ol style="list-style-type: none"> d. Ideally these actions need to be captured in the form of a document (which can be called a Municipal Support Action Plan or MSAP in the mean time) which is then submitted to and approved by municipal leadership (Council). e. Provincial government needs to provide a combination of transversal as well as special project support to municipalities from head office, as well as coordinate and administer the effective functioning of certain inter-governmental monitoring structures, as well as District level hands-on technical support by specialists with the appropriate municipal and technical experience and knowledge. f. The Municipal Managers and Mayors then need to take responsibility for monitoring the implementation of the MSAPs and reporting progress at a municipal-specific level on MSAP implementation at various forums including Provincial District level inter-governmental fora. Linked to this, municipal performance management systems including performance agreements need to comply with regulations, need to be cascaded down to lower levels of staff, and municipal managers need to effectively manage performance and follow all performance management processes including disciplinary processes where appropriate. g. Municipal oversight structures (e.g. audit and risk committees and MPACs) need to be effectively resourced and supported in order to operate effectively. Municipal leadership needs provide timeous information as required by these structures as well as be accountable for implementing the recommendations of these structures. h. Challenges with the implementation of MSAPs need to be escalated to the appropriate level and PT and CoGTA EC need to have effective processes in place to address these challenges, including identifying strategic and transversal solutions where such challenges need to be addressed in the broader municipal environment or system (e.g. special projects impacting on more than one municipality, or issues that need to be escalated to provincial and/or national inter-governmental structures and/or administrative or political leadership). <ol style="list-style-type: none"> 3. It is important that the FMCMM model self-assessment results is used to inform the development of Municipal Support Action Plans. 4. Each municipality's state of management, administrative and governance capacity, skills, processes and systems is at various levels of development and effectiveness and therefore there needs to be a clear municipal diagnosis process to inform the identification of municipal needs and which takes place though a coordinated process between national and provincial Treasuries and CoGTA Departments (but with clear roles identified and agreed throughout this process). 5. Each municipality needs to have a certain minimum financial management staffing capacity (filled posts) in relevant financial management support areas before hands-on or training support is provided to that municipality in a specific aspect of financial
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	<p>management. A clear message from Provincial government to municipalities is needed as to certain minimum capacity which needs to be in place before support can be provided in certain areas. Failure on the part of municipalities to prioritise and fill certain financial management posts not only contributes towards poor audit outcomes but it also contributes to a waste of Provincial funds spent on support that does not sustainably contribute towards improving municipal capacity.</p> <ol style="list-style-type: none"> 6. It is vital that Provincial government adopt a partnership, as opposed to a big brother, approach to supporting municipalities and that all processes are carefully designed to achieve municipal ownership of any support which is provided. The provincial support process should involve a combination of a structured municipal self-assessment which covers both financial management and governance issues (whereby municipalities identify their strengths and weaknesses and level of development) as well as a structured annual calendar of inter-governmental engagements where municipalities present their challenges in forums to both PT and CoGTA officials. This will allow PT and CoGTA to identify additional support needs over and above the self-assessment process. 7. Municipal Support Action Plans (called Municipal Governance Action Plans in the Western Cape) need to be developed for the lower capacity, vulnerable municipalities through joint interaction between the municipality and PT and CoGTA EC. These plans must include the specific roles and responsibilities of all parties involved, as well as specific deliverables, time-frames and monitoring and reporting arrangements. These plans must be approved by municipal Councils before implementation commences and also be include in municipal IDPs. 8. Management of municipal support requires pro-active managers with carefully developed performance agreements which include KPIs for resolving transversal constraints impacting on improved municipal audit outcomes (e.g. effective MPACs, effective ICT and document management systems, appointment of competent MMs and CFOs which meet minimum competencies etc.).
<p>OCA coordination including monitoring and reporting</p>	<ol style="list-style-type: none"> 1. The OTP should play a leadership role by ensuring that various inter-governmental and cooperative governance structures and processes are meaningfully contributing towards coordinated and effective provincial support to municipalities. This includes ensuring that the agenda of MuniMEC, Provincial Coordinating Forum, and the Governance Cluster are focused on relevant and strategic municipal support issues and that there is effective monitoring and implementation of decisions taken by these structures. 2. All role-players involved in providing support to municipalities need to participate in both Provincial and District-level inter-governmental structures of various kinds whereby organisation and municipal- specific support plans are presented and shared to allow for the identification of duplication, synergies and coordination opportunities.

	<p>3. It is ideal that PT should be the primary driver of municipal financial management support as part of their mandate in the MFMA and that CoGTA EC provide a range of governance and service delivery support. However, it is vital that PT and CoGTA EC need to design and implement joint municipal engagement and support identification and implementation processes and management structures if such support is hoping to meaningfully and cost-effectively impact on improving municipal audit results.</p>
OCA services and skills	<p>2. Provincial support skills which are needed included skills in GRAP. In addition, good experience with and knowledge of municipal legislation and governance issues is required on the part of Provincial support officials. It is probably appropriate that PT focus on providing support officials with GRAP skills and that PT take responsibility for driving municipal financial management support in terms of its mandate under the MFMA.</p>
Municipal implementation of OCA support	<p>1. It is important for CoGTA EC to prepare a carefully designed and coordinated (with organisations such as SALGA and PT) programme of municipal Councillor support ahead of the next municipal elections (to be held mid 2016) so that this can be implemented as soon as practically possible after the municipal elections. This will ensure that Councillors are capacitated to understand their roles and responsibilities as well as relevant municipal legislation and processes. This is important for various reasons including ensuring that the ward committee system functions well, that public participation is facilitated including the IDP process, and that governance structures are able to function effectively.</p> <p>2. To minimise disruptions (and, in some cases, a regression or deterioration) in municipal service delivery and administrative reform aimed at improving audit outcomes, it is important for Provincial government to have a clear approach and set of pre-designed processes to support municipalities to ensure that Section 56 and Section 57 appointments are filled as soon as possible by individuals who at least comply with the regulations outlining minimum competency requirements and that steps are taken to ensure that these positions are filled by permanently appointed individuals as soon as possible after the elections (if such positions need to be filled).</p>

4.3 Recommendations on lessons learnt and proposals for improving Municipal Support and District Support Centres

The following recommendations regarding corrective measures to deal with OCA obstacles and ensure the effectiveness of the District Support Model can be identified:

- R1 In the short term while ongoing discussion takes place between PT and CoGTA EC to clarify each department's support approach and roles etc. it may be necessary to agree on an immediate 15/16 support plan per municipality outlining what support PT

and CoGTA will provide to each municipality in the Province for the 2015/16 financial year. The production of coordinated Municipal Support Action Plans for 2015/16 could be one of the responsibilities of the proposed Municipal Support Committee below (see R2).

- R2 Coordinated municipal support begins with coordinated planning within and between both Provincial departments as well as between spheres and other relevant support providers (e.g. District Municipalities, SALGA etc.). Steps to improve the coordination of what support is provided by who and how to all municipalities in the Eastern Cape need to be identified, agreed and actioned by both OTP, CoGTA EC and PT EC. These steps should include, but not be limited, to the following:
- a) The OTP should play a leadership role by ensuring that various inter-governmental and cooperative governance structures and processes are meaningfully contributing towards coordinated and effective provincial support to municipalities. This includes ensuring that the agendas of MuniMEC, Provincial Coordinating Forum, and the Governance Cluster are focused on relevant and strategic municipal support issues and that there is effective monitoring and implementation of decisions taken by these structures.
 - b) PT EC and CoGTA EC to implement a coordinated approach to developing the 2016/17 APPs as this provides the performance framework for management of both Departments.
 - c) To improve coordinated support between PT EC and CoGTA EC a joint Municipal Support Committee should be established (or if there is an existing committee which can serve this purpose then that should be used) to identify actions to improve the coordination of municipal support between PT and CoGTA EC and other role-players in the Eastern Cape. These actions should include actions aimed at reducing and streamlining/ integrating the number of different municipal diagnosis/ assessment/ and monitoring reports that municipalities are subjected to by different spheres and departments.
 - d) All role-players need to agree to use the results of the FMCMM assessment (which should now just be available from NT/ PT) and agree to developing ONE Municipal Support Action Plan (MSAP) per municipality. A format for these support plans needs to be agreed between PT and CoGTA and which should ideally include short (0-1 year), medium (1-3 years) and long term (3-5 years) actions with the primary implementation responsibility of each role-player for each action clearly indicated. These action plans should include all areas of financial management, namely Management accounting (planning and budgeting); Revenue management; Expenditure management; Asset management (movable and immovable); Financial accounting; Supply chain management; Internal control; Enterprise risk management; Internal audit. These action plans then need to be formally agreed with municipal management and submitted to Council for approval and included in Municipal IDPs.
- R3 The CoGTA EC and PT EC HODs need to instruct senior management from PT and CoGTA to meet between monthly and quarterly to oversee the change process of support approach and role clarification and agreement. Monitoring reports highlighting progress with implementation of Municipal Support Action Plans also need to be submitted to this joint management structure and strategic issues and

recommendations to address these constraints and proposed transversal solutions should be included in these monitoring reports.

- R4 The development of an Eastern Cape District support model for municipal finance and governance support needs to be undertaken jointly by both CoGTA EC and PT EC. However, the details of what support will be provided under this district model should only be developed and finalised once the following has been clarified and agreed:
- a) How the entire Eastern Cape Province intends to institutionalise a collaborative, integrated, and symbiotic municipal support model;
 - b) An overarching municipal support roles approach, model and process between PT and CoGTA including streamlining municipal assessments and monitoring and reporting processes. CoGTA EC and PT EC Departmental structures may need to be revised to reflect a coordinated division of support roles between departments. Processes to transfer existing human resources between departments may then need to be agreed to reflect these revised departmental roles and structures. The PT and CoGTA support approach should include various options for providing support in addition to District Support Centres, such as dedicated and specialised municipal help lines for specific issues such as elections support, legal support, SCM support, accounting support etc. (with detailed design and implementation of support . to build on lessons identified from the Western Cape).
- R5 Structures and processes need to be put in place (either by OTP, and/or CoGTA EC, and/or PT) whereby the support plans of each role-player are discussed both at an overall National/ Provincial level, as well as at a municipal specific level. It would be good practice to record this agreement in a formal document which is approved by the relevant structures including Provincial Cabinet. It is possible that these roles may need to be phased in with certain roles agreed for the 15/16 financial year and a slightly different set of roles agreed for the 16/17 year etc. as certain financial management support roles shift from CoGTA to PT (Annexure 3 provides the MFMA context for specific departmental roles however this needs to be supplemented with the Municipal Systems and Structures Act relevant provisions impacting on Departmental roles). Key informants interviewed indicated that PT's roles should include responsibility for municipal SCM support.
- R6 Clarification and agreement is also needed on the roles to be played by various inter-governmental coordination structures within the overall municipal monitoring and support process including the monitoring of individual Municipal Support Action Plans in District inter-governmental forums attended by representatives of both PT and CoGTA.
- R7 A set of coordination and inter-governmental structures and processes will need to be agreed at Provincial level and which rationalises the reporting needs of both CoGTA (national and provincial) and Treasury (national and provincial) to minimise the reporting burden on municipalities. It may be necessary for OTP to ensure that this happens (including facilitating coordination between the two departments).

Ideally The Eastern Cape Province (OTP, PT and CoGTA) can conduct a rapid learning review tour of the Western Cape to identify lessons and good practices to inform the refinement of the Eastern Cape's municipal support intergovernmental structures and processes. As part of these inter-governmental monitoring processes, municipalities will be required to report progress with implementation of the MSAPs and all relevant Provincial officials will be present to assist in refining their support on an ongoing basis.

- R8 PT and CoGTA need to design/ develop joint municipal monitoring and reporting processes which are strongly aligned to strengthened inter-governmental structures and processes.
- R9 Only once clarity and agreement has been achieved on issues covered by R2-R8 should PT and CoGTA municipal support staffing and budget issues begin to be addressed, including the allocation of staff to District Support Offices. Strategy and approach should inform structure. As part of this process the possibility of PT and CoGTA sharing District Offices should be explored to improve the cost effectiveness of Provincial Government's District Support Services. If necessary, the Department of Public Works needs to be part of this process and there may be a need to form a PT/ CoGTA/ DPW inter-departmental committee to coordinate the process of strengthening District Support Offices.
- R10 This evaluation report to be communicated to the HODs of PT EC and CoGTA EC as well as all Eastern Cape municipalities on the basis of a joint PT-CoGTA communication plan.

4.4 Conclusions and Recommendations for skills and expertise needed to strengthen successful oversight and intervention for good financial governance.

One of the core issues regarding financial governance is that the municipality's governance institutions need to operate effectively, namely the Section 79 Committees, Council, audit committee, risk committee and MPAC. It is clear that MPACs are generally not able to function effectively due to lack of leadership agreement on their roles (due to a legislative vacuum) as well as lack of administrative and research resources to support their effective functioning.

In addition there need to be effective fraud reporting, investigation and disciplinary processes. Key informants indicated that the OTP processes to filter fraud reports and complaints submitted to the national fraud hot line (0800701701), which are then forwarded to the OTP, and which is then responsible for forwarding these complaints to the relevant level (which is either the CoGTA HOD, the Mayor or Municipal Manager depending on the nature of the complaint) is not effective. Key informants have indicated that the Provincial fraud reporting and investigation processes are not working effectively.

Recommendations to support the above include the following:

- R11 CoGTA EC to ensure that the municipal monitoring system and processes include key performance indicators which accurately reflect the performance and effectiveness of municipal oversight role-players and structures including Mayors, Speakers, Councils, audit committees, risk management, and MPAC structures.
- R12 CoGTA EC to identify actions to strengthen the functioning of MPACs in collaboration with municipalities. These actions include, but are not necessarily limited to, actions which ensure that all MPACs are properly resourced with research and administrative capacity.
- R13 The OTP needs to commission an independent evaluation of the effectiveness of the fraud reporting and investigation processes in the Province and which includes the Provincial government's fraud hot line reporting process. In addition, CoGTA EC to take pro-active steps to ensure that all municipalities have approved fraud prevention and anti-corruption policies in place as well as the resources and processes required to effectively implement these policies. CoGTA EC's monitoring system for municipalities must include key indicators of the effectiveness of fraud and corruption systems.

4.5 Way Forward and Next Steps

1. This evaluation report to be presented to the HODs of PT EC and CoGTA EC.
6. The EC: CoGTA, EC: PT, and OTP need to draft a **Management Response** to the report's recommendations using the Presidency's template as contained in Annexure 15 (Table 53) and submit this to the EC: OTP.
7. An **Integrated (across OTP, CoGTA EC and PT EC) Improvement Plan** then needs to be developed by both the EC: LGTA and EC: PT using the Presidency's framework as contained in Annexure 15. It is recommended that the first draft of the improvement plan is developed as part of a facilitated one day workshop (see Annexure 17 for a draft Improvement Plan Workshop Agenda and Annexure 18 for a draft Improvement Plan format). This must then be submitted to Provincial Cabinet for approval. Also refer to the Presidency's Guidelines for Improvement Plans <http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CB0QFjAA&url=http%3A%2F%2Fwww.thepresidency-dpme.gov.za%2Fkeyfocusareas%2FEvaluationsSite%2FEvaluations%2FGuideline%25202%25202%25206%2520Improvement%2520Plan%252013%252005%252029.pdf&ei=yUMZVbvNDYTB7gaLmICYBg&usg=AFQjCNGRLKbeWi7oMT7bpLjKP9JwdcPq-w>).
8. The results of the evaluation will be communicated with municipalities throughout the province (and ideally the the evaluation report circulated to all municipalities on the basis of a joint PT-CoGTA EC communication plan. CoGTA and PT to develop a joint communication regarding who does what to communicate the evaluation to municipalities, including ensuring that feedback to the six municipal case studies takes place.

9. OTP must then monitor the implementation of the Evaluation Improvement Plan and report on implementation progress to the relevant structures.

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Annexure 1: OCA Evaluation List of Key Informant Interviews Conducted

Institution	Date of Interview	Name	Surname	Position
Greater Kei Municipality	27/02/2015	M L	Mosala	CFO
Greater Kei Municipality	27/02/2015	Luleka	Ndabambi	Chairperson of the Municipal Public Accounts Committee
Greater Kei Municipality	27/02/2015	Sikhulu	Nxena	Corporate Affairs Manager
Greater Kei Municipality	27/02/2015	Ngensile	Tekile	Mayor
Greater Kei Municipality	27/02/2015	JF	Van Dalen	Director Technical Services
Greater Kei Municipality	27/02/2015	Viwe	Mapukata	Municipal Manager
Emalahleni Municipality	26/02/2015	Pumla	Makoma Sohe	Director Corporate Services
Emalahleni Municipality	26/02/2015	Luvuyo	Mooi	Emalahleni MPAC Chairperson
Emalahleni Municipality	26/02/2015	Ndumisa	Roboji	Chief Audit Executive
Emalahleni Municipality	26/02/2015	Sithembele Wiseman	Vatala	Municipal Manager
Emalahleni Municipality	26/02/2015	P	de Jager	Chief Financial Officer
Nsika yethu Municipality	26/02/2015	Koliswa	Vimbayo	Mayor
EC LGTA	25/02/2015	Zoliswa	Mdikane	General Manager: OCA
EC Provincial Treasury	25/02/2015	Thomas	Sesele	Manager
Nsika yethu Municipality	25/02/2015	LN	Landingwe	Acting CFO
Nsika yethu Municipality	25/02/2015		Mkhulu	Director Corporate services
Nsika yethu Municipality	25/02/2015	Z	Shasha	Municipal Public Account committee chairperson
Nsika yethu Municipality	25/02/2015	Ncedile	Zengetwa	Internal Audit Manager
Nsika yethu Municipality	25/02/2015			Municipal Manager
OCA Support Official	25/02/2015	Alfred	Gibeni	OCA: Financial Management
OCA Support Official	25/02/2015	Andile	Mxenge	OCA: Enviromental Management
OCA Support Official	25/02/2015	Mvuyisi	Nofemela	OCA: Infrastructure

OCA Support Official	25/02/2015	Maisaka	Mtshali	Human Resource Management
OCA Support Official	25/02/2015	Liziwe	Pani	Supply Chain Management
OCA Support Official	25/02/2015	Dumisa	Gabela	Financial Management
OCA Support Official	25/02/2015	Andile	Makhabeni	Internal Audit
OCA Support Official	25/02/2015	Vuyani	Madikazi	Supply Chain Management
SALGA	17/03/2015	Andile	Gogi	Provincial Programme Manager: Municipal Finance
Western Cape Provincial Treasury	16/03/2015	Basil	Vink	Director: Corporate Governance
Chris Hani Municipality	12/03/2015	Y	Dakuse	Director Corporate Services
Chris Hani Municipality	12/03/2015	Vuyokazi	Dusubana	Internal Audit Manager
Chris Hani Municipality	12/03/2015			Mayor
Chris Hani Municipality	12/03/2015	Nomfundo	Fetsha	CFO
Chris Hani Municipality	12/03/2015	Wongama	Gela	MPAC Chair
Chris Hani Municipality	12/03/2015	Mxolisi	Koyo	Executive Mayor
EC DLGTA	11/03/2015	Pashee	Raboji	Chief Director: District Support Services
EC LGTA	11/03/2015	Stanley	Khanyile	Superintendent General
GIZ	11/03/2015	Jabulile		Provincial Coordinator
Alfred Nzo Municipality	06/03/2015		Nelani	Internal Audit Manager
Nxuba Municipality	04/03/2015		Dolly	Mayor
Nxuba Municipality	04/03/2015	Leonora	Bruinjies / Dolly	Mayor
Nxuba Municipality	04/03/2015	Siphiwo	Caga	Municipal Manager
Nxuba Municipality	04/03/2015	Lizo	Ngodwane	Director Corporate Services/ HR Officer
Nxuba Municipality	04/03/2015	Loren	Smith	Chairperson Internal Audit Committee
Nxuba Municipality	04/03/2015	A	Zindlu	Acting Chief Financial Officer
Nxuba Municipality	04/03/2015	Njomeni	Alude	Internal Audit Manager
Nxuba Municipality	04/03/2015	Jack	Pasika	Municipal Public Accounts Committee chairperson
National		TV	Pillay	

Evaluation of Operation Clean Audit: Eastern Cape: 27 April 2015

Prepared by Impact Economix (www.impacteconomix.com) for the Eastern Cape Province: Office of the Premier.

Treasury				
EC DLGTA		Joyce	Malinga	Senior Manager: Supply Chain Management

Annexure 2: Historical time-line and summary of selected OCA and OCA-relevant documents

Author and Department	File name	Document Title	Date	Category	Event/ Description / Main proposal / Recommendation
COGTA EC	Internal Memorandum To Mec Re Signing Of Mou Incl. Annexures Functions Dhlq Vs Prov Treasury, Mfma Responsibilities, Mou Btn Pt Dlgta Attachment		2007 (May)	MOU	The purpose of this memorandum is to obtain the approval of the MEC to sign the proposed Memorandum of Understanding (MOU) between the department and Provincial Treasury. RECOMMENDATION. □ That it be approved that the MEC sign the attached MOU and that it then be sent to provincial treasury for signature.
COGTA EC	MSD Draft Framewework 20071126	Municipal Support Intervention	26-Nov-07	COGTA EC Plans	Outlines 3 types of broad support to different categories of municipalities and categorises municipalities and outlines the phases of the municipal support
COGTA EC	Audit queries - Baseline Information	Audit queries - Baseline Information	2009	OCA Founding	Main audit 2009/10 qualifications for all Eastern Cape Municipalities as baseline for OCA including the expertise required for improvement.
COGTA EC	OCA CONCEPT DOCUMENT (2)	OCA CONCEPT DOCUMENT (2)	2009 (October)	OCA Founding Docs	Description of the original intent of the OCA in the Eastern Cape Province. Some of the identified root causes of this poor audit results were as follows: o Lack of document management; o Lack of effective political oversight; o Non-availability of key personnel during audits; o Lack of political leadership to obtain clean audits; o No culture of performance; o Corruption; o No real understanding of the prevailing capacity in municipalities (individual, institutional and environmental); o High turnover of personnel and a lack of a proper retention strategy by many municipalities; o Lack of proper application of HR policies and nepotism is resulting in unqualified people being appointed; o The report compiled by Fever Tree (consultants who did an assessment of certain municipalities in the province) revealed that there is a lack of proper financial controls in municipalities, municipalities are employing too many people in management positions and are not employing enough people to do the implementation work and people who are employed to do the work are often doing other things; and o The support rendered to municipalities is often fragmented and uncoordinated thus causing it to be largely ineffective. A Provincial Audit Improvement Coordinating Committee (PAICC) was established
COGTA EC	TOR FOR PAICC - FINAL	TERMS OF REFERENCE FOR "OPERATION CLEAN AUDIT" COORDINATING FORUM	2009	Terms of Reference	TERMS OF REFERENCE FOR "OPERATION CLEAN AUDIT" COORDINATING FORUM. The purpose of the PAICC. The purpose of the PAICC is to support and assist municipalities and provincial departments to eradicate all adverse opinions and disclaimers by 2011 and to achieve financially clean audit opinions by 2014, and to ensure that municipalities and government departments improve governance and financial control systems, and sustain the quality of financial statements. Objectives of the PAICC: The primary objectives of the Provincial Audit Improvement Coordinating Committee (PAICC) are to: • Address all issues raised by the Auditor-General and reduce vulnerability to risks in municipal and government departments' financial management and governance processes through targeted projects; • Ensure implementation of the audit action plan; • Assess and monitor impact of audit action plan; • Advise on the improvement of the audit frameworks.
COGTA EC	audit outcomes 09-10 2 (2)	audit outcomes 09-10 2 (2)	2010	OCA Founding	Eastern Cape Audit Findings from 2003/04 to 2009/10 financial years.
COGTA EC	OCA OPERATIONAL PLAN 2010-11	OPERATION CLEAN AUDIT PROGRAMME (2009 – 2014) OPERATIONAL PLAN 1ST APRIL 2010 – 31ST MARCH 2011	2010	OCA Plans	Detailed OCA Operational Plan for the year 2010-2011. The Overall goal of the programme was to Assist all municipalities and provincial departments to achieve clean audit opinions by 2014, improve and sustain the quality of financial statements. The following milestones were set: - Between 2010 and 2011, no municipality achieving Adverse and Disclaimer Audit opinions. - At least 27 municipalities achieving unqualified audit opinion by 2012. - At least 33 municipalities achieving unqualified audit by 2013. - All 45 municipalities achieving unqualified audit by 2013. The following 5 strategic objectives were developed: To support the achievement of clean audit outcomes in 45 municipalities by 2014, To support 24 Municipalities obtained adverse and disclaimers with a variety of requisite skills, To capacitate and workshop OCA practitioners, Strengthen support offered to municipalities, To monitor implementation of OCA project.
Presidency	Delivery_Agreement_Outcome_9_Final_30_Sep[1][2]	Delivery_Agreement_Outcome_9_Final_30	30-Sep-10	OCA Founding	Local government delivery agreement developed by the Presidency in 2010. The purpose of the agreement is to develop a responsive, accountable.
COGTA EC	BRIEF BACKGROUND ON OPERATION CLEAN AUDIT - 180311	BRIEF BACKGROUND ON OPERATION CLEAN AUDIT - 180311	18-Mar-11	OCA Founding Docs	24 Municipalities receiving OCA support including an update on progress on what has been achieved to date. The serious weaknesses found in municipal financial management systems, which include but not limited to: • lack of proper and adequate systems of financial and internal controls. • inadequate capacity and resources to deliver services. • non adherence to financial policies procedures, legislative framework. • lack of proper records management.
COGTA EC	IGR Handbook	IGR in Practice: The Practitioner's Handbook	01-Mar-11	COGTA: EC Guideline	Outlines Eastern Cape COGTA: EC IGR Strategy, types and purposes of IGR structures and template Terms of References for Structures.

Evaluation of Operation Clean Audit: Eastern Cape: 27 April 2015

Prepared by Impact Economix (www.impacteconomix.com) for the Eastern Cape Province: Office of the Premier.

Author and Department	File name	Document Title	Date	Category	Event/ Description / Main proposal / Recommendation
COGTA EC	IGR Handbook	IGR in Practice: The Practitioner's Handbook	01-Mar-11	COGTA: EC Guideline	Outlines Eastern Cape COGTA: EC IGR Strategy, types and purposes of IGR structures and template Terms of References for Structures.
			18-May-11		Municipal elections held
COGTA EC	OCA Structure as at August 2011	OCA Structure as at August 2011	Aug-11	OCA Deployment Strategy/Model	This serves to reflect changes in the OCA deployment model over the 5 year period. The report covers the area of expertise, the initial support needed and current support available as at August 2011.
COGTA EC	QUARTERLY MOVEMENT PLAN_JULY SEPT 2011.xls	QUARTERLY MOVEMENT PLAN_JULY - SEPT 2011.xls	Sep-11	OCA Deployment Strategy/Model	This is an example of the approach that was used in 2010-2011
COGTA EC	GM REPORT OCA Challenges_Project Implementers_14 October 2011	GM REPORT OCA Challenges_Project Implementers_14 October 2011	Oct-11	OCA challenges lessons learnt	<p>This presentation was prepared during the OCA team meeting in August 2011. The report presents the main challenges facing municipalities under the Operation Clean Audit.</p> <p>Proposed agenda items for October meetings with Operation Cleans Audit municipalities MM's and CFO's</p> <p>Getting to know each other Confirmation of the OCA mandate Confirmation of the role of the municipality Progress on 2009/2010 Audit Report Corrective Action Plan Update on the current audit and schedule of Audit Steering Committee meetings Targets and milestones for the 2011/2012 financial year Programme of Action to achieve the targets and milestones</p>
COGTA EC	COGTA PROGRAMME OF ACTION 2010-2011	OPERATION CLEAN AUDIT: MUNICIPAL SUPPORT AND MONITORING SERVICES PROGRAM OF ACTION 2010-11	Nov-11	OCA Plans	<p>This plan was developed by National CoGTA in collaboration with all the 9 Provinces. Each Province was required to implement the plan. The PoA had the following key focus areas and outcomes:</p> <p>1. Implement Operation Clean Audit: Submission of credible and quality Annual Financial statements, Addressing Municipal Audit Issues, Municipal Reporting and Document/Information Management, Supply Chain and Contract Management, MFMA Priorities. 2. Reduced Municipal Debt: Municipal Debt. 3. Improved HR practices: Building Municipal Capacity and Competencies 3. Improved Service Delivery through Effective Management of Financial Resources: Service Delivery & Effective Management of Financial Resources, Consolidated Municipal Annual Report and tabling of MEC reports in provincial legislature and IGR structure, Performance Agreements. 4 Uproot fraud, corruption, nepotism and all forms of maladministration: Fraud and corruption - Need to create risk management post. Governance: MPACs, Audit Committees, Internal Audit Units, District Area Finance Fora.</p>
COGTA EC	CHALLENGES FACING THE IMPLEMENTATION OF OCA- 1ST DRAFT	CHALLENGES FACING THE IMPLEMENTATION OF OCA- 1ST DRAFT	2012	OCA challenges lessons learnt	<p>These challenges were extracted from the reports of the project fieldworker:</p> <p>1. Records Management (Lack of proper filing systems resulting in lack of audit trail).</p> <p>2. Resource (budget & human) constraints within municipalities, none availability of staff resulting in lack of continuity & implementation of OCA recommendations</p> <p>OCA support not prioritized by municipalities (lack of cooperation by some municipalities).</p> <p>3. Inadequate or non implementation of recommendations proposed by OCA (Limited buy-in)</p> <p>4. Lack of accessibility to some municipal managers as they are always busy or unavailable during OCA visits.</p> <p>IDP and SDBIP are not linked.</p> <p>5. Lack of understanding of the role of OCA by municipalities, thus requiring OCA to perform operational/ day to day functions that require someone to be permanently stationed at the Municipality.</p> <p>Over- reliance on service providers. There is no monitoring mechanism in place to ensure transfer of skills is effected in those municipalities that have co-sourced the audit function</p> <p>Use of conditional grants for purposes not intended for thus affecting service delivery and improvement of audit outcomes.</p> <p>Lack of IT support / fully fledged IT units to support financial systems and Electronic Data Management Systems</p> <p>Provincial planning is not in line with the planning of municipalities</p> <p>Instability in municipalities necessitating seconding of OCA officials to fill in key positions.</p> <p>Project Implementers are unable to conducting monitoring and evaluation in their respective focus areas due to the number of municipalities supported.</p> <p>Conclusion: Lack of cooperation by some municipalities, unavailability of</p>
COGTA EC	PAICC Minutes - 29 FEB 2012 _Latest	MINUTES OF THE MEETING OF THE PROVINCIAL AUDIT IMPROVEMENT COORDINATING COMMITTEE (PAICC)	Feb-12	Minutes	<p>This committee was established to oversee the implementation of OCA. The committee was supposed to hold quarterly meetings which are convened by the Head of COGTA. The committee only managed to hold +/- 5 meeting over this period of 5 years.</p>

Evaluation of Operation Clean Audit: Eastern Cape: 27 April 2015

Prepared by Impact Economix (www.impacteconomix.com) for the Eastern Cape Province: Office of the Premier.

Author and Department	File name	Document Title	Date	Category	Event/ Description / Main proposal / Recommendation
COGTA EC	STATUS OF OCA	STATUS OF OCA	Feb-12	OCA	This serves to reflect changes in the OCA deployment model over the 5
COGTA EC	Resolutions of the PAICC Meeting - 29 February 2012	PROVINCIAL AUDIT IMPROVEMENT COORDINATING COMMITTEE (PAICC)	Feb-12	Minutes	<ol style="list-style-type: none"> 1. Assisting municipalities to fill the critical posts. 2. To do everything in our means to ensure that oversight play and perform their objectives. 3. To train oversight structures, and it should be a continuous exercise that bears fruits. 4. Work with the municipalities to ensure that the internal audit units perform their work, coach and mentor them the internal auditors. 5. DLGTA to develop a pool of officials to turn around municipalities, the aim is to respond rapidly in a short space of time. 6. Put systems in place to deal with issues within municipalities in order to ensure that the environment is favourable. 7. Provincial Planning and Treasury to look at the financial gap in the municipalities. Financial basket should be available as there will be municipalities that need to be bailed out (actual receipts) 8. DLGTA and DCOG to continue with the training. 9. Consideration of resolution taken in a meeting with MEC which highlighted the following: <ul style="list-style-type: none"> • lack of systems in municipalities; • Record keeping; • Evaluation of systems; • Legal advisors for Speakers; • Establishment of MPACs; • Municipalities to capacitate internal auditors, audit committees and risk management units. 10. Discussed issues must be followed up and executed. 11. OTP and GMs need to be addressed on all the issues discussed in the PAICC meeting.
COGTA EC	OPERATION CLEAN AUDIT ACTION PLAN 2012/2013	OPERATION CLEAN AUDIT ACTION PLAN FOR 2012/2013 FINANCIAL YEAR	#####	OCA Plans	Key action plan and responsible officials for the 2012/13 financial year. The actions were focused on the following key focus areas: 1. Internal Audit 2. Contract Management 3. Environmental Management 4. Infrastructure.
COGTA EC: Municipal Support	Single Window (3)	Draft: Single Window Co-Ordination Document	Mar-12		Outlines principles for single window of coordination, classification of municipalities and 3 levels of support each municipality should receive, as well as outlining a set of phases to the support process.
Provincial Treasury	MOU PREAMBLE REVISED		04-Dec-12	MOU	Memorandum of understanding concluded between Provincial Treasury and Department of Housing, Local Government and Traditional Affairs.
EC LGTA	OCA APRIL- JUNE 1ST QUARTER Consolidated	OCA APRIL- JUNE 1ST QUARTER Consolidated	Jun-13	OCA Progress reports	Quarterly progress report containing all OCA activities per municipality.
EC LGTA	OCA JULY - SEPT 2ND QUARTER Consolidated	OCA JULY - SEPT 2ND QUARTER Consolidated	Sep-13	OCA Progress reports	Quarterly progress report containing all OCA activities per municipality.
EC LGTA	Consolidated 3rd Quarter Report_ 2013/14 Fin Yr	Consolidated 3rd Quarter Report_ 2013/14 Fin Yr	2013	OCA Progress reports	Progress achieved by OCA in the 4th Quarter of 2013/14
COGTA EC	Plan for Intensive OCA Support 2013	Plan for Intensive OCA Support 2013	2013	OCA Plans	Municipalities were targeted by the OCA intensive support program. Intensive support involves deploying teams from the OCA who stayed at the targeted municipality for a period of up to three months.
COGTA EC	Plan for Intensive OCA Support 2013	Plan for Intensive OCA Support 2013	2013	OCA Deployment Strategy/Model	This approach was endorsed and implemented in 2013
COGTA EC	MSIF 1	Ec Cogta : Developmental Local Government Approach: Input To National Cogta	2014	COGTA EC Plans	Summarises COGTA EC Municipal Support Intervention Approach which is the same as contained in the 2007 MSIF document, 2014-19 Strategic Priorities and 2014/15 Priority Support Projects.
COGTA EC	Action Plan for OCA Support 2014 (2)	DRAFT ACTION PLAN FOR OCA SUPPORT 2014	2014	OCA Plans	A list of tasks and the responsible office for OCA activities between May 2014 and January 2015. The action plan include the dates by when each action needs to be completed. May/June 2014 actions had been completed but there is no status update for the action for other months.
COGTA EC	Audit Outcomes 14 F2014 (2)	Audit Outcomes 14 F2014 (2)	2014	Audit outcomes	Summary of Audit Outcomes from 2003/04 to 2013/2014
EC LGTA	Consolidated 2nd Quarter Report _ 2014/15 Fin Yr	Consolidated 2nd Quarter Report _ 2014/15 Fin Yr	2014		Progress achieved by OCA in the 2nd Quarter of 2014/15
EC LGTA	Consolidated 3rd Quarter Report _ 2014/15 Fin Yr	Consolidated 3rd Quarter Report _ 2014/15 Fin Yr	2014		Progress achieved by OCA in the 3rd Quarter of 2014/15
COGTA EC	Operation Clean Audit Project_260314	Operation Clean Audit Project	Mar-14	OCA Progress reports	<p>Progress report on the Achievements and Obstacles which were faced by OCA since its inception till 2013. The EC DLGTA allocated R30 million in the budget of the 2010/2011 financial year to help the newly formed OCA unit in the province. In 2010/11, Four of the original twenty three municipalities had made improvements in their financial management and governance that they now had unqualified audit opinions.</p> <p>TARGETS FOR 14/15 AND WAY FORWARD:</p> <p>Fifteen (15) municipalities have received disclaimers and adverse audit opinions on the AFS of the 2012/2013 financial year. These are the municipalities that will receive OCA support during the financial year ending 31 March 2015. The following approach has been taken to ensure effectiveness of the support and to minimise the challenges:</p> <ul style="list-style-type: none"> □ Full ownership of the project by the municipality; • This will be driven through ensuring that the municipality develops its own turnaround plan for achieving improved audit outcomes • The OCA support must fit into this municipal specific plan □ Full engagement of the leadership in driving the project; • The mayor of the municipality will be called upon to present the turnaround plan to the MEC • Progress reports to be submitted and tabled to the MEC within twenty days after the end of each quarter. • The Municipal Manager to chair monthly meetings for monitoring progress in Intensive Operation Clean Audit Support □ Agreement on areas of support which must address items measured by the Dashboard Report; • Areas of support will have to be clearly specified in the turnaround plan and in the project plans and weekly targets □ Bi-Weekly monitoring and evaluation meetings to be conducted; □ OCA GM, DLGTA District Co-ordinator, District Municipality and Provincial Planning & Treasury must also attend the above mentioned meetings.

Evaluation of Operation Clean Audit: Eastern Cape: 27 April 2015

Prepared by Impact Economix (www.impacteconomix.com) for the Eastern Cape Province: Office of the Premier.

Author and Department	File name	Document Title	Date	Category	Event Description / Main proposal / Recommendation
EC LGTA	Support Provided by Operation Clean Audit_201314 Annual Report	SUPPORT PROVIDED BY OPERATION CLEAN AUDIT TO MUNICIPALITIES - 2013/14 FINANCIAL YEAR	2014	OCA Progress reports	<p>A summary of the support provided by OCA in 2013-14. The following are the key support functions performed in each area:</p> <ul style="list-style-type: none"> • Monitor and support municipalities in the development of audit action plans. • Monitor the progress made on eliminating issues raised in the AG reports subsequently listed in the audit action plans. • Monitor and support municipalities to develop or review and implement internal controls. • Assist municipalities with preparation for compilation of AFS and audit readiness for the annual audit by the AG by 31 August each year. • Transfer of skills. <p>10 Non-OCA Municipalities were supported. The reasons for supporting non-OCA municipalities were as follows:</p> <ul style="list-style-type: none"> • Most of the municipalities in question were previously supported by OCA; therefore there was a need to continue with projects that were already underway. • The OCA official responsible for the Oversight focus area supports municipalities in collaboration with Municipal Administration Directorate within the department. • Other municipalities made special requests to be assisted by the department on environmental management and infrastructure. It should be noted that OCA is the only Chief Directorate that provides environmental management support to municipalities.
COGTA EC	Current Approach - Intervention Teams as of December 2014	Current Approach - Intervention Teams as of December 2014	2014	OCA Deployment Strategy/Model	This serves to reflect changes in the OCA deployment model over the 5 year period. This document shows the list of the OCA intervention teams for Inkwanca, Makana, KSD, Ikwezi Municipalities as at December 2014.
EC LGTA	Department of Local Government Strategic Plan	Strategic Plan 2014 - 2019	2014		5 Year Strategic Plan
COGTA EC	OCA SUPPORT 2014 AND BEYOND (approved)	OCA SUPPORT 2014 AND BEYOND (approved)	2014	OCA Deployment Strategy/Model	<p>This approach was endorsed and implemented as from July till November 2014. The following steps were recommended:</p> <ul style="list-style-type: none"> • The accounts of the municipality must be closed every month. • Annual reconciliations must be done every month • Annual financial statements must be prepared and submitted to the Auditor General for auditing by the 31st of August every year. • The timely filling of vacancies with competent staff • Addressing the issues that have been raised in audit reports <p>It was recommended that the approach to supporting municipalities be changed from a department pushed to municipality pulled support. The modus operandi will be as follows:</p> <ol style="list-style-type: none"> A problem or challenge that is facing a municipality is identified either by the municipality (preferable) or by the department. An example would be findings by the auditor general or by monitoring and evaluation of the department. The municipality must then develop a plan to address the challenge. The department may be called upon to assist in the development of the plan. However, ownership of the plan remains at the municipality. The plan specifies the support required from the department. The municipality makes a formal written request to the department requesting the specified support. The department and the municipality agree on the specifics of the support which must then be captured in memorandum of agreement. The plan and the agreement mentioned in (ii) and (v) respectively above will form the basis of deploying the OCA team or any other team doing similar work.
COGTA EC	OCA - Trends and Lessons Learnt	OCA - Trends and Lessons Learnt	2014	OCA challenges lessons learnt	<p>Lessons Learnt</p> <p>The main lesson that has been learnt from the OCA experiences is that no provincial or national department can turn around any municipality that has not made and implemented a commitment to turn itself around.</p> <p>Coupled with this is the issue of leadership. For a municipality to overcome any problem or challenge both the political and administrative leadership direct the efforts of the municipality to turn around. It has been a recurrent finding of the Auditor-General that non-involvement of the leadership has been a major contributor poor audit outcomes.</p>
COGTA EC	OPCA PROGRAMME OF ACTION 2013-14 (Final Report) (2)	OPERATION CLEAN AUDIT INTEGRATED PLAN	2014	OCA Plans	The report is based on the Outcome 9, Output 6 of the delivery agreement: strengthen the administrative, institutional and financial capabilities of municipalities. This report is focused on the 2013/14 financial year and contains the following information: Key Focus Area based on AG key findings, issues / challenges, response actions, target date / timeframe and responsible office.
EC LGTA	OPCA PROGRAMME OF ACTION NATIONAL REPORT MARCH 14 vvv	MUNICIPAL AUDIT OUTCOMES RESPONSE PLAN – REPORT ON NATIONAL RESPONSIBILITY ITEMS	Mar-14		Audit outcomes response plan as at march 2014
COGTA EC	PAICC Minutes_2014-03-04 latest	PROVINCIAL COORDINATING COMMITTEE (PAICC): MINUTES	Mar-14	Minutes	<p>Purpose of the meeting:</p> <p>The chairperson indicated that the meeting was the first PAICC seating in two years as the last meeting was held in February 2012. He indicated that it is the final year for 'Operation Clean Audit 2014'. In the Eastern Cape there are fifteen (15) municipalities with disclaimer & adverse, eighteen (18) were qualified, twelve (12) received unqualified audit opinions. Two (2) municipalities have outstanding audits.</p> <p>The Operation Clean Audit targets stated that by 2014 all municipalities should have achieved clean audit outcomes. The purpose of the meeting was to look at the prevailing circumstances and the envisaged target, further discuss the sustainability of OCA, way forward and efforts that are required in order to get closer to the targets as there is an indication that they will not be met.</p> <p>Obstacles Encountered and Lessons Learnt</p> <p>The challenges that were faced by OCA have contributed in hindering the achievement of clean audit outcomes. Some of the obstacles are related to OCA support not being optimally used by the municipality. This is evident in the non-attendance of engagement meetings by the municipal leadership, there are meetings which are scheduled prior to visits to the municipalities.</p> <p>There are municipalities where valuable lessons have been learnt. It was evident that if OCA is optimally used things can turn around in a municipality. For example: Camdeboo municipality moved from disclaimer to qualified and it was qualified only on one item. The municipality showed a great commitment and utilised the OCA support fully.</p>
COGTA EC	Eastern Cape OCA Plan_201415 Fin Yr-Rev 210314	EASTERN CAPE OPERATION CLEAN AUDIT PLAN_2014/15	21-Mar-14	OCA Plans	<p>CoGTA Programme of Action from National CoGTA was customised for the purpose of collaboration with other Units with the department of provincial CoGTA. This report contains the 2014/15 financial year programmes of action. The operation clean aimed to provide support on the following areas:</p> <ul style="list-style-type: none"> • Monitor and support municipalities in the development of audit action plans. • Monitor the progress made on eliminating issues raised in the AG reports subsequently listed in the audit action plans. • Monitor and support municipalities to develop or review and implement internal controls. • Assist municipalities with preparation of annual reporting and audit readiness for the annual audit by the AG by 31 August each year. The report contains the following information: Actions to be undertaken to address key focus area based on AG key findings, the current status, action to be taken, responsible person and time frame for the proposed action. • Transfer of skills. <p>The following key actions were planned:</p> <ol style="list-style-type: none"> 1. Quality Annual Financial Statements (AFS) submitted timeously. 2. Key controls. 3. Management of Consultants & Contracts. 4. Municipal Audit Remedial Plans. 5. Leadership involvement in Guiding and Directing the OPCA Initiatives. 6. Consequences for Poor Performance. 7. Quality of Annual Performance Reports. 8. Recurring Municipal Audit Issues: Records management, Information Technology Controls, Unauthorised, irregular, fruitless and wasteful expenditure 10. Improved HR Practises. 11. Capacity to Support Municipalities. 12. Governance. 13. Districts as Hubs of Excellence.
COGTA EC	Consolidated 4th Quarter Report _ 31032014 Lates V	Consolidated 4th Quarter Report _ 31032014 Lates V	31-Mar-14		

Evaluation of Operation Clean Audit: Eastern Cape: 27 April 2015

Prepared by Impact Economix (www.impacteconomix.com) for the Eastern Cape Province: Office of the Premier.

Author and Department	File name	Document Title	Date	Category	Event/ Description / Main proposal / Recommendation
COGTA EC	Report on the Municipal Audit Outcomes_220414 V1	MUNICIPAL AUDIT OUTCOMES – 2012/13 FINANCIAL YEAR	Apr-14		The audit outcomes for the 2012/13 financial year clearly reflect that a lot of work still has to be done towards the achievement of clean administration and good governance in municipalities. In conclusion, eighteen (18) municipalities were qualified, eight (8) obtained disclaimers, five (5) received adverse audit opinions and two (2) have outstanding audits. In total thirty three (33) municipalities require assistance and collaborative efforts in order to move to unqualified and ultimately to the clean administration.
COGTA EC	Consolidated 1st Quarter Report 2014_20140512	Consolidated 1st Quarter Report 2014_20140512	12-May-14		Progress achieved by OCA in the 1st Quarter of 2014/15
COGTA EC	EC-Department-of-Local-Government-Operational-Plan	Eastern Cape Department of Local Government 2014/15 Operational Plan	01-Jul-14	COGA EC Plans	Contains strategic goals, performance indicators, performance outputs, targets, and budgets for all 2014/15 COGTA EC Programmes
COGTA EC	Concept Document Final 16 July 2014 (2)	District Support Centres: Concept Document for streamlined and seamless support to municipalities	16-Jul-14	COGTA EC Plans	Conclusion: • The finalisation of the Departmental Decentralisation Steering Committee task will enable completion and approval of the District Coordination Concept Document • It is imperative that the District Support Centre Concept Document is considered to ensure operationalization of Service Delivery Model for proper coordination and integration of government programmes in the realisation of its mandate.
	OCA Support and Beyond 2014	OCA Support to Municipalities and Beyond 2014	19-Jul-14	COGTA EC Plans	The OCA GM makes a number of recommendations to change the OCA approach from a department pushed approach to a municipal demand led approach.
COGTA EC	DEPLOYMENT MODEL - OCA IMPLEMENTERS 201415-October 2014	DEPLOYMENT MODEL - OCA IMPLEMENTERS 201415-October 2014	Oct-14	OCA Deployment Strategy/Model	The list of OCA teams deployed per cluster as at October 2014. The key focus areas for the teams were as follows: 1. Integrated Financial Management 2. Supply Chain Management 3. Human Resource Management 4. Internal Audit 5. Infrastructure 6. Environmental Management 7. Contract Management 8. Oversight & MPAC.
COGTA National	NA	Operationalising Back to Basics: Presentation to COGTA Task Team	Oct-14	COGTA National Plans	Outlines Back to Basics Approach including a differentiated approach to support for 3 categories of municipalities and priority Key Performance Indicators to be monitored including for financial management, a diagnostic approach to inform the development of action plans, and the establishment of Provincial Task Teams to coordinate interventions. Indicates intention to legislate municipal key performance indicators.
COGTA EC	District Service Delivery Model Presentation	District Service Delivery Model Presentation	Dec-14		Outlines high level approach to District Support Centres as well as IGR structures.
COGTA EC	NA	COGTA Acting HOD Memo to MEC: Discontinuing Operation Clean Audit and Disbanding the Operation Clean Audit Unit	Dec-14	COGTA EC Plans	Authorises termination of OCA and re-deployment of OCA staff and budget.
COGTA EC	Database of the OCA Team - January 2015	Database of the OCA Team - January 2015	Jan-15	OCA Team COGTA	The total number of OCA officials is 26 (comprised of field and admin workers).
COGTA EC	Municipalities Supported by OCA 2010 to date	Municipalities Supported by OCA 2010 to date	Jan-15	Municipalities OCA support contacts	Municipality Supported in 2010/11 and 2011/12 financial years

Annexure 3: CoGTA EC and PT MFMA Roles as per unsigned 2007 MOU

MFMA SECTION NO	CONTENT	WHICH DEPT MUST DO IT	IMPLICATION FOR THE OTHER DEPT.	PROPOSAL
5(3)	A provincial treasury must in accordance with a prescribed framework: a) Fulfill its responsibility in terms of the Act; b) Promote the object of this Act within the framework of co-operative government; c) Assist national treasury in enforcing compliance with the measures established in terms of section 216(1) of the Constitution and those in terms of this Act.	Provincial Treasury	Duplicated efforts within povincial departments	Monthly meetings between the departments to co-ordinate activities within municipalities
5(4)	A Provincial Treasury - (a) must monitor (i) compliance with the MFMA by municipalities (ii) the preparation of their budgets (iii) monthly outcome of those budgets (iv) submission of reports as required (b) may assist municipalities in the preparation of their budgets (c) may exercise any powers and duties delegated by national treasury (d) may take appropriate steps if a municipality commits a breach of this Act.	Provincial Treasury	DHLG&TA might not know which municipalities have failed to timeously approved their budget as it may have to act in terms of Section 139 of the Constitution (intervention) and Section 55 of this Act	Provincial Treasury to inform DHLG&TA in writing of all municipalities who have not tabled their budgets by 7th April of each year and by th july of each year oall municipalities who have not approved their budgets. By 15th May of each year municipalities who may have not approve their budgets
5(5)	The functions assigned to provincial treasury in terms of this Act are additional to those in terms of the PFMA	Provincial Treasury	None	None
5(8)	A provincial treasury must submit all information submitted to it in terms of this Act to the national treasury on a quarterly basis or when required.	Provincial Treasury	The information submitted to National Treasury might be required by DHLG&TA in order to perform its obligations.	Provincial Treasury to provide DHLG&TA with a copy of the information it provides to National Treasury on request
8(5)	The accounting officer of a municipality must submit to the provincial treasury in writing the name of the bank where the municipality's primary bank account is held as well as the type and number of account. The provincial treasury must be informed of any changes to this account.	Provincial Treasury	Without this information DHLG&TA won't be able to make any <i>ad hoc</i> transfers to a municipality	Provincial Treasury to provide DHLG&TA with the details of all the primary bank accounts at the various municipalities in the Eastern Cape

9	The accounting officer of a municipality must submit to the provincial treasury, in writing, (a) within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened and the type and number of account (b) annually before the start of a financial year, the name of each bank where an account is held and the type and number of each account.	Provincial Treasury	None	None
11(4)	The accounting officer must within 30 days after the end of each quarter (b) submit a copy of the consolidated report of all withdrawals made from the municipality's bank accounts other than to defray expenditure appropriated in terms of an approved budget to the provincial treasury.	Provincial Treasury	None	None
21(2)	When preparing the annual budget, the mayor of a municipality must- (d) consult - (iii) the provincial treasury.	Provincial Treasury	None	None
22	Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must - (b) submit the annual budget - (i) in both printed and electronic format to the provincial treasury.	Provincial Treasury and DHLG&TA	DHLG&TA can request the budget from the municipality	DHLG&TA to write a circular letter to municipalities to submit budget to both departments
23(1)	When the annual budget has been tabled, the municipal council must consider any views of - (b) the provincial treasury and any national or provincial organ of state	Provincial Treasury and DHLG&TA	None	None
24(3)	The accounting officer of a municipality must submit the approved annual budget to the provincial treasury.	Provincial Treasury	Refer to Section 54 above	Refer to Section 54 above
26(4)	Until a budget for the municipality is approved, funds for the requirements of the municipality may, with the approval of the MEC for finance in the province, be withdrawn from the municipality's bank accounts in accordance with subsection (5).	Provincial Treasury	None	None
27	The mayor of a municipality must inform the MEC for finance, in writing, of any impending or actual as well as any non-compliance as well as any intended remedial action by the municipality of any provision of the Act relating to the tabling or approval of an annual budget. If the pending non-compliance relates to a time provision the MEC may on application extend any time limit or deadline. The MEC must exercise his power in terms of an approved framework and promptly notify national treasury, in writing, of any extension.	Provincial Treasury	Referred to Section 5(4) above	Referred to Section 5(4) above

31	When funds for a capital programme are appropriated for more than one financial year, expenditure for that programme during a financial year may exceed the amount of that years appropriation for that programme, provided that - (c) the municipal manager certifies that - (i) actual revenue is expected to exceed budgeted revenue (ii) sufficient funds are available for the increase and prior written approval is obtained from the mayor for the increase (e) the documents referred to above are submitted to provincial treasury.	Provincial Treasury	None	Provincial Treasury to inform DHLG&TA
32(4)	The accounting officer must promptly inform the MEC for local government, in writing, of - (a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality (b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure (c) the steps that have been taken - (i) to recover or rectify such expenditure (ii) to prevent a recurrence of such expenditure.	DHLG&TA	None	None
33(1)	A municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year, but if the contract will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, it may do so only if - (a) the municipal manager at least 60 days before the meeting of the municipal council at which the contract is to be approved - (ii) has solicited the views and recommendations of - (aa) the relevant provincial treasury.	Provincial Treasury	None	Provincial Treasury to inform DHLG&TA
34	(1)The national and provincial governments must by agreement assist municipalities in building the capacity of municipalities for efficient, effective and transparent financial management. (2)The national and provincial governments must support the efforts of municipalities to identify and resolve their financial problems	DHLG&TA and Provincial Treasury	Possible duplications and omissions	OTP to coordinate and oversee capacity building
36(1)	The accounting officer of a national or provincial department that is responsible for the transfer of any proposed allocation to a municipality must by no later than 20 January of each year notify the provincial treasury of any such proposed allocation and the projected amounts to be transferred to each municipality during each of the next 3 financial years.	DHLG&TA and Provincial Treasury	None	None
36(2)	The MEC for finance, when tabling the provincial budget must where possible make public the particulars of any allocation referred in 36(1) above.	Provincial Treasury	None	None

38(2)	Before the national treasury stops the transfer of funds to a municipality in terms of subsection 1(a) or (b) it must- (b) inform the MEC for local government in the province.	DHLG&TA	Possible disruption of services that may lead to possible interventions	DHLG&TA to inform Provincial Treasury
46(3)	A municipality may incur long term debt only if the accounting officer of the municipality- (a) has in accordance with section 21A of the Municipal Systems Act- (ii) invited the provincial treasury to submit written comments or representations to the council in respect of the proposed debt	Provincial Treasury	None	None
53(2)	The mayor must promptly report to the municipal council and the MEC for finance in the province any delay in the tabling of an annual budget, the approval of the service delivery and budget implementation plan or the signing of the annual performance agreements	Provincial Treasury	None	Provincial Treasury to inform DHLG&TA
53(3)	The Mayor must ensure - (b) that the performance agreements of the municipal manager, senior managers and any other categories of officials as may be prescribed are made public no later than 14 days after the approval of the municipality's service delivery and budget implementation plan. Copies of such performance agreements must be submitted to the MEC for local government.	DHLG&TA	None	DHLG&TA to inform Provincial Treasury
54(2)	If the municipality faces any serious financial problems the mayor must - (b) alert the MEC for local government to those problems.	DHLG&TA	Provincial Treasury needs to know if a municipality is experiencing a serious financial problem. This serious financial problem may lead to an intervention by the Provincial Executive in which Treasury will play a vital role.	DHLG&TA to inform Provincial Treasury, in writing, of the details of any municipality experiencing a serious financial problem.
55	If a municipality has not approved an annual budget by the 1st day of the budget year or if the municipality encounters a serious financial problem referred to in section 136, the mayor of the municipality - (a) must immediately report the matter to the MEC for local government (b) may recommend to the MEC an appropriate provincial intervention in terms of section 139 of the Constitution.	DHLG&TA	As Section 54(2) above	As Section 54(2) above

67(2)	Funds transferred to organisations and bodies outside government. If there has been a failure by an organisation or body to comply with the requirements of subsection (1) in respect of a previous transfer, the municipality may despite subsection 1(c) make a further transfer to that organisation or body provided that - (b) the relevant provincial treasury has approved the transfer.	Provincial Treasury	None	None
71(1)	The accounting officer of a municipality must by not later than 10 working days after the end of each month submit to the mayor of the municipality and the provincial treasury a statement in the prescribed format on the state of the municipality's budget	Provincial Treasury	None	Provincial Treasury to provide DHLG&TA with reports
71(4)	The statement to the provincial treasury must be in the format of a signed document and in electronic format	Provincial Treasury	None	None
71(6)	The provincial treasury must by no later than 22 working days after the end of each month submit to the national treasury a consolidated statement in the prescribed format of the state of the municipalities budget, per municipality and per municipal entity.	Provincial Treasury	None	None
71(7)	The provincial treasury must, within 30 ways after the end of each quarter, make public as may be prescribed a consolidated statement in the prescribed format on the state of the municipalities budget, per municipality. The MEC for finance must submit such consolidated statement to the provincial legislature no later than 45 days after the end of each quarter.	Provincial Treasury	None	None
72(1)	The accounting officer of a municipality must by 25 January of each year assess the performance of the municipality and submit a report on such assessment to the provincial treasury.	Provincial Treasury	DHLG&TA requires a copy of such assessment in order to effectively monitor municipalities especially in respect of the annual report.	Provincial Treasury to provide DHLG&TA with a copy of such assessment within 10 working days of receipt.
73	The accounting officer must inform the provincial treasury, in writing, of - (a) any failure by the council of the municipality to adopt or implement a budget related policy or a supply chain management policy referred to in section 111 (b) any non compliance by a political structure or office bearer of the municipality with any such policy.	Provincial Treasury	Impact on IDPs and performance management	Provincial Treasury to provide DHLG &TA with the information
74(1)	The accounting officer of a municipality must submit to the provincial treasury and the department for local government in the province such information, returns, documents, explanations and motivations as may be prescribed or as may be required.	DHLG&TA and Provincial Treasury	It is important that DHLG&TA and Provincial Treasury co-ordinate their activities in this regard so as to prevent duplication ie both	DHLG&TA and Provincial Treasury to hold a monthly meeting at which information can be shared and activities co-ordinated.

			departments requesting the same information from a municipality.	
74(2)	If the accounting officer of a municipality is unable to comply with any of the responsibilities in terms of this Act, he must promptly report the inability, together with reasons, to the provincial treasury. (For further discussions)	Provincial Treasury	Possible failure on service delivery with resultant interventions	DHLG&TA and Provincial Treasury to hold a monthly meeting at which information can be shared and activities co-ordinated.
83(3)	Provincial treasury may assist municipalities in the training of the accounting officer, chief financial officer, senior managers and other financial officials to meet the prescribed financial management competency levels. (For further discussions)	Provincial Treasury	DHLG&TA also manages and operates various capacity building programmes.	Capacity building programmes to be co-ordinated by means of a monthly meeting to be held between DHLG&TA and Provincial Treasury as well as other stakeholders involved in capacity building at local government level.
84(2)	A municipality may establish or participate in a municipal entity only if - (a) the municipal manager, at least 90 days before the meeting of the municipal council at which the proposed establishment of the entity, or the municipality's proposed participation in the entity is to be approved - (ii) has solicited the views and recommendations of - (aa) provincial treasury (bb) provincial department responsible for local government.	DHLG&TA and Provincial Treasury	None	DHLG&TA and Provincial Treasury must meet and discuss responses
86	(1) the accounting officer of a municipal entity must submit to the municipality, in writing, - (a) within 90 days after the entity has opened a new bank account, the name of the bank where the account has been opened, the type and number of the account (b) annually before the start of the financial year, the name of each bank where the entity holds a bank account and the type and number of each account (2) the accounting officer of the entity's parent municipality must upon receipt of the above submit the information to the provincial treasury in writing.	Provincial Treasury	Without this information DHLG&TA won't be able to make any <i>ad hoc</i> transfers to a municipality	Provincial Treasury to provide DHLG&TA with the details of all the primary bank accounts at the various municipalities in the Eastern Cape
104(1)	The accounting officer of a municipal entity - (b) must submit to the provincial treasury and the department of local government in the province such information, returns, documents, explanations and motivations as may be prescribed or as may be required.	DHLG&TA and Provincial Treasury	It is important that DHLG&TA and Provincial Treasury co-ordinate their activities in this regard so as to prevent duplication ie both departments	DHLG&TA and Provincial Treasury to hold a monthly meeting at which information can be shared and activities co-ordinated.

			requesting the same information from a municipality.	
114(1)	If a tender other than the one recommended in the normal course of implementing the supply chain management policy of a municipality or a municipal entity is approved, the accounting officer of the municipality or the municipal entity must, in writing, notify the provincial treasury.	Provincial Treasury	DHLG&TA also has a responsibility to investigate any possible irregularities in the municipalities. (Section 106 of MSA)	Provincial Treasury to inform DHLG&TA, in writing, of such instances and outcome thereof.
119(3)	A provincial treasury may assist municipalities and municipal entities in training the accounting officer and other officials involved in the implementation of the supply chain management policy.	Provincial Treasury	None	None
127(4)	The auditor-general may submit the financial statements and audit report - (a) of a municipality directly to the provincial treasury and the MEC for local government if the mayor fails to comply with subsections (2) and (3) (b) of a municipal entity directly to the relevant provincial treasury and the MEC responsible for local government if the accounting officer of the entity fails to comply with subsections (2) and (3).	DHLG&TA and Provincial Treasury	Possible duplications and omissions	DHLG&TA and Provincial Treasury to support and assist municipalities in compilation of annual financial statements(joint venture)
127(5)	Immediately after an annual report is tabled in the council in terms of subsection (2), the accounting officer of the municipality must - (b) submit the annual report to the relevant provincial treasury and the provincial department responsible for local government in the province.	DHLG&TA and Provincial Treasury	Possible duplications and omissions	DHLG&TA and Provincial Treasury to support and assist municipalities in compilation of annual reports(joint venture)
128	The accounting officer of a parent municipality must - (c) promptly report any non-compliance with sections 121 (1) and 126 (2) together with the reasons for such non-compliance to the relevant provincial treasury.	Provincial Treasury	None	None
129(2)	The accounting officer must submit copies of the minutes of meetings at which the annual report is discussed to the relevant provincial treasury and the provincial department responsible for local government in the province.	DHLG&TA and Provincial Treasury	Possible duplications and omissions	DHLG&TA and Provincial Treasury to support and assist municipalities in processes of considering the annual reports(joint venture)

131(2)	The MEC for local government in the province must - (a) assess all annual financial statements in the province, the audit report on such statements and any responses of municipalities to such audit reports and determine whether municipalities have adequately addressed any issues raised by the auditor-general in audit reports. (b) report to the provincial legislature any omission by a municipality to adequately address those issues within 60 days.(Read with 165 and 166)	DHLG&TA	None	DHLG&TA to provide information to Provincial Treasury. Auditor-General to include DHLG&TA and Provincial Treasury in their distribution list
132(3)	The MEC for local government in the province must monitor whether municipalities have submitted their annual report and all oversight reports on the annual report to the provincial legislature within 7 days of their adoption by the municipal council.	DHLG&TA	None	DHLG&TA to provide information to Provincial Treasury.
133(1)	If the accounting officer of a municipality or municipal entity fails to submit financial statements to the auditor-general in accordance with sections 126(1) or (2), or if the mayor fails to table the annual report of the municipality or municipal entity in the council in accordance with section 127(2) - (b) the auditor-general, in the case of any failure to submit financial statements for auditing, must promptly - (i) inform the MEC for local government and the MEC for finance of such failure. (d) the provincial executive may intervene in the municipality in terms of section 139 of the Constitution. (f) the provincial treasury may take appropriate steps against the municipality in terms of section 5(4)(d)	DHLG&TA and Provincial Treasury	Possible intervention of section 139 of the Constitution	DHLG&TA and Provincial Treasury to ensure that municipalities have submitted their annual financial statements by 31st August each year(joint venture)
134	The MEC for local government must take steps to ensure that issues raised on audit reports on financial statements of municipalities and municipal entities are addressed.	DHLG&TA	None	Provincial Treasury to provide DHLG&TA with information on municipal entities
135(3)	If a municipality encounters a serious financial problem or anticipates problems in meeting its financial commitments, it must immediately - (b) notify the MEC for local government and the MEC for finance in the province.	DHLG&TA and Provincial Treasury	Possible intervention of section 137&139	DHLG&TA and Provincial Treasury to meet monthly to discuss the strategies to deal with the problem. External stakeholders such as for example organised local government and the relevant district municipality should also be involved.

136(1)	If the MEC for local government in a province becomes aware that there is a serious financial problem in a municipality, the MEC must promptly - (a) consult the mayor of the municipality to determine the facts (b) assess the seriousness of the situation and the municipality's response to the situation (c) determine whether the situation justifies or requires an intervention in terms of section 139 of the Constitution.	DHLG&TA	Possible intervention in terms of section 137 and 139 of the constitution	DHLG&TA to inform provincial treasury, in writing, of any such serious financial problem being experienced by a municipality.
136(2)	If the financial problem has been caused by or resulted in a failure by the municipality to comply with an executive obligation in terms of legislation or the Constitution, and the conditions for an intervention in terms of section 139(1) of the Constitution are met, the provincial executive must promptly decide whether or not to intervene in the municipality. If the provincial executive decides to intervene, section 137 applies.	DHLG&TA	None	DHLG&TA to facilitate intervention
136(3)	If the municipality has failed to approve a budget or any revenue raising measures necessary to give effect to the budget, as a result of which the conditions for an intervention in terms of section 139 (4) of the Constitution are met, the provincial executive must intervene in the municipality in accordance with section 26. (Read with section 55).	DHLG&TA	None	DHLG&TA to facilitate intervention. Provincial Treasury to provide DHLG&TA with municipalities that did not approve budget by 30 June
136(4)	If the municipality, as result of a crisis in its financial affairs, is in serious or persistent material breach of its obligations to provide basic services or to meet its financial commitments, or admits that is unable to meet its financial commitments, as a result of which the conditions for an intervention in terms of section 139(5) of the Constitution are met, the provincial executive must intervene in the municipality in accordance with section 139.	Provincial Treasury	None	Provincial Treasury to facilitate intervention.
137(1)	If the conditions for a provincial intervention in a municipality in term of section 139(1) of the Constitution are met and the provincial executive decide in terms of section 136(2) of this Act to intervene in the municipality, the provincial executive may take any appropriate steps referred to in section 139(1) of the Constitution, including - (c) determining whether the financial problem, singularly or in combination with other problems, is sufficiently serious or sustained that the municipality would benefit from a financial recovery plan and, if so, requesting any suitably qualified person - (iii) to submit the recovery plan and any recommendations referred to in subparagraphs (i) and (ii) to the MEC for local government in the province within a period determined by the MEC.	DHLG&TA	None	DHLG&TA to notify Provincial Treasury of any intervention

137(2)	The MEC must submit any assessment in terms of subsection 1(a), any determination in terms of subsection 1(c) and a copy of any request in terms of subsection 1(c), to the municipality and the cabinet member responsible for local government.	DHLG&TA	None	None
139(1)	If a municipality, as a result of a crisis in its financial affairs, is in serious or persistent material breach of its obligations to provide basic services or to meet its financial commitments, or admits that it is unable to meet its obligations or financial commitments, the provincial executive must promptly - (a) request the Municipal Financial Recovery Service - (v) to submit to the MEC for finance in the province - - (aa) the determination and assessment referred to in subparagraphs (i) and (ii) as a matter of urgency (bb) the recovery plan and recommendations referred to in subparagraphs (iii) and (iv) within a period, not to exceed 90 days, determined by the MEC for finance.	Provincial Treasury	None	None
139(2)	The MEC for finance in the province must submit a copy of any request in terms of subsection (1)(a) and of any determination and assessment received in terms of subsection (1)(a)(v)(aa) to - (a) the municipality (b) cabinet member responsible for local government (c) the Minister.	Provincial Treasury	None	Provincial Treasury to provide this information, in writing, to DHLG&TA at the same time as it provides it to the municipality and the two Ministers.
141(3)	When preparing a financial recovery plan, the person referred to in subsection (1) or the Municipal Financial Recovery Service must - (a) consult - (iii) the MEC for finance and the MEC for local government in the province (c) at least 14 days before finalising the plan - (i) submit the plan for comment to (bb) the MEC for finance and the MEC for local government in the province.	DHLG&TA and Provincial Treasury	None	None
141(4)	The person charged with preparing the financial recovery plan of the Municipal Financial Recovery Service must - (c) submit the final plan to the MEC for finance in the province for approval in terms of section 143.	Provincial Treasury	None	Provincial Treasury to provide DHLG&TA with a final plan
143(1)	On receipt of a financial recovery plan pursuant to a discretionary intervention referred to in section 137, the MEC for local government in the province may approve the recovery plan with or without amendments, as the MEC considers appropriate.	DHLG&TA	None	None

143(2)	On receipt of a financial recovery plan pursuant to a mandatory intervention referred to in section 139, the MEC for finance must verify that the process set out in section 141 has been followed and that the criteria contained in section 142 are met, and - (a) if so, approve the recovery plan (b) if not, direct which defects must be rectified.	Provincial Treasury	None	None
143(3)	The responsible MEC must submit an approved recovery plan to - (a) the municipality (b) the minister of finance and cabinet member responsible for local government (c) auditor general (d) organised local government in the province.(Discretionary -MEC for local government and Mandatory -MEC for finance)	DHLG&TA and Provincial Treasury	None	None
144(1)	The MEC for local government or the MEC for finance in the province may at any time, but subject to section 141(1) and (2), request any suitably qualified person or the Municipal Financial Recovery Service to prepare an amended financial recovery plan in accordance with the directions of the MEC.(Discretionary -MEC for local government and Mandatory -MEC for finance)	DHLG&TA and Provincial Treasury	None	DHLG&TA and Provincial Treasury to inform each other when amendments to the plan are made.
145(1)	If the financial recovery plan was prepared in a discretionary provincial intervention referred to in section 137, the municipality must - (b) report monthly to the MEC for local government in the province on the implementation of the plan, in such manner as the plan may determine.	DHLG&TA	None	None
146(1)	If the recovery plan was prepared in a mandatory provincial intervention referred to in section 139 - (c) the municipality must report monthly to the MEC for finance in the province on the implementation of the plan in such manner as the plan may determine.	Provincial Treasury	None	None
147(1)	The MEC for local government or the MEC for finance in a province must at least every 3 months - (a) review any discretionary provincial intervention referred to in section 137 or any mandatory provincial intervention referred to in section 139, including - (i) progress with resolving the municipality's financial problems and its financial recovery (ii) the effectiveness of any financial recovery plan (b) submit progress reports and a final report on the intervention to (i) the municipality (ii) Minister of cabinet (iii) Cabinet minister responsible for local government (iv) provincial legislature (v) organised local government in the province	DHLG&TA on discretionary intervention and Provincial Treasury on mandatory intervention	None	DHLG&TA and Provincial Treasury to provide each other with progress reports and the final report at the same time as the municipality, ministers, provincial legislature and organised local government are informed.

147(2)	The MEC for local government or the MEC for finance may request the person who prepared the recovery plan, or the Municipal Financial Recovery Service, to assist the MEC in complying with subsection (i).	DHLG&TA on discretionary intervention and Provincial Treasury on mandatory intervention	None	None
148(3)	When a provincial intervention ends, the MEC for local government or the MEC for finance in the province must notify - (a) the municipality (b) the minister, in the case of a mandatory intervention (c) cabinet member responsible for local government (d) any creditors having pending litigation against the municipality (e) provincial legislature (f) organised local government in the province.	DHLG&TA on discretionary intervention and Provincial Treasury on mandatory intervention	None	DHLG&TA and Provincial Treasury to inform each other of a termination of a intervention at the same time as the municipality, minister, creditors, provincial legislature and organised local government are informed.
152(2)	Application for stay of legal proceedings: notice of an application in terms of subsection 1 must be given to (a) the MEC for local government and the MEC for finance in the province.	DHLG&TA and Provincial Treasury	None	None
153(3)	Application for extraordinary relief: notice of an application in terms of subsection (1) must be given to (b) the MEC for finance and the MEC for local government in the province	DHLG&TA and Provincial Treasury	None	None
155(2)	Termination of financial obligations and settlement of claims: if the court issues an order referred to in subsection (1), the MEC for finance must appoint a trustee to prepare a distribution scheme for the proportional settlement of all legitimate claims against the municipality as at the date of order. These claims must be settled against the amount realised from the liquidation of assets referred to in subsection (1)(b).	Provincial Treasury	None	None
158	The Municipal Financial Recovery Service - (b) may on request by the MEC for finance in a province, prepare a financial recovery plan for a municipality or with the approval of the Director-General at the National Treasury, instruct any suitable qualified person to prepare the plan in accordance with the directions of the Service (c) may, on request by the MEC for finance in a province, monitor the implementation of any financial recovery plans that, it has prepared, and may recommend such amendments and revisions as are appropriate	Provincial Treasury	None	None

167(3)	<p>The MEC for local government in a province must report to the provincial legislature -</p> <p>(a) any transgressions of subsection (1) and</p> <p>(b) any non-compliance with sections 17(3)(k)(i) and (ii) and 124 (1)(a)</p> <p>[(1) any municipality remunerating its political office-bearers not within the framework of Public Office-Bearers Act no 20 of 1998]</p> <p>[(17(3)(k) any municipality not reflecting on the budget the proposed cost of the salary, allowances and benefits of political office-bearer and councillors and senior managers of the municipality]</p> <p>[(124(1) municipalities not disclosing remuneration of councillors and senior managers as well as councillors owing more than 90 days]</p>	DHLG&TA	None	Provincial Treasury to provide DHLG&TA with the schedule as contained in budget reflecting remuneration of councillors and senior officials.
175(1)	<p>The Minister, acting with the concurrence of the Cabinet member responsible for local government, may make regulations prescribing</p> <p>(a) the manner, form and circumstances in which allegations and disciplinary and criminal charges of financial misconduct must be reported to the National Treasury, the MEC for local government in the province and the Auditor-General, including-</p> <p>(i) particulars of the alleged financial misconduct and</p> <p>(ii) steps taken in connection with such financial misconduct</p> <p>(c) the circumstances in which the National Treasury or the MEC for local government in the province may direct that disciplinary steps be taken or criminal charges be laid against a person for financial misconduct</p> <p>(e) the circumstances in which the findings of a disciplinary board and any sanctions imposed by the board must be reported to the National Treasury, the MEC for local government in the province and the Auditor-General</p>	DHLG&TA	None	None

Annexure 4: Terms of Reference for Provincial Audit Improvement Coordinating Committee

Coordinating Forum's Name

1. Provincial Audit Improvement Coordinating Committee (PAICC)

Background

2. The poor audit outcomes of many municipalities and a sizeable number of sector departments in the province are a clear indication that many municipalities and provincial departments are struggling to reach the expected standards of financial management and build public confidence in the utilisation of resources by government.
3. During the month of July 2009, the Provincial Executive Council (EXCO) embarked on an outreach programme where the Premier together with her Cabinet engaged with all municipalities and various government departments to discuss the audit outcomes and measures to ensure improvement.
4. The Eastern Cape Provincial Government aims at ensuring that all municipalities and government departments obtain a clean audit opinion by no later than 2014.
5. In response to the Premier's clarion call and in an effort to assist municipalities and government departments to improve their audit outcomes, a Provincial Audit Improvement Coordinating Committee (PAICC) was formed. The main aim of the PAICC is to coordinate all interventions and pull resources together, in order to deploy them appropriately, and to develop and monitor action plans to address audit outcomes and financial management issues in the province.
6. Support to municipalities to improve their audit outcomes is in line with KPA 4 (Financial Viability and Management) of the Five Year Local Government's Strategic Agenda (5YLGSA) and section 131 of the Municipal Finance Management Act (MFMA) No. 1 of 2003.

Purpose

7. The purpose of the PAICC is to support and assist municipalities and provincial departments to eradicate all adverse opinions and disclaimers by 2011 and to achieve financially clean audit opinions by 2014, and to ensure that municipalities and government departments improve governance and financial control systems, and sustain the quality of financial statements.
8. The PAICC has set itself a target date of 2011 to eradicate adverse opinions and disclaimers whilst considering 2014 as the ultimate deadline for clean audits.

Objectives

9. The primary objectives of the Provincial Audit Improvement Coordinating Committee (PAICC) are to:

- Address all issues raised by the Auditor-General and reduce vulnerability to risks in municipal and government departments' financial management and governance processes through targeted projects;
- Ensure implementation of the audit action plan;
- Assess and monitor impact of audit action plan;
- Advise on the improvement of the audit frameworks.

Scope of Work

10. The PAICC will perform the following functions:

- Responsible for two streams focusing on both local government and government departments audit opinions
- To establish relevant subcommittees to perform specific tasks as and when the need arises such as "Operation Clean Audits", Capacity Building in line with the National Capacity Building Framework for local government, Oversight function and coordination of support to municipalities.
- To address all issues raised by Auditor General and reduce vulnerability of risks in the municipal and government departments' audit reports through targeted projects that ensure sustainability of sound financial management accountability and best practices;
- To develop, approve and implement a clear plan of action so as to ensure that all the objectives of "Operation Municipal Clean Audit" are realised by 2011 and 2014 as envisaged by the Provincial EXCO and the Department for Cooperative Governance and Traditional Affairs respectively;
- To mobilise resources to support the implementation the "Operation Municipal Clean Audit" plan with clear monitoring mechanisms to ensure positive outcomes;
- To manage the deliverables of the Operation Clean Audit for both the municipalities and government departments;

PAICC Composition

11. The composition of the Committee shall be made up of the following departments and organisations:

- Department of Local Government and Traditional Affairs (DLGTA) (**convener and chair**)
- Provincial Treasury (PT)
- Office of the Premier (OTP)
- National Treasury (Office of the Accountant-General)
- Auditor-General
- Department for Cooperative Governance and Traditional Affairs (CoGTA)
- SALGA-EC

12. A quorum of members must be present before a meeting can proceed. At least 4 official representatives (1 per department or organisation) must be present for the meeting to proceed.

13. Internal or external persons may be invited to attend the meetings at the request of the Chairperson on behalf of the committee to provide advice and assistance where necessary.
14. The PAICC recommends that subcommittees be established to address key strategic areas that include Operation Clean Audit subcommittee, Capacity Building subcommittee, Oversight subcommittee etc.
15. The OTP, PT and DLGTA are regarded as three most critical departments to drive coordination and must collaborate in ensuring that PAICC succeeds in achieving its objectives

Reporting and Accountability

15. Decisions will be made by consensus.
16. The sub-committees are fully accountable and submit progress reports to the PAICC.
17. The Committee will provide regular feedback and progress on the programme activities to the Cabinet Committee on Government and Administration (G & A) and ultimately to the Provincial Executive Council.
18. The Committee will work closely with the Department of Cooperative Governance and Traditional Affairs, Salga-EC and National Treasury to promote coordination of programmes and ensure effective integrated implementation and reporting.
19. Committee members will cease to be members if they fail to attend three (3) consecutive meetings without providing apologies to the chairperson.
20. Committee members are expected to be people with delegated powers to enable them to take decisions to expedite implementation and realisation of objectives

Chairperson

20. Department of Local Government and Traditional Affairs (DLGTA) will convene and chair the meetings. The Chairperson's responsibilities will include:
 - Scheduling meetings and notifying members;
 - Prepare agenda and ensuring that all documentation requiring discussion or comment are attached to the agenda;
 - Guiding meetings according to the agenda and time available;
 - Provide secretarial functions to the meeting;
 - Distributing minutes to all committee members one week after the meeting.
 - To ensure proper representation of the key role-players at all meetings to render PAICC effective
 - To facilitate signing of memoranda of understanding as and when a need arises
 - Prepare reports and submit them to the relevant structures

Frequency of Meetings

21. The Committee will meet at least once per quarter or regularly as and when the need arises to receive and assess all progress reports submitted.

Amendments

22. The terms of reference shall be reviewed annually from the date of approval. They may be altered to meet the current needs of all committee members by agreement.

Annexure 5: Selected OCA Operational Monitoring Instruments

April 2011: Feedback Report on Municipalities' visit Reports Compiled by OCA Project Implementers

This is a report that is based on the common or generic issues that were identified during a review of some weekly reports submitted by the OCA Project Implementers for the municipal visits undertaken on 11 to 15 and 18 to 22 April 2011. Individual feedback will be forward to the teams.

1. Purpose

The purpose of this report is to improve the reporting of OCA activities in municipalities by project implementers.

2. Report Outline

The following should be noted & adhered to when submitting weekly reports.

- Submission be made per focus or functional area (do not consolidate Finance and SCM reports) a consolidated report can be submitted as an additional report. Each focus area report (reporting work done by more than one person) should reflect individual achievement for the purpose of performance assessment. You may consider having a table for each project implementer.
- The reports should be named as follows when being saved (name convsion): "Cluster Acronym-municipality_functional area_reporting period e.g.: ADM_Nxuba_SCM_03-06 May 11. *NB: non adherence to this will be a sufficient reason to return the report.*

The following are the generic issues indetified under each topic covered in the Municipal Visits Reports.

(a) Introduction

- Clearly indicate the frequency /state previous visits conducted and there should be a link between the current visit and previous visits (the reader of your report must be able to see if the visit is a follow up or a 1st visit to the municipality);
- Indicate whether there are agreements previously reached with the municipality that need follow-up during the visit; Also briefly talk about the discussions held with the municipality on your arrival and their impact on your weekly plan.

(b) Objectives of the visit to the municipality (ies)

(Specify the priority issue (s) and the steps that you (the project implementer) intended to achieve during your visit to the municipality)

Start with an opening sentence indicating how you arrived at these objectives.

Objective should be:

- Limited to what can be achieved during the visit (not a long list);
- Priority issues/ KPA not step by step or processes that take place within an activity;
- Listed in a chronological order of their implementation.

(c) Visit achievements as per planned activities

Planned Activities (as per agreed step-by-step framework) and	Actual Work Done	Level of Completion (%)	Comment on the Level of Completion	Agreement reached with the municipality on the way forward
<ul style="list-style-type: none"> Link this with the key deliverable/output outlined in the step by step process document. 	<ul style="list-style-type: none"> If the work done can be quantified, the report should indicate the number of deliverables or outputs worked on e.g. <i>Five (5) contracts were reviewed</i>; Indicate the name of the output being worked on e.g. <i>reviewed contract for electricity supply</i>; Should reflect activities (e.g.: contract reviewed) not nitty gritty details of the process i.e. do not say “verified if the contract dates were still valid” and later “checked the cost of the contracts” 	<ul style="list-style-type: none"> The level of completion should be informed or based on the quantifiable outputs, i.e. if you planned to review 5 contacts and only did two that is equivalent to 40% completion. Completion levels that are against detailed processes of an activity will be considered (e.g. if reviewing a contract means checking: date and cost; 100% should be put for each contract that has been fully reviewed; do not say reviewed date 100% 	<ul style="list-style-type: none"> Indicate or give reasons stating why the task could not be not completed (<i>why did you only review 2 contracts whereas you planned for 5?</i>); If the task is complete you may comment about the next phase. i.e. <i>contract awaiting approval by MM.</i> or provide any detail you deem necessary. <p>NB: uncompleted activities that are not justified will be sufficient reasons to return the report.</p>	<ul style="list-style-type: none"> Clearly states the action to be carried out, the responsible person and time frame. This column is not meant for recommendation ; unless there has been clear agreement on how they will be executed!

Evaluation of Operation Clean Audit: Eastern Cape: 27 April 2015

Prepared by Impact Economix (www.impacteconomix.com) for the Eastern Cape Province: Office of the Premier.

(d) Visit achievements as per municipal additional request

Actual Work Done	Level of Completion (%)			Comment on the Level of Completion	Agreement reached with the municipality on the way forward
	0-30	31-70	71-100		
Same information as the above, in the table marked as (c) is applicable here.					

(e) Expected change after the visit to the municipality (clearly specify what change you (project implementer) expect to see in the municipality resulting from your visit)

Expected change should be:

- Action orientated and clearly reflect your expectation or the difference that you would like to see in the municipality after your visit or the tasks you carried out;
- Have a link or be related to the *agreed way forward* in the table marked as (c) - *visit achievements as per planned activities*.
- What ever is mentioned under this section serves as the proof of the project expected impact every time that OCA official visit a municipality. Avoid generic statement like: "*the financial management of the municipality will improve*" or "*the SCM policy will be better managed*" *Be specific to what you did that week.*

(f) Observed challenges and specific recommendations (these challenges should be directly linked to the tasks carried out during the visit)

Observed challenges should be:

Implementation challenges that could be technical or otherwise, but not the findings resulting from your assessment; Findings are definitely included in your technical report to the municipality (PoE).

Obstacles that hindered or have negatively influenced the successful carrying out or completions of your tasks/activities during that week;

Issues that require intervention by the third party (DLGTA, District Coordinator and PCO).

Specific recommendations should be:

Specific actions that can be carried out by the third party in order to improve the situation.
Specify the stakeholder that is expected to intervene or to support you.

Conclusion

Give any information that is necessary but not catered for in the above headings.

Report on the feedback session that you have held with the municipality and their reaction to the report. If no feedback session was held give reasons.

OCA Specialist Monthly Progress Report Template (used in 2014):

MUNICIPALITY NAME: **EMALAHLENI LM**

REPORTING PERIOD: **MAY 2014**

IMPLEMENTER NAME: **M. BRUKWE**

FOCUS AREA: **HRM**

1. SUPPORT PROVIDED AND IMPACT THEREOF

	KEY RESULTS AREAS (please do not delete this column)	WORK DONE OR SUPPORT RENDERED	OUTPUTS/RESULTS	IMPACT MADE	COMMENTS
1.			✓		✓
2.		✓	✓		
3.		✓		✓	
4.		✓			

2. CURRENT ISSUES (SIGNIFICANT EVENTS OR HAPPENINGS IN THE MUNICIPAL ENVIRONMENT THAT WE OPERATE IN)

CURRENT ISSUE/EVENT	NATURE OF THE ISSUE/EVENT.	DOES IT AFFECT OUR OPERATIONS, IF YES, HOW?	ACTIONS EXPECTED FROM THE DEPARTMENT.

Prepared by:

.....

J Gomomo

Reviewed by:

.....

SC Nkosi

Approved by:

.....

ZH Mdikane

HR Management Implementer
Operation Clean Audit
Date:

Project Manager
Operation Clean Audit
Date:

General Manager
Operation Clean Audit
Date:

Annexure 6: OCA 2012/13 Action Plan

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
Oversight	Nxumalo, Sondaba, Ngqele and Mbelani	Conduct One-on-one sessions- liaise with the municipal councils and officials in the municipalities.	Conducting meetings, facilitation and co-ordination of establishment of MPACs in terms of Sec.79 of the Municipal Structures Act
		Institutionalization of MPACs within the municipalities.	Operationalization of MPACs and work-shopping of committee members of their roles and responsibilities
		Develop mounting tools and monthly Meetings, and Resolution Tracking Systems.	Identify gaps and/ or challenges in the functioning of the committees
		Monitor implementation and compliance in terms of chapter 12 of MFMA.	Sections relating to preparation and adoption of annual And financial statements as well as the role and responsibilities with special reference to (SECs 128 & 133 of the MFMA)
		Administrative Support Systems for the MPACs.	Attending meetings with committee members and public hearings for resource and support-HRC
		Develop Work Annual Program of the MPAC's within the Municipal council.	Attending meetings of municipal councils and render support in the council and MPAC's & develop work schedule pulling up work to the over roll planning...of the council
		Oversee the annual work programmer of MPAC's- follow - ups on the Oversight Report from that committee	Identify gaps and challenges and advice during oversight meetings or Public hearings
		Develop monitoring mechanism to determine if actions have been taken in terms of the council resolutions with regards to specific audit	Attend or visit the MPAC's and its council for outcomes the interpretation of financial statements

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
		remedial and operational plans for improving audit outcomes.	
		Always Monitor, Evaluate and Influence established processes to adhere to policy objectives in order to ensure sustainability of the accounting systems.	Encourage public participation when annual and financial statements are being considered by the MPAC's and recommendations are debated.
		To ensure Executive accountability by mayors and municipal officials to attend the MPAC's hearing	Ensuring that clean audit campaign is followed
		To examine, analyze the audit outcomes as per A-Gs Report as it relate to disclaimers, and qualified reports.	Identify gaps and challenges and assist where necessary,
Integrated Financial Management	Soci, Gibeni, Nqeno and Kasvosve	Assist municipalities in developing proper financial management systems that enhance clean financial administration	<ul style="list-style-type: none"> • Benchmarking an ideal municipality in all categories in BTO section (skills audit, BTO organogram, job descriptions, funding, reliance on Service Providers) • Develop standardised tool kit each municipal category (policies, procedures, checklists, templates, action plans, etc) • Skills transfer through monitoring and coaching • Perform quality review on all reports (SDBIP, S71, S72, Annual report, AFS); management responses to AG findings
		Assist in the development of MFMA Implementation plan	<ul style="list-style-type: none"> • Assess existence of the MFMA Implementation plan • Assist in the population of the MFMA Implementation plan • Facilitate timeous submission of the plan to key stakeholders (e.g. Provincial

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
			<ul style="list-style-type: none"> and National Treasury) Assist in the monitoring of the implementation of the MFMA Implementation
		Assess financial viability	<ul style="list-style-type: none"> Review cashflow projections and statement versus actual Ratio analysis
		Provide support to municipalities in the development and implementation of Audit Action Plans.	<ul style="list-style-type: none"> Perform quality review on RFI and management comments Assist in the development of Audit Action Plans template Assist in the development of Audit Action Plans
		Provide support in the development and implementation of internal controls to address internal control deficiencies in the municipal finance directorates.	<ul style="list-style-type: none"> Assess existence of policies and Standard Operating Procedures (SOPs) Benchmarking an ideal municipality in all categories in BTO section (skills audit, BTO organogram, job descriptions, funding, reliance on Service Providers) Develop standardised tool kit each municipal category (policies, procedures, checklists, templates, action plans, etc.) Analysis and review journals and payment vouchers for completeness, accuracy and validity
		Provide ongoing skills transfer to municipal finance officials.	<ul style="list-style-type: none"> Provide on-the-job training and coaching sessions
Human Resource Management	Gomomo, Brukwe, Belle, Mtshali,	Determine the existence of the organizational structure and proper approval thereof.	<ul style="list-style-type: none"> Reconcile the organizational structure in paper, with the approved memorandum on the same by the Mayor. Confirm the capturing of the organizational structure with its posts in the salary payment system.
		Establish whether processes	<ul style="list-style-type: none"> Check advertisement processes.

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
		for the filling of posts during the current financial year complied with the Recruitment Policy.	<ul style="list-style-type: none"> • Check constitution of selection panels and selection processes. • Check levels at which approval of appointments are situated.
		Identification of the structural gaps within HR unit.	<ul style="list-style-type: none"> • Analyse the current structure to identify possible gaps (i.e. level of appointment, number of staff appointed, and number of vacancies) and provide recommendations taking into consideration the size of the municipality.
		Develop or review policies covering human resource management, documentation and implementation thereof monitored	<ul style="list-style-type: none"> • <i>Assess existence of policies using the checklist.</i> • <i>Assess the Policy/Procedure Alignment with the best practice framework</i> • <i>Examine the Policy/Procedure gap in terms of the review period, content and legislative compliance.</i> • <i>Develop and present gap analysis report with recommendations</i>
		Prioritise HR issues in relation; Leave, Overtime, Document Management, Terminations, Recruitment & selection	<ul style="list-style-type: none"> • Group all the issues in accordance with key HR focus areas • Identify and record gaps
		Design standardised tools for assisting the identified Municipalities on the above	<ul style="list-style-type: none"> • Conduct research and bench-marking to design suitable and effective tools in responding to the identified gaps
		Visit the Municipalities to introduce the tools and build capacity on the use thereof	<ul style="list-style-type: none"> • Conduct situational analysis by testing the reliability of the tools against the Municipal systems/controls • Customise the tools in accordance with the desired modifications • In groups as per the focus area identified, workshop the tools internally for buy-in and effective implementation
		Monitor and evaluate the	<ul style="list-style-type: none"> • Consult the Corporate Services and or HR to check the endorsement of the

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
		implementation on site	tools by Council Structures <ul style="list-style-type: none"> • Where necessary workshop the tools to broader stakeholders for awareness • Design and use an implementation checklist to monitor progress
		Provision of progress report	<ul style="list-style-type: none"> • Develop and present a structured progress report with recommendations
		Collection of AG's Management letter from the Municipalities	<ul style="list-style-type: none"> • Contact the Key Stakeholders from the 5 Municipalities for obtaining documentation •
SCM	Malgas, Dlulane, Mapukata, Ntikinca, Madikazi, and Pani,	Audit management	<ul style="list-style-type: none"> • Monitoring of communications of findings (meeting the deadlines) • Assist in responding to AG queries Attending Audit Steering Committee (monitoring progress)
		Compliance to GRAP 12 requirements	<ul style="list-style-type: none"> • Conduct stock verification and Review Quarterly stock counts. • Inventory management reconciliation. • Training of SCM practitioners & other directorates on inventory management.
			<ul style="list-style-type: none"> • Attending meeting for Management Letter presentation • Attend to SCM related issues
		Review/development of policies and SOP's	<ul style="list-style-type: none"> • Communicate review of updates by conducting workshops

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
		Demand Management: Alignment of existing bid committees to SCM Regulations	<ul style="list-style-type: none"> Facilitate Demand Management and budget alignment through Procurement Plans Facilitate the functioning of Bid Committees Establishment of procedure manuals for bid committees. Revise composition of Bid committee structures in line with SCM regulations. Monitor the functionality of bid committees Facilitate vetting of active bid committee members. Training of SCM practitioners & other role players on SCM issues based on skills audit. Development of SLA's and Contract Management.
		Compliance and good governance	<ul style="list-style-type: none"> Ensure monthly reporting of contracts above R100 000 to Provincial and National Treasury. Ensure quarterly reports are submitted to Mayor and Council. Facilitate reporting of Irregular, Wasteful, Fruitless and Unauthorised Expenditure Capacitate SCM Officials through workshops and on the job training
		Audit Action Plan	<ul style="list-style-type: none"> Assist in the development of an Audit Action Plan
Internal Audit	Makhabeni & Ntantala	Reporting lines of Internal Audit	<ul style="list-style-type: none"> Inspection of Organizational Structure as to whether the Internal Audit Unit report functional to Audit Committee and operational to the Municipal Manager. Determine whether the head of Internal Audit Unit is employed at managerial level
		Internal Audit Charter	<ul style="list-style-type: none"> Consideration of Internal Audit standards regarding the Charter Inputs from Internal Audit and municipal management regarding the Charter. Inputs from the Audit Committee. Reviewal of the Internal Audit Charter when already existing

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
			<ul style="list-style-type: none"> Approval of the Charter by the Audit Committee
		Risk-Based Plan and Three-Year Rolling Plan	<ul style="list-style-type: none"> Identification of highest identified risks from the risk registers. Identification of the Audit projects aligned to the risks. Population of the Risk-Based Plan and Three-Year Rolling Plan Approval by the Audit Committee
		Internal Audit Methodologies	<ul style="list-style-type: none"> Scrutinizing of the Internal Audit Structure for its hierarchy. Assigning of the Audit Process duties according to the structural hierarchy(Audit Manager, Senior Auditor, Auditor etc) Approval of the Methodology by Audit Committee
		Internal Audit Policies	<ul style="list-style-type: none"> Reviewing of the existing Internal Audit Policy where feasibly. Consolidation of Municipal admin requirements and Internal Audit Charter inputs. Recommendation by the Audit Committee Approval by the Council
		Training of Municipal Internal Auditors	<ul style="list-style-type: none"> On the Job training for municipal auditors from Audit Planning to Reporting. Distribution of Internal Audit Training Manual
		Monitoring of implementation of Risk-Based Plan	<ul style="list-style-type: none"> Monitoring of the execution of Internal Audit Plan as per Risk-Based Plan. Offering of expert advice when deviation from the Risk-Based Plan is identified.
Internal Audit	Makhabeni & Ntantala	Auditor-General(AG) exceptions for 2011/12 Financial Year	<ul style="list-style-type: none"> Identification of Internal Audit Findings from the AG Audit Report and Management Letter. Preparation of the Action Plan for identified findings. Execution of AG Action Plan
		Assisting Establishment of Functional Audit Committee	<ul style="list-style-type: none"> Inspection of Audit Committee appointment letters for Council approval. Attending of Audit Committee Meetings. Assisting in crafting Audit Committee Agenda.

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
			<ul style="list-style-type: none"> Recommending to the municipal when deviation to section 166 of the MFMA is established
		Audit Committee/Performance Charter	<ul style="list-style-type: none"> Assisting in reviewing Audit Committee Charter. Assisting in assuring that the Charter includes Performance Management aspect in line with Performance Regulations of 2001. Approval of the Audit Committee Charter by the Council
		Auditor-General(AG) exceptions regarding Audit Committee	<ul style="list-style-type: none"> Identification of Audit Committee Findings from the AG Audit Report and Management Letter. Preparation of the Action Plan for identified findings. Execution of AG Action Plan
		Monitor Approval of Internal Audit Documents by Audi Committee i.e Internal Audit Charter, Internal Audit Methodology, Internal Audit Policy	<p>Presentation of the following for the Audit Committee Approval:</p> <ul style="list-style-type: none"> Internal Audit Charter Risk-Based Plan and Three-Year Rolling Plan Internal Audit Methodology Internal Audit Policy
		Strategic Risk Assessment	<ul style="list-style-type: none"> Identification of Strategic Risk as per Strategic Objectives from IDP and SDBIP
		Operational Risk Management	<ul style="list-style-type: none"> Identification of Operational Risks as per objectives of municipal departments as outlined on the IDP and SDBIP. Recommendation of the Operation risks by the Audit Committee to the Council. Approval of the Risk Registers by the Council
		Formulation of Risk Committees	<ul style="list-style-type: none"> Appointment of Risk Committee as per national Treasury Guidelines
		Auditor-General(AG) exceptions regarding Audit Committee	<ul style="list-style-type: none"> Identification of Risk Management Findings from the AG Audit Report and Management Letter. Preparation of the Action Plan for identified findings.

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
			<ul style="list-style-type: none"> Execution of AG Action Plan
Contract Management	Nkila	Introduce the concept Contracts Management to establish an up and running Unit	<ul style="list-style-type: none"> The theory of contracts its long, but to understand the fundamentals, viz. consensus, lawfulness, capacity, possibility of performance etc is very important for Practitioners
		Assist in dealing with issues of contract development whilst addressing issues per AG's report. Viz. Audit Action Plan & RFIs	<ul style="list-style-type: none"> Using the draft of TORs from the user dept., TORs checklist, TORs frame work which if used properly result to good TORs which in turn forms basis of a good contract; introduce a process flow chart as guide on how to develop an SLA
		Assist in dealing with issues of Contracts Administration whilst addressing issues per AG's report viz. Audit Action & RFIs	<ul style="list-style-type: none"> The whole issue of record management, filing, record maintenance, contracts & lease agreements registers, exit plan to issues of Notices for expiry of a contract
		Assist in dealing with issues of Partnership Management whilst addressing issues per AG's report viz. Audit Plan, RFIs	<ul style="list-style-type: none"> Project inception meetings, maintain and nurture contract relationship appoint PMSC
		Assist in dealing with issues of Performance Management ((Service Delivery) whilst addressing issues per AG's report viz. Audit Action Plan & RFIs	<ul style="list-style-type: none"> Contract document, project plans, Bills of quantities and the Project Management Steering Committee to mention a few, are means of monitoring performance to obtain "value for money".

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
		Edit existing contracts for legal compliance	<ul style="list-style-type: none"> Sample out existing contracts and measure them against a checklist that has been developed for that purpose
Environmental Management	Mxenge	Ensure that systems are in place for effective and efficient implementation of environmental safeguards(40)	<ul style="list-style-type: none"> Assist in environmental sector plans development/review Ensure Environmental Information Systems are in Place
		Operational plans for landfill sites in 7 municipalities are in place	<ul style="list-style-type: none"> Develop operational plans for landfill sites in 7 municipalities
		All issues relating to financial statements and asset registers on Environment Management must be cleared	<ul style="list-style-type: none"> Calculate the landfill site lifespan and rehabilitation costs in municipalities.
		Generic environment management guidelines developed	<ul style="list-style-type: none"> Develop a Generic Environmental Information System
		Guidelines for each municipality customised with the management of each municipality	<ul style="list-style-type: none"> Customise the Environmental Information System in municipalities
		Assistance in the review of sector plans of municipalities provided	<ul style="list-style-type: none"> Review and comment on reports in 2 municipalities
		Participation and contribution to the IGR structures e.g.	<ul style="list-style-type: none"> Attend provincial IGR initiatives

FOCUS AREAS	IMPLEMENT ERS	KEY PERFORMANCE AREAS	ACTIVITIES
		Environmental Forum	
		<ul style="list-style-type: none"> • Systems descriptions for calculating land fill lifespan in place • 15 Training sessions on landfill sites valuation • 7 Training sessions on landfill sites operational plan conducted • 17 Training sessions on Environmental Information System conducted 	<ul style="list-style-type: none"> • Develop 15 hand outs for calculations. • Host training sessions
Infrastructure	Nofemela	Develop and present a Roads & Storm-water Maintenance Plan Framework	<ul style="list-style-type: none"> • Determine the existence of the Maintenance Plans & relevant policies. • Introduce & present the Roads & Storm-water Maintenance Plan framework. • Modify to suit current situation considering the current resources. • Provide guidance and assist with the populating & finalization of the Maintenance Plan. • Consult the Municipal Management to promote adoption of the Plan by Municipal Council. • Monitor progress on implementation of Maintenance Plan
		Develop and present a Building Maintenance Plan Framework	<ul style="list-style-type: none"> • Same steps as above • Develop, introduce & present the Building Maintenance Plan framework. • Same steps as above
		Facilitate the development of	<ul style="list-style-type: none"> • Same steps as above

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
		an Electricity Maintenance Plan Framework	<ul style="list-style-type: none"> • Develop, introduce & present the Electricity Maintenance Plan framework • Same steps as above • Maintenance Plan framework • Same steps as above
		Identify existence & develop internal controls to ensure performance management & reporting of Operational & Maintenance (O & M)	<ul style="list-style-type: none"> • Identify existence of internal controls to ensure availability of service delivery supporting documentation. • Develop internal controls & present for consideration & comments. • Compile Process Descriptions to back up developed controls or templates. • Present for comments & finalize for adoption by the management. • Develop a Process & Procedure File • Monitor & review the implementation of the set Processes & Procedures
		Facilitate the identification & recognition of Infrastructure Assets	<ul style="list-style-type: none"> • Identify existence of infrastructure layout plans. • Develop an assessment log-sheet • Present for comments. • Conduct on-site practical training on selected areas. • Outcome verification • Undertake overall outcomes sample verification
		Facilitate conditional assessment & valuation of gravel roads.	<ul style="list-style-type: none"> • Develop a visual assessment log-sheet. • Present for comments • Conduct on-site practical training on selected roads. • Outcome verification • Undertake overall outcomes sample verification
		Assess existing & develop internal controls & processes in Electricity section	<ul style="list-style-type: none"> • Identify existence of <ul style="list-style-type: none"> • Revenue Management Plans or • (b) Credit Control & Debt Management Policy stipulations around loss controls • (c) Implementation status of Water Service Development Plans (that

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
			<p>informs Water Conservations & Demand Management Plans)</p> <ul style="list-style-type: none"> • Develop a Departmental Action Plan • Present for comments • Finalize for implementation • Develop associated internal controls & process descriptions • Progress monitoring of the Departmental Action Plan
		Conduct a high level water meter auditing	<ul style="list-style-type: none"> • Conduct a high level meter auditing. (Top 20 consumers) • Develop recommendations for full implementation • Progress monitoring & review
		Facilitate ongoing monitoring of electricity losses	<ul style="list-style-type: none"> • Develop a formularized spreadsheet for Electricity determination on a monthly basis.
			<ul style="list-style-type: none"> • Access monthly consumer analysis of sales & billings • Determine Electricity Losses • Mentor relevant staff towards ongoing monthly calculations of electricity losses. • Periodic monitoring of loss levels. • Recommend review of Departmental Action Plan
		Provide guidance towards the development of project files & process monitoring	<ul style="list-style-type: none"> • Identify existence & status of project files. • Introduce a project file checklist • Review checklist format to suit municipal requirements • Assist with preparation of a project file sample • Routine Project File completeness verification test.
		Ensure efficient update of Infrastructure Asset Register during project completion.	<ul style="list-style-type: none"> • Develop & introduce Practical & Final Completion certificates and Snag list Certificate. • Draft a process description backing up the developed Completion certificates for asset additions & work in progress reporting

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
			<ul style="list-style-type: none"> • Present for comments & finalize for implementation.
		Facilitate ongoing performance reporting on awarded contracts	<ul style="list-style-type: none"> • Check existence and status of contracts register. • Review its completeness. • If necessary, introduce an updated contracts register. • Facilitate the populating of the Contracts Register • Identify non-performance areas, irregularities and recommend action • Recommend monthly update of contracts register & submission to SCM & Finance.
		Assist with the development of municipal MIG-MAPS/ Project Implementation Plans	<ul style="list-style-type: none"> • Identify current status of development. • Source approved IDP & SDBIP predetermined targets. • Facilitate the development of Project Implementation Plans to inform Procurement Plans • Present for comments & amendments by management. • Finalize for adoption.
		Effective participation in Sector Support Forums	<ul style="list-style-type: none"> • Compile Presentations <ul style="list-style-type: none"> ✚ Compliance Requirements ✚ Cross-cutting issues ✚ Audit requirements update ✚ Progress on audit compliance ✚ Promote single of collaboration
		Facilitate effective budget expenditure control and monitoring	<ul style="list-style-type: none"> • Determine budget expenditure status • Verify existence of project expenditure monitoring system. • Present a developed system for consideration • Review the system to suit municipal requirements • Monitor & evaluate the application of the system. • Adjust to suit the changing conditions & environment.
		Develop monitoring & reporting	<ul style="list-style-type: none"> • Verify the existence of current reporting systems.

FOCUS AREAS	IMPLEMENTERS	KEY PERFORMANCE AREAS	ACTIVITIES
		templates in line with SDBIP targets & IDP objectives.	<ul style="list-style-type: none"> • Assess existing systems for gaps • Present a weekly & monthly reporting framework for consideration • Develop a Roads & Storm-water Reporting template or other as guidance for other departmental functional area template development. • Assess and evaluate the Performance Information Files. • Develop an action plan to guide the collection and generation of Performance Information • Identify existence of layout plans. • In the absence of the latter: Recommend spot checking & referencing from relevant staff & operators.(previously) • Develop & present a template for infrastructure data capturing
		Develop systems and procedures for water & other infrastructure material inventory counting.	<ul style="list-style-type: none"> • Or make reference to developed Infrastructure Asset Register for data accessing. • Develop a formularized spreadsheet for water inventory counting by Water Service section • Perform a sample count test. Invite AG to confirm water inventory count • Assist during inventory counting & site verification.
		Assist in the development of Audit Action Plans	<ul style="list-style-type: none"> • Develop an Audit Action Plan with reference to AG report • Present for comments & finalization
		Facilitate implementation of Audit Action Plans	<ul style="list-style-type: none"> • Identify current status on implementation of Audit Action Plans • Develop a Departmental Action Plan towards addressing outstanding findings

Annexure 7: OCA Supported Municipalities by Financial Year 2010/11 – 2013/14

OCA support municipalities receiving intensive support in 2012/13:

DISTRICT	PHASE 1 April to June		PHASE 2 July to September	
	Municipality	Team Members	Municipality	Team Members
Alfred Nzo			Alfred Nzo DM Mbizana LM	Gomomo (HRM), Pani L (SCM), Nqeno (Finance)
Amathole	Ngqushwa Local Municipality	Kasvosve J (Finance), Madikazi V (SCM), Mtshali M (HRM)	Great Kei Local Municipality	Kasvosve J (Finance), Madikazi V (SCM), Mtshali M (HRM)
	Nxuba Local Municipality			
Cacadu	Camdeboo Local Municipality	Soci G (Finance), Belle M (HRM), Mapukata V (SCM)	Makana Local Municipality	Soci G (Finance), Belle M (HRM), Mapukata V (SCM)
	Ikwezi Local Municipality		Baviaans Local Municipality	Soci G (Finance), Belle M (HRM), Mapukata V (SCM)
Chris Hani	Chris Hani District Municipality	Gibeni A (Finance), Ntikinca X (SCM), Brukwe MR (HRM)	Emalahleni LM	Gibeni A (Finance), Ntikinca X (SCM), Brukwe MR (HRM)
	Intsika Yethu Local Municipality		Lukhanji LM	
	Inxuba Yethemba Local Municipality			
	Inkwankca Local Municipality			
OR Tambo	O R Tambo DM	Gomomo (HRM), Pani L (SCM), Nqeno (Finance)		
	King Sabata Dalindyebo LM			

OCA supported Municipalities in 2013-14:

O.R TAMBO AND ALFRED NZO DISTRICTS	CHRIS HANI DISTRICT	AMATHOLE DISTRICT	CACADU DISTRICT
1. O.R Tambo District Municipality	2. Chris Hani District Municipality	3. Great Kei	4. Baviaans
5. King Sabatha Dalindyebo	6. Intsika Yethu	7. Nxuba	8. Camdeboo
9. Alfred Nzo District Municipality	10. Lukhanji	11. Ngqushwa	12. Makana
13. Mbizana	14. Emalahleni		15. Ikwezi
	16. Inkwanca		
	17. Inxuba Yethemba		
NON-OCA MUNICIPALITY			
18. Engcobo		19. Nkonkobe	20. Koukamma
21. Ntabankulu		22. Amahlathi	
23. Umzimvubu		24. Mquma	
25. Nyandeni		26. Mbashe	
27. Mhlontlo			
28. Matatiele			
29. Nelson Mandela Bay Metro			

Annexure 8: Selected Extracts from OCA EC Progress Reports and PAICC Minutes on OCA Challenges, Lessons, and Recommendations

The challenges, and their root causes, negatively impacting on municipal audit outcomes were accurately identified in the 2009 OCA concept document as follows (although these challenges are not all encompassing) and these challenges were repeatedly identified throughout OCA 2010-2014 implementation in numerous progress reports.

Challenges facing both provincial and municipal governments:

- *Lack or inadequate leadership and supervision;*
- *Inadequate skills on planning, budgeting, financial management, expenditure management, credit control, debt management, risk management and internal audit;*
- *Poor interface between financial and non-financial information(in-year monitoring and quality annual performance reporting);*
- *Cash-flow management;*
- *Lack of systems to manage audit queries and recommendations by both internal and external auditors;*
- *Inadequate systems to manage good governance practices (especially, conflict of interest and conflict of interest frameworks) within provincial departments and municipalities;*
- *Leadership and management inaction, especially with regard to the follow up of audit queries, both from internal and external auditors; and*
- *Inadequate administrative and political oversight to strengthen accountability and responsibility.*

Challenges facing municipal governments:

- *The lack of monitoring and evaluation of the support being rendered to municipalities. A number of support providers are currently rendering various types of support to municipalities. As a consequence support rendered to municipalities is fragmented without being properly coordinated. The result is that the impact of the support being rendered can be described as minimal at best;*
- *Due to the minimal impact of the support being rendered most municipalities in the province still find themselves at the Establishment Phase with regard to their level of development grappling with matters such as for example poor audit opinions. In the 2007/08 Financial Year of municipalities 57.8% of municipalities in the province i.e. twenty-six (26) municipalities, either received an adverse audit opinion or a disclaimer. Although this represents a slight improvement from the previous financial year it nonetheless demonstrates the level of support still required by municipalities in the province;*
- *A sizable number of municipalities are unable to collect their budgeted revenue making them reliant on grant funding for their survival;*
- *High turnover of skilled and competent managers and technical personnel.*

Some of the root causes of this poor state of affairs are as follows:

- *Lack of document management;*
- *Lack of effective political oversight;*
- *Non-availability of key personnel during audits;*
- *Lack of political leadership to obtain clean audits;*

- *No culture of performance;*
- *Corruption;*
- *No real understanding of the prevailing capacity in municipalities (individual, institutional and environmental);*
- *High turnover of personnel and a lack of a proper retention strategy by many municipalities;*
- *Lack of proper application of HR policies and nepotism is resulting in unqualified people being appointed;*
- *The report compiled by Fever Tree (consultants who did an assessment of certain municipalities in the province) revealed that there is a lack of proper financial controls in municipalities, municipalities are employing too many people in management positions and are not employing enough people to do the implementation work and people who are employed to do the work are often doing other things; and*
- *The support rendered to municipalities is often fragmented and uncoordinated thus causing it to be largely ineffective.*

An October 2011 OCA: EC presentation identified the following 18 challenges “within the municipal environment” from a report by one of the OCA specialists working with the municipalities:

1. *Lack of awareness and or buy in by municipalities;*
2. *The MM & relevant municipal officials are not always available at the time of visits.*
3. *Commitment of staff with other programs in their performance scorecard;*
4. *Lack of understanding of the role of OCA by municipalities , thus requiring OCA to perform operational/ day to day functions that require someone to be permanently stationed at the Municipality;*
5. *Lack of service level agreement based on the business case of the particular municipality to do appraisals;*
6. *Lack of feedback on tasks to be carried out by municipal officials in order to meet particular targets;*
7. *Inadequate staff complement at municipal level resulting in lack of continuity & implementation of OCA recommendations;*
8. *Lack of Collaboration with existing support to ensure integration of support efforts;*
9. *Budget constraints to address audit findings e.g. Appointment of service providers to do lifespan assessments, rehabilitation of landfill sites & absence of drawings affects the development of a GRAP compliant Infrastructure Asset Register;*
10. *The deployment strategy is affecting effectiveness owing to insufficient staff compliment;*
11. *Limited time to evaluate the implementation of developed systems & procedures – e.g. Developed Action Plans, templates and registers;*
12. *Continuity of the already set momentum is lost or reversed;*
13. *Inadequate time to research & plan (No opportunity to get together as work streams for knowledge sharing regarding technical issues – Best Practice Sessions);*
14. *Space challenges that directly affect proper Inventory Management setup;*
15. *Document Management that has a potential limitation of scope;*
16. *Inaccurate and untimely information for Reporting and Decision making;*
17. *Lack of proper filing systems resulting in lack of audit trail;*
18. *Lack of back-up systems and Disaster Management plans;*
19. *Financial Systems do not include SCM and Asset Management Module;*
20. *Lack of IT support / fully fledged IT units to support financial systems and Electronic Data Management Systems;*

21. *Over- reliance on service providers. There is no monitoring mechanism in place to ensure transfer of skills is effected in those municipalities that have co-sourced the audit function.*

A 2012 OCA Progress report contains similar challenges and notes that:

- *Instability in municipalities necessitating seconding of OCA officials to fill in key positions.*
- *Project Implementers are unable to conducting monitoring and evaluation in their respective focus areas due to the number of municipalities supported.*
- *Lack of cooperation by some municipalities, unavailability of staff in key positions and non-implementation of OCA recommendation are the most detrimental challenges that need urgent attention.*

A 26 March 2014 OCA progress report by an OCA specialist identified the following challenges and lessons and also summarises the new OCA approach moving forward:

OCA Challenges:

- *The issues as raised by the AG and as reflected in Audit Action Plans in many cases were either not adequately addressed or not resolved at all. Hence the prevalence of repeat findings*
- *The high vacancy rate in positions that are critical for improving audit outcomes and/or for effective and efficient administration.*
- *The slow pace of implementation of OCA recommendation by municipalities*
- *The OCA support not always optimally used or embraced by some municipalities*
- *The low levels of engagement by municipal leadership in efforts to turn the situation around*
- *Officials who were supposed to engage with OCA were either too busy or were absent from the municipalities.*
- *Agreed time frames for reaching set targets and for progress reviews were in many cases not honoured or had to be frequently rescheduled.*

Lessons Learnt:

- *Accountability for addressing audit issues need to be enforced uncompromisingly.*
- *Municipalities need to demonstrate commitment to turning themselves around. (DLGTA cannot turn around any municipality without its commitment).*
- *Strict attention has to be paid to whether OCA support is accepted by the municipality. Otherwise the whole activity becomes a futile exercise*
- *Filling of positions that are critical for improving audit outcomes and/or for effective and efficient administration should be prioritised.*

The following approach has been taken to ensure effectiveness of the support and to minimise the challenges:

- *Full ownership of the project by the municipality;*
 - *This will be driven through ensuring that the municipality develops its own turnaround plan for achieving improved audit outcomes*
 - *The OCA support must for into this municipal specific plan*
- *Full engagement of the leadership in driving the project;*
 - *The mayor of the municipality will be called upon to present the turnaround plan to the MEC*
 - *Progress reports to be submitted and tabled to the MEC within twenty days after the end of each quarter.*

- *The Municipal Manager to chair monthly meetings for monitoring progress in Intensive Operation Clean Audit Support*
- *Agreement on areas of support which must address items measured by the Dashboard Report;*
 - *Areas of support will have to be clearly specified in the turnaround plan and in the project plans and weekly targets*
- *Bi-Weekly monitoring and evaluation meetings to be conducted; and*
- *OCA GM, DLGTA District Co-ordinator, District Municipality and Provincial Planning & Treasury must also attend the above mentioned meetings.*

A 20 October 2014 OCA Progress Report and Lessons Learnt presentation contains the following lessons:

- *Accountability for addressing audit issues has to be enforced uncompromisingly.*
- *National & provincial departments cannot turn around any municipality:*
 - *They can only support and assist a municipality that is demonstrating a commitment to turning itself around.*
- *Municipal leadership voice commitment to work on achieving improved audit outcomes:*
 - *No reason to doubt the sincerity of the commitments when made.*
 - *However, the commitments are not translated into clear actions and results.*

The presentation notes the following responses to these lessons/ challenges (and which can be viewed as recommendations):

- *The Commitment by each municipality*
 - *Captured in a municipal specific plan for improved audit outcomes and internal controls*
- *Accountability ensured through*
 - *Mayor submitting the plan to the MEC*
 - *Mayor submitting quarterly progress reports to the MEC*
 - *MEC convening quarterly meetings to review progress*
 - *Mayor presenting the progress report at the quarterly meeting*
- *MM ensuring implementation and reporting.*
- *Up scaling support to MPACs to improve their oversight functionality.*

Another 2014 OCA: GM Memo identifies the following lessons:

The main lesson that has been learnt from the OCA experiences is that no provincial or national department can turn around any municipality that has not made and implemented a commitment to turn itself around.

Coupled with this is the issue of leadership. For a municipality to overcome any problem or challenge both the political and administrative leadership direct the efforts of the municipality to turn around. It has been a recurrent finding of the Auditor-General that non-involvement of the leadership has been a major contributor poor audit outcomes.

The Provincial Audit Improvement Committee:

The first meeting of the Provincial Audit Improvement Coordinating Committee (PAICC) was held on 5th November 2010 (for which minutes could be obtained from OCA). PAICC (comprised representatives from OTP, SALGA, Provincial and National Treasury and the Auditor General's office and was supposed to meet quarterly (However, it ended up not meeting every quarter with a two year gap where no

meetings were held 2012-2014). The purpose of the committee was to oversee the implementation of OCA and to ensure that there was an Eastern Cape OCA implementation plan.

The SG briefly outlined the purpose of the PAICC meetings as follows:

- To work with other stakeholders to ensure improvement of audit opinions of the municipalities (Collaboration on the support provided to municipalities).
- To further ensure that the audit improvement plan is being implemented and monitored.

The founding documents of OCA in Eastern Cape show that OTP was responsible for driving and coordinating it, but it appears that responsibility for OCA was shifted to CoGTA and OTP did not then monitor OCA.

Amongst the resolutions made at the 5th November 2010 meeting was that “By 30th November 2010, all municipalities should have signed MOUs.” Noted, that poor attendance at the PAICC “does not augur well for the success of the programme.” The PAICC was chaired by the CoGTA EC Superintendent General.

At the second PAICC meeting held on 11th April 2011 (minutes of the first PAICC meeting could not be provided by the PCO), a number of recommendations were agreed, which included the following selected recommendations:

- *A Service Provider has to be sourced to assist OCA with branding;*
- *The issue on non-attendance of PAICC meetings by SALGA will be raised at their meetings;*
- *Over-sight is needed in the municipalities and therefore MPAC has to be strengthened as well;*
- *Different approaches to supporting of municipalities should be packaged into a comprehensive plan;*
- *Share best practices from other provinces (learn from Western Cape coordination approach);*
- *Capacitate the OCA project coordination office so that they are able to analyse reports of OCA project implementers;*
- *Comprehensive plan on Coordination is required and the plan should focus on the 45 municipalities;*
- *An action plan with time frames and responsible persons to deal with the coordination issues should be compiled. It was then agreed that an email will be sent out to check availability of officials;*
- *Provincial Treasury will be given a slot to present on its audit improvement plan or on progress of the departments; and*
- *A schedule of PAICC meetings has to be developed and circulated to the members.*

There was also discussion about the “non-existence of over sight function on municipal IT and OCA also does not have IT specialists (it was mentioned that in other provinces IT is a critical component of OCA)” and it was recommended that:

- *IT infrastructure has to be dealt with before looking at the functionality and also look at where IT can be best located in the organisational structure.*
- *An immediate action should be taken through processes regarding IT in the municipalities.*
- *A fully fledged and functioning [OCA] ICT work stream should be formed as soon as possible.*

On 29th February 2012, the third meeting of the PAICC was held and the following resolutions were minuted:

1. *Assisting municipalities to fill the critical posts.*

2. *To do everything in our means to ensure that oversight play and perform their objectives.*
3. *To train oversight structures, and it should be a continuous exercise that bears fruits.*
4. *Work with the municipalities to ensure that the internal audit units perform their work, coach and mentor them the internal auditors.*
5. *DLGTA to develop a pool of officials to turn around municipalities, the aim is to respond rapidly in a short space of time.*
6. *Put systems in place to deal with issues within municipalities in order to ensure that the environment is favourable.*
7. *Provincial Planning and Treasury to look at the financial gap in the municipalities. Financial basket should be available as there will be municipalities that need to be bailed out (actual receipts)*
8. *DLGTA and DCOG to continue with the training.*
9. *Consideration of resolution taken in a meeting with MEC which highlighted the following:*
 - *lack of systems in municipalities;*
 - *Record keeping;*
 - *Evaluation of systems;*
 - *Legal advisors for Speakers;*
 - *Establishment of MPACs;*
 - *Municipalities to capacitate internal auditors, audit committees and risk management units.*
 - *Gather information on municipal governance through District Coordinator;*
 - *Fighting corruption and promote good governance*
 - *Improve on revenue, cash flow, financial management and service delivery infrastructure.*
10. *Discussed issues must be followed up and executed.*
11. *OTP and GMs need to be addressed on all the issues discussed in the PAICC meeting.*

It is not clear whether the OCA GM engaged further with the CoGTA EC GMs in other Directorates, as well as the PT to take forward these resolutions.

After a two year lapse, the fourth PAICC meeting was held 4th March, 2014. It was not clear why the PAICC did not meet for two years. Explanations which have been provided by OCA include the transition from OCA from the CoGTA EC Municipal Support Services Directorate to a separate unit/ Chief Directorate as well as the lack of availability of the national COGTA coordinator, Ms Thwane.

Extracts of key items from the PAICC minutes include the following comments from key stakeholders attending the meeting:

- **SALGA:**
 - *The department should identify if municipalities require the support that is provided to them as they often do not utilise the support/ funds provided or even implement the recommendation made. A mechanism should be established in order to ensure that there is a commitment from the municipalities that are supported; MOUs may be utilised and other means.*
 - *There should be a structured way for municipalities to commit in utilising the support that is provided to them.*
- **National Treasury:**
 - *There are fundamental problems in municipalities that have to be dealt with before any support can be effective.*
 - *OCA cannot achieve clean audit in isolation.*
 - *It is imperative that the right people are made accountable.*

- *It has been noted that when OCA exit a municipality the problems in the municipality will remain which shows that only the surface issues have been dealt with; not root causes.*
- **AGSA:**
 - *Municipal support providers convey different messages or information to municipalities, there is a great need for collaboration.*
 - *The picture in municipalities is worse than what the audit reports are painting.*
 - *PPT should improve the communication on irregular expenditure and other issues as municipalities always indicate their lack of knowledge with regard to such issues.*
 - *It has been noted that the departmental officials that have previously worked in municipalities with disclaimers are deployed by the department in other municipalities as acting MMs or CFOs. The department should consider looking into this matter.*
 - *There is no accountability in municipalities and people are not aware of legislation such as Supply Chain Management policies.*
 - *Municipalities should appoint the right people.*
 - *There is a need to check if audit committees are comprised of the right people.*
 - *It has been noted that MPAC members do not understand their functions.*
- **Provincial Treasury:**
 - *The current interventions are not addressing fundamental issues that affect the municipalities such as financial viability and value for money.*
 - *A strategy should be developed in order to reflect on the projects that provide support to municipalities especially on the lesson learnt and shortcomings.*
 - *Issues of leadership, viability of the municipalities and lesson learnt as well as obstacles that have hindered OCA from achieving its targets should be escalated with honesty.*
- **CoGTA:**
 - *The focus should not be on the word “clean audit” rather on what the OCA program intended to achieve. Subsequent to the MINMEC meeting there was a bilateral between the ministers of Finance and COGTA. Both ministers agreed that the word “clean audit” will cease to be used. An alternative will be found.*
 - *Some of the fundamental problems are with the capacity of GOCTA to support the province and in turn of provinces to support the municipalities. Eastern Cape is amongst the provinces that have capacity to support the municipalities but the province is not performing accordingly. Other provinces with capacity are KZN, Western Cape and Gauteng which are performing very well and at a satisfactory level. There is a need to establish the causes with regard to the performance of the province and solutions be found in order to correct the situation (look at how OCA is managed and why is not making an impact).*
 - *Eastern Cape also has good leadership; the MEC is a progressive leader. The critical question we should ask ourselves as administrators: are we using the leadership adequately.*
 - *The Eastern Cape should submit a provincial OCA plan that is linked to the comprehensive plan. OCA should do a situation analyses and come with a strategy in order to catch up as the province is behind with the implementation of the OCA plan.*
 - *One of the key performance areas on the plan is the submission of audit remedial plans by the end of December and by end Feb we should have analysed them and given feedback on whether they comply or not. Another key activity is the analysis of the mid-year financial statements which were to be submitted by 31 January 2014 and analysed. Collaboration with PPT comes into play in this activity.*

- COGTA needs to see the remedial plans for the fifteen (15) municipalities which are under OCA and have them analysed. OCA should ensure that quarterly progress reports on the remedial plans are submitted.
- The Western Cape Province has the best tools that could be utilised.
- There is a need to call municipalities to report progress on a monthly basis on the remedial plan during the PAICC meeting.
- The OCA implementers need to also report on a monthly basis on their plans and work done in municipalities. This will ensure that there is consistent feedback given to the PAICC.
- The meeting shouldn't be high level and only give feedback; it should have practical approach in addressing issues in order to assist municipalities. KZN, Western Cape and Gauteng have a good model on the implementation of the above proposal.
- The mayors and council need to commit to the support to ensure that OCA support is accepted and utilised.
- It was emphasised that there is an urgent need to seek assistance from political leadership; for example, advise the MEC to write letters to the Mayors.
- OCA should be a standing item in MuniMEC and OTP meetings to report on obstacles and strides made. More importantly we should give specifics on each municipality, maybe ten to fifteen in each meeting and rotate.
- GOCTA proposed that the PAICC be held monthly to meet with municipalities and implementers.

On the 7th July, 2014 the last PAICC meeting was held and at which it was noted that OCA was soon to be terminated. Extracts of key items from the PAICC minutes include the following:

- OCA is a standing item on the agenda of the MuniMEC meeting which is between the municipalities and the department. However, OCA's presentation was done at the end of the meeting which resulted in issues not receiving adequate attention. As a corrective measure a request was made for the OCA presentation to be delivered after the AG's report.
- Audit Remedial Plans: All municipalities developed Audit Remedial Plans. The department assists municipalities in the development and implementation of the said plans but there is a room for improvement with regards to the implementation as there is always a repetition of audit issues. The department is monitoring the implementation which now places attention to the municipal leadership. The issues have been escalated to the mayors.
- OCA Leadership Involvement: The chairperson indicated that the department through the office of the MEC has requested municipalities to develop municipal specific plans and submit reports quarterly on the implementation of the plan. The information that will be submitted to National CoGTA will be based on the reports from the mayors not an observation on the department.
- The chairperson further stated that at the end of each quarter mayors will be required to submit a quarterly progress reports on the implementation of the plan. The MEC for CoGTA shall convene quarterly sessions where each mayor or executive mayor will be given an opportunity to present progress reports. He further said that proceedings of the sessions will include a panel that will interact with the mayors.
- Audit Committees: All municipalities have audit committees but in Chris District a shared service model used. The functionality of some audit committees is questionable as they required monitoring in order to seat quarterly and the said meetings are not result oriented. In some municipalities resignation of audit committee members has a negative effect on functionality of the committees.

- *MPAC: Technically all municipalities have MPACs but they do not receive support from the municipalities such as secretariat. Furthermore, the level of seniority of the MPAC members makes it difficult for the structure to challenge administrative functions. Of concern is that in some municipalities MPAC members are not clear of their functions. It was then suggested that SALGA and the department should provide continuous training.*
- *Revised Support Model: Traditionally, the support that is provided to municipalities is initiated by the department which is based on audit reports. As a result, in most cases the departmental officials struggle to secure appointments or working sessions with municipal officials in order to provide support. Therefore, the department has over the years incurred a lot of expenditure on travel and accommodation of officials who are deployed to municipalities.*
- *In light of the above, OCA will change its approach on providing support to municipalities. The support will be based on the requests that are be submitted by municipalities. The pivotal starting point is the plan that will be submitted by Mayors. Requests for support shall be made in writing, clear and specific. OCA will not support municipalities which do not have clear targets and envisaged results. This approach will ensure that there is credible PoE and justification of the expenditure that is incurred by the department in respect of the support that is provided to municipalities.*
- *The province currently doesn't have a Provincial CFO Forum. All CFOs gathered in a meeting held on 24 June 2014 in which a resolution was taken that the province should establish a CFO Forum.*
- *Districts as Hubs of Excellence: It was stated that the OPCA Programme of Action or Plan also covers an element of Districts as hubs of excellence. Normally, the province support municipalities without interacting or involving the districts which resulted in duplication of efforts. However, there is a structure called District Mayors' Forums (DMAFO) where the district mayor meets all the mayors of the local municipalities. Currently there are only two DMAFOs active (Amathole and Chris Hani Districts). OCA is a standing item in these forums.*
- *However, the department in collaboration with PPT and the District Municipalities has established joint meetings for the purpose of synchronizing the support provided to municipalities. The first joint meeting has been established in the Cacadu District and the plan is to rollout it out to other districts*

Annexure 9: Extract from 1 July 2014 OCA GM Memo on OCA Support to Municipalities 2014 and Beyond

The ideal situation would be where there is a common understanding and will between the department and the municipality. That is, where the municipality and the department have a common understanding of what the priorities are and what are the matters that need urgent attention.

How then do we get to the ideal situation?

There are things that the municipality has to do within prescribed timeframes. This may be emanating from legislation or from the principles and practices of good governance. It is immaterial whether the leadership of the municipality is willing or unwilling to do these things. They have to be done. The following are some examples:

- The accounts of the municipality must be closed every month.
- Account reconciliations must be done every month
- Annual financial statements must be prepared and submitted to the Auditor General for auditing by the 31st of August every year.
- The timely filling of vacancies with competent staff
- Addressing the issues that have been raised in audit reports

If these things do not happen, there is something seriously wrong which needs to be addressed.

The first step should be to put the following questions to the leadership of the municipality (the mayor and the municipal manager):

- What was the cause of non-compliance (root cause)?
- What disciplinary steps have been taken for the transgression?
- What measures (systems, procedures and/or daily routines) will be put in place to prevent a recurrence?

These questions will be answered by the leadership through an accountability mechanism. This accountability consists of the following elements

- Identification of the problem/challenge or issue
- Commitment to address the problem (through a clearly written and specific plan)
- Taking action and putting systems in place to address the problem
- Reporting on progress made in addressing the problem
- Monitoring and evaluation by the department as well oversight by bodies or structures created for that purpose

It is hoped that once the leadership knows that they will be called upon to account, they will pay serious attention to addressing the problems.

Where they feel inadequate, they must on their own accord or be invited to request the department to provide support. This request must be very clear and specific and it must be in writing.

This written request must then be the basis of the terms of reference for the support teams to be dispatched to the municipality.

3. Determining the Support Required by a Municipality

As stated above the problem or challenge must first be identified preferably with heavy involvement by the municipality. Then a commitment to address the problem must be made followed by the identification of the means to do so.

In identifying the means to address the problem the municipality might discover a gap between its available means and what is required.

This is where the support of the department becomes critical. Firstly the municipality needs to detail the gap and specify the support required from the department. The council of the municipality must make a resolution to request the department to provide the support. Secondly, there need[s] to be a meeting of the minds between the department and the municipality on the support required from and to be provided by the department.

This agreement or understanding is of the utmost importance because it will form the basis of the support team or teams deployed to the municipality.

It will be captured in an agreement which spells out the expectations of each party and what each must do/or refrain from doing.

In this way the municipality becomes the centre of determining the support. It is pulling the support as against the department pushing it. This ensures ownership of, and engagement by the leadership of the municipality in the addressing of the problem.

Once the request is received it must be shared with the other sections of the Local Government Branch in order to ensure a co-ordinated approach.

4. Seconding of Official to Municipalities

From time to time municipalities in the Eastern Cape are befallen by crises or allow themselves to fall into crises out of which it will be difficult to move without assistance. The department takes it as one of its top priorities to take urgent steps to stabilize these municipalities

In many cases these crises manifest or result in the key administration leadership positions of the municipalities being unoccupied.

Legislation enjoins the department to second officials to the municipalities which are experiencing these challenges.

The department does not have a pool of officials from which to pick the officials required for seconding to municipalities.

These officials have to be pulled out of current deployments. On the permanent staff complement of the department there are very few, if any, officials that are available for quick reassignment.

Officials in the Operation Clean Audit unit are contract employees and are almost fully involved with municipalities in their day to day activities. They are always the first port of call when officials for seconding are required.

Because seconding is an on- going activity in the department it becomes imperative that there be no fixed term commitment to deploy OCA officials to a district or a municipality. Continuing to do this destabilises the OCA project and the relationship between the department and the OCA municipalities concerned.

Therefore there needs to be balance between satisfying the obligation to second staff on the one hand and pursuing the objectives of the Operation Clean Audit on the other.

Currently, the OCA officials are assigned to municipalities in an approach that allocates a multidisciplinary team to each district. The officials to be seconded to the municipalities are pulled out of these district teams. All the teams have been left short because of the seconding.

This makes the work of the teams as they are currently configured, very vulnerable to disruption. To avoid this disruption and as a response to and acceptance of secondment as reality of life it is advisable that this manner of deployment be discontinued and be replaced by one which is flexible and responsive to secondment demands.

The envisaged approach will have all the officials in each functional area being available for allocation to any municipality according the demand or need as captured in the request for support and the municipal specific plan.

This demands that there be greater standardisation in each functional area so that continuity is enabled even if there is a change of personnel at short notice.

General Operating Guidelines for the Implementation of the Agreed Support

Once the agreement has been reached on the details of the support, the next step is to constitute the support team.

The individual or team appointed to render the support must be given clear key result areas and targets in writing. There must also be clear feedback loop for monitoring the progress of the support project.

It is very critical that the accounting officer of the municipality be a critical player in the feedback loop. In particular he/she must provide time for meeting the support team at least once every two weeks.

The person or team implementing the support must submit a progress report to the accounting officer of the municipality and to the CoGTA Chief Director responsible for the assignment every two weeks.

This report will be the subject of the bi-weekly meeting with the accounting officer of the municipality.

The report must give a narrative of what has been done and the people who have been interacted with. It must also give an indication of how far progress is in relation to the target. It must specify any challenges or problems encountered and proposals for addressing those challenges.

Copies of the report and of the progress meetings must be kept. They will form part of the portfolio of evidence (POE) of the project.

At the end of each month and until the project is concluded a progress report must be submitted to the accounting officers of both the municipality and the department. It is advisable that the municipal manager also submit such progress report to the mayor of the municipality.

The project is concluded with a close out meeting where a comprehensive project report is tabled and discussed. Once the report has been accepted it must be signed by the Chief Director responsible for the assignment and the accounting officer of the municipality. Then it must be submitted to the mayor, the Deputy Director-General for Local Government and the Accounting Office of CoGTA-EC.

5. Recommendation

It is recommended that the approach to supporting municipalities be changed from a department pushed to municipality pulled support. The modus operandi will be as followed.

- (i.) A problem or challenge that is facing a municipality is identified either by the municipality (preferable) or by the department. An example would be findings by the auditor general or by monitoring and evaluation of the department.
- (ii.) The municipality must then develop a plan to address the challenge. The department may be called upon to assist in the development of the plan. However, ownership of the plan remains at the municipality.
- (iii.) The plan specifies the support required from the department.
- (iv.) The municipality makes a formal written request to the department requesting the specified support.
- (v.) The department and the municipality agree on the specifics of the support which must then be captured in memorandum of agreement.
- (vi.) The plan and the agreement mentioned in (ii) and (v) respectively above will form the basis of deploying the OCA team or any other team doing similar work.

The benefit of this approach will be that it will enable the department to directly relate the assignment given to the team to the problem clearly identified and the clearly specified request. It will also be easy to directly relate the time and money spent to the specified objectives of the assignment.

Z H Mdikane

General Manager: Operation Clean Audit

01 July 2014

Annexure 10: Six Municipal Case Studies: Selected Status Quo and Audit Data Trends

Table 20 Chris Hani District Municipality: Capacity Profile

	2012/13	2013/14
Municipal Manager: permanent or acting	Permanent	Permanent
Chief Financial Officer: permanent or acting (current)	Permanent	Permanent
Data MM appointed		
Date CFO appointed		
Municipal Manager: meets Minimum competency standards/ regulations	No	Yes
Chief Financial Officer: meets Minimum competency standards/ regulations	No	Yes
Chief Financial Officer: has undergone Treasury competencies training programme		
Performance agreement in place for MM? Y/N (with performance targets?)	Yes	Yes
Performance agreements in place for Directors Y/N (with performance targets)		
Performance agreements in place for managers reporting to Directors? Y/N		
Total Finance Department Staff Organogram posts		
Total Finance Department Staff Filled posts permanent		
Total Finance Department Staff filled posts contract		
Total Finance Department Staff vacancies		
Total Municipal Budget		
Total municipal expenditure	814 mil.	717 mil.
Total capital budget		
Total capital expenditure		
Total grant/ intergovernmental funding received		
Total expenditure of grants/ intergovernmental		
Total own revenue		
Total equitable share received		
Total population 2011		795,461
Total registered indigents		

Source: AGSA: Eastern Cape data (supplied March 2015).

Table 21 Alfred Nzo District Municipality: Capacity Profile

	2012/13	2013/14
Municipal Manager: permanent or acting	Permanent	Permanent
Chief Financial Officer: permanent or acting (current)	Permanent	Permanent
Data MM appointed		
Date CFO appointed		

Municipal Manager: meets Minimum competency standards/ regulations	Yes	No
Chief Financial Officer: meets Minimum competency standards/ regulations	Yes	No
Chief Financial Officer: has undergone Treasury competencies training programme		
Performance agreement in place for MM? Y/N (with performance targets?)	Yes	Yes
Performance agreements in place for Directors Y/N (with performance targets)		
Performance agreements in place for managers reporting to Directors? Y/N		
Total Finance Department Staff Organogram posts		
Total Finance Department Staff Filled posts permanent		
Total Finance Department Staff filled posts contract		
Total Finance Department Staff vacancies		
Total Municipal Budget		
Total municipal expenditure	595 mil.	506 mil.
Total capital budget		
Total capital expenditure		
Total grant/ intergovernmental funding received		
Total expenditure of grants/ intergovernmental		
Total own revenue		
Total equitable share received		
Total population 2011		801,344
Total registered indigents		

Source: AGSA: Eastern Cape data (supplied March 2015).

Table 22 Emalahleni Municipality: Capacity Profile

	2012/13	2013/14
Total municipal staff (appointed)	260	260
Total permanent staff	Unknown	Unknown
Total acting staff	Unknown	Unknown
Total No. Councillors	34	34
Municipal Manager: permanent or acting	Permanent	Permanent
Chief Financial Officer: permanent or acting	Permanent	Permanent
Date MM appointed	2012	2012
Date CFO appointed	2011	2011
Municipal Manager: meets Minimum competency standards/ regulations	Some	Some
Chief Financial Officer: meets Minimum competency standards/ regulations	Some	Some
Chief Financial Officer: has undergone Treasury competencies training programme	yes	yes
Performance agreement in place for MM? Y/N	yes	yes

(with performance targets?)		
Performance agreements in place for Directors Y/N (with performance targets)	yes	Yes
Performance agreements in place for managers reporting to Directors? Y/N	Unknown	Unknown
Total Finance Department Staff Organogram posts	29	29
Total Finance Department Staff Filled posts permanent	Unknown	Unknown
Total Finance Department Staff filled posts contract	Unknown	Unknown
Total Finance Department Staff vacancies	10	9
Total Municipal Budget	Unknown	188 mil.
Total municipal expenditure	Unknown	190 mil.
Total capital budget	Unknown	43 mil.
Total capital expenditure	Unknown	37 mil.
Total grant/ intergovernmental funding received	Unknown	121 mil.
Total expenditure of grants/ intergovernmental		
Total own revenue		
Total equitable share received		
Total population 2011		119,460
Total registered indigents		

Source: AGSA: Eastern Cape data (supplied March 2015).

Table 23 Intsikayethu Municipality: Capacity Profile

	2012/13	2013/14
Total municipal staff (appointed)		254
Total permanent staff		
Total acting staff		
Total No. Councillors		46
Municipal Manager: permanent or acting	Permanent	Permanent
Chief Financial Officer: permanent or acting (current)	Permanent	Permanent
Data MM appointed		
Date CFO appointed		1/1/2014
Municipal Manager: meets Minimum competency standards/ regulations	Yes	yes
Chief Financial Officer: meets Minimum competency standards/ regulations		No
Chief Financial Officer: has undergone Treasury competencies training programme		In the process
Performance agreement in place for MM? Y/N (with performance targets?)	Y	Y
Performance agreements in place for Directors Y/N (with performance targets)	Y	Y
Performance agreements in place for managers reporting to Directors? Y/N	N	N
Total Finance Department Staff Organogram posts		32
Total Finance Department Staff Filled posts		23

permanent		
Total Finance Department Staff filled posts contract		0
Total Finance Department Staff vacancies		9
Total Municipal Budget		16 mil.
Total municipal expenditure		12 mil.
Total capital budget		49 mil.
Total capital expenditure		58 mil.
Total grant/ intergovernmental funding received		173 mil.
Total expenditure of grants/ intergovernmental		173 mil.
Total own revenue		9 mil.
Total equitable share received	88 mil.	99 mil.
Total population		145,372

Source: AGSA: Eastern Cape data (supplied March 2015).

Table 24 Nxuba Municipality: Capacity Profile

	2012/13	2013/14
Municipal Manager: permanent or acting	Permanent	Permanent
Chief Financial Officer: permanent or acting (current)	Acting	Permanent
Data MM appointed		
Date CFO appointed		
Municipal Manager: meets Minimum competency standards/ regulations		Yes
Chief Financial Officer: meets Minimum competency standards/ regulations		Some
Chief Financial Officer: has undergone Treasury competencies training programme		
Performance agreement in place for MM? Y/N (with performance targets?)	Yes	Yes
Performance agreements in place for Directors Y/N (with performance targets)		
Performance agreements in place for managers reporting to Directors? Y/N		
Total Finance Department Staff Organogram posts		
Total Finance Department Staff Filled posts permanent		
Total Finance Department Staff filled posts contract		
Total Finance Department Staff vacancies	20%	24%
Total Municipal Budget		
Total municipal expenditure	66 mil	89 mil
Total capital budget		
Total capital expenditure		
Total grant/ intergovernmental funding received		
Total expenditure of grants/ intergovernmental		
Total own revenue		
Total equitable share received		

Total population		24,264
Total registered indigents		

Source: AGSA: Eastern Cape data (supplied March 2015).

Table 25 Greater Kei Municipality: Capacity Profile

	2012/13	2013/14
Total municipal staff (appointed)	The Overall Vacancy rate was 20%. No access on MIS to total staff	173
Total permanent staff	As above	171
Total acting staff	0	2
Total No. Councillors	<i>Not in ASMIS</i>	<i>Not in ASMIS</i>
Municipal Manager: permanent or acting	Permanent	3 Months Acting
CFO: permanent or acting	Permanent	4 Months Acting
Date MM appointed	1 August 2010	Acting since 1 April 2014.
Date CFO appointed	1 July 2010	Acting since 1 March 2014.
Municipal Manager: meets Minimum competency standards/ regulations	This is a limitation	Not assessed by the auditee.
Chief Financial Officer: meets Minimum competency standards/ regulations	This is a limitation	Not assessed by the auditee.
Chief Financial Officer: has undergone Treasury competencies training programme	<i>Not in ASMIS</i>	<i>Not in ASMIS</i>
Performance agreement in place for MM? Y/N (with performance targets?)	No	Yes
Performance agreements in place for Directors Y/N (with performance targets)	<i>Not in ASMIS</i>	<i>Not in ASMIS</i>
Performance agreements in place for managers reporting to Directors? Y/N	No	Yes
Total Finance Department Staff Organogram posts	Vacancy rate is 27%. No information on total number of posts in ASMIS	25 positions
Total Finance Department Staff Filled posts permanent	As above	<i>Vacancy Rate was 20%</i>
Total Finance Department Staff filled posts contract	<i>Not in ASMIS</i>	<i>Not in ASMIS</i>
Total Finance Department Staff vacancies	As above	Vacancy Rate was 20%
Total Municipal Budget	<i>Not in ASMIS</i>	126 mil.
Total municipal expenditure	85 mil.	119 mil.
Total capital budget	<i>Not in ASMIS</i>	7 mil.
Total capital expenditure	<i>Not in ASMIS</i>	7 mil.
Total grant/ intergovernmental funding received	<i>Not in ASMIS</i>	35 mil.
Total expenditure of grants/ intergovernmental	<i>Not in ASMIS</i>	<i>Not in ASMIS</i>
Total own revenue	75 mil.	48 mil.
Total equitable share received	<i>Not in ASMIS</i>	33 mil.

Total population		38,991
Total registered indigents		

Source: AGSA: Eastern Cape data (supplied March 2015).

Audit Expenditure Trends:

Municipality	Audit Issue	2009/10	2010/11	2011/12	2012/13	2013/14
Emalahleni	Reason for disclaimer/ audit opinion	Scope limitations and disagreements	Scope limitations and disagreements	Scope limitations and disagreements	Scope limitations and disagreements	Qualifications on irregular, water revenue, water losses
	Over spending					
	Amount of Unauthorised spending (Rands)	0	20 mil.	78 mil.	8 mil.	12 mil.
	Amount Irregular spending current financial year (Rands)	18 mil.	18 mil.	5 mil.	36 mil.	58 mil.
	Amount Irregular expenditure previous financial year (written off) (Rands)	0		0	0	0
	Amount Fruitless and wasteful expenditure not identified by management (Rands)	18 mil.	18 mil.	55 mil.	14 mil.	49 mil.
	Amount Fruitless and wasteful expenditure identified by management (Rands)	0	0	24,824	7,998,000	266,261

Source: AGSA- Eastern Cape ASMIS database (March 2015)

Chris Hani District	Reason for disclaimer/ audit opinion	Property, plant and equipment, Cash and cash equivalents, Receivables, Inventory, Payables, Provisions, Taxes, Commitments, Revenue, Expenditure, Compensation of employees, Unauthorised expenditure , Fruitless and wasteful expenditure	Receivables, Inventory, Payables, Commitments, Revenue, Revenue – transfer payments and grants, Expenditure and Irregular expenditure	Property, plant and equipment, Receivables, Payables, Taxes, Capital and reserves, Revenue, Expenditure, Irregular expenditure and Aggregation of immaterial misstatements	Capital and reserves, Cash flow statement, other disclosures, Irregular expenditure and Aggregation of immaterial uncorrected misstatements	Cash flow statement, Commitments, Aggregation misstatements
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		and Irregular expenditure				
	Over spending	103 mil	152 mil.	563 mil.	238 mil.	144 mil.
	Amount of Unauthorised spending (Rands)	103 mil.	152 mil.	563 mil.	238 mil.	144 mil.
	Amount Irregular spending current financial year (Rands)	380 mil.	339 mil.	200 mil.	296 mil.	11.6 mil.
	Amount Irregular expenditure previous financial year (written off) (Rands)					
	Amount Fruitless and wasteful expenditure not identified by management (Rands)	0	0	63211	0	0
	Amount Fruitless and wasteful expenditure identified by management (Rands)	161,505	409,265	194,787	361,587	125,135

Source: AGSA- Eastern Cape ASMIS database (March 2015)

Alfred Nzo District	Reason for disclaimer/ audit opinion	PPE, Inventory, Receivables, VAT, Commitments, Revenue, Expenditure, Employee costs, Irregular	PPE, Cash & Cash equivalents, Inventory, VAT, Receivables, Payables,, Accumulated surplus, Revenue, Other disclosures, Material losses Expenditure, Employee costs Unauthorised expenditure, Irregular expenditure	PPE, Cash & Cash equivalents, VAT, Receivables, Payables, Accumulated surplus, Revenue, Expenditure, Unauthorised expenditure, Irregular expenditure	PPE, Payables, VAT, Commitments, Other disclosures, Cash Flow Statement, Expenditure, Accumulated surplus, Aggregate misstatements	PPE, Unauthorised expenditure, Payables, Irregular expenditure, Commitments, Repairs and maintenance, Risk management, Statement of net assets, Statement of comparison of budget and actual.
	Over spending	0	Yes	Yes	Yes	Yes
	Amount of Unauthorised spending (Rands)	0	13 mil.	389 mil.	102 mil.	106 mil.
	Amount Irregular spending current financial year (Rands)	0.2	29 mil.	218 mil.	119 mil.	96 mil.
	Amount Irregular expenditure previous financial year (written off) (Rands)					
	Amount Fruitless and wasteful expenditure not identified by management (Rands)	0	0	0	0.2 mil.	2.1 mil.
	Amount Fruitless and wasteful expenditure	0	0	0	240,325	43,082

	identified by management (Rands)					
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Source: AGSA- Eastern Cape ASMIS database (March 2015)

Instikayethu	Reason for disclaimer/ audit opinion				the documentations that was available was not adequate and did not reconcile to the accounting records.	N/A
	Over spending					
	Amount of Unauthorised spending (Rands)				74 mil.	47 mil.
	Amount Irregular spending current financial year (Rands)				24 mil.	14 mil.
	Amount Irregular expenditure previous financial year (written off) (Rands)				4 mil.	0
	Amount Fruitless and wasteful expenditure not identified by management (Rands)				0	0
	Amount Fruitless and wasteful expenditure identified by management (Rands)				74,990	122,340

Source: AGSA- Eastern Cape ASMIS database (March 2015)

Nxuba	Reason for disclaimer/ audit opinion	Disclaimer: PPE; Non Current Investments; Cash and Cash Equivalents; Receivables; Inventory; VAT; Revenue; Expenditure; Employee cost; Going concern; Contingent Liabilities and commitments; Fruitless and wasteful expenditure	Disclaimer: PPE; Investment Property; Cash and Cash Equivalents; Receivables; Other current assets; VAT; Cash flow; Revenue; Expenditure; Irregular expenditure; Employee cost; Going concern; Other disclosures; Contingent Liabilities and commitments	Disclaimer: PPE; Investment Property; Receivables; Payables and accruals; VAT; Other liabilities; Cash flow; Revenue; Expenditure; Irregular expenditure; Going concern; Other disclosures; Contingent Liabilities and commitments; Aggregate misstatements	Qualified – PPE; Investment property; Expenditure; Irregular Expenditure; Aggregate misstatements	Qualified (disagreements and limitations) – PPE (completeness; valuation; classification) and Investment property (completeness; classification)
	Over spending	0.3		15 mil.	3 mil.	17 mil.

	Amount of Unauthorised spending (Rands)	0.3		15 mil.	3 mil.	17 mil.
	Amount Irregular spending current financial year (Rands)		0.8 mil.	9 mil.	17 mil.	10 mil.
	Amount Irregular expenditure previous financial year (written off) (Rands)					
	Amount Fruitless and wasteful expenditure not identified by management (Rands)	99,494				1.7 mil.
	Amount Fruitless and wasteful expenditure identified by management (Rands)		481,530			897,754

Source: AGSA- Eastern Cape ASMIS database (March 2015)

Great Kei	Reason for disclaimer/ audit opinion	Disclaimer: A pervasive limitation of scope on the balances in the financial statements. Please refer to the audit report.	Disclaimer: A pervasive limitation of scope on the balances in the financial statements. Please refer to the audit report.	Disclaimer: A pervasive limitation of scope on the balances in the financial statements. Please refer to the audit report.	Adverse: Limitations of scope existed, however there were more disagreement misstatements relating to the information provided in the financial statements. Please refer to the audit report.	Disclaimer: A number of misstatements existed on the financial statements, but majority of the findings related to evidence not being provided to support balance in the financial statements. Please refer to the audit report
	Over spending	6.3 mil.	<i>Not in ASMIS</i>	4.5 mil.	10.0 mil.	9.9 mil.
	Amount of Unauthorised spending (Rands)	6.3 mil.	0.6 mil.	4 578 276	10.0 mil.	9.9 mil.
	Amount Irregular spending current financial year (Rands)	6.9 mil.	14.9 mil.	6.3 mil.	14.0 mil.	2.3 mil.
	Amount Irregular expenditure previous financial year (written off) (Rands)	<i>Not in ASMIS</i>	<i>Not in ASMIS</i>	<i>Not in ASMIS</i>	<i>Not in ASMIS</i>	<i>Not in ASMIS</i>
	Amount Fruitless and wasteful expenditure not identified by management (Rands)	<i>Not in ASMIS</i>	<i>Not in ASMIS</i>	186,747	43,358	0
	Amount Fruitless and wasteful expenditure identified by management (Rands)	<i>Not in ASMIS</i>	784,000	596,220	541,958	755,199

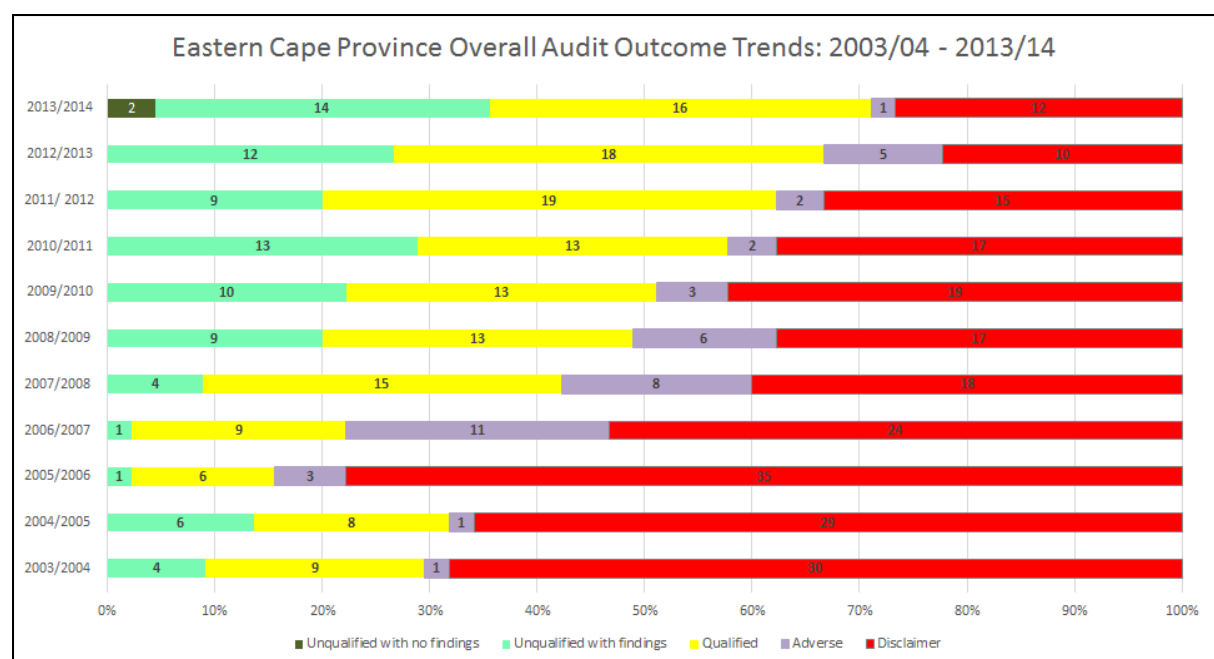
Source: AGSA- Eastern Cape ASMIS database (March 2015)

Annexure 11: OCA Lessons: Detailed municipal case studies data tables

Eastern Cape Audit Trends and Results:

Figure 9 shows that the audit outcomes for municipalities in the provinces have generally improved between 2003/2004 and 2013/2014. This improvement is shown by the general increase in the municipalities with unqualified with findings and qualified audit outcomes as well as a decrease in municipalities with disclaimer audit outcomes. In 2009/10 there were 22 municipalities with either disclaimers (19) or adverse findings (3). In 2013/14 this had improved to by ten municipalities, to thirteen municipalities (1 with adverse and 12 with disclaimers).

Figure 9 Eastern Cape Province Overall Audit Outcome Trends: 2003/04 - 2013/14



Source: Impact Economix Analysis of AGSA data (March 2015).

Figure 10 shows that a higher proportion (34%) of OCA supported municipalities improved their Audit Outcomes compared to Non-OCA supported municipalities (18%).

Figure 10: Operation Clean Audit: Comparison on 2012/13 - 2013/14 Audit Outcome Trend: OCA Supported vs Non-OCA Supported Municipalities

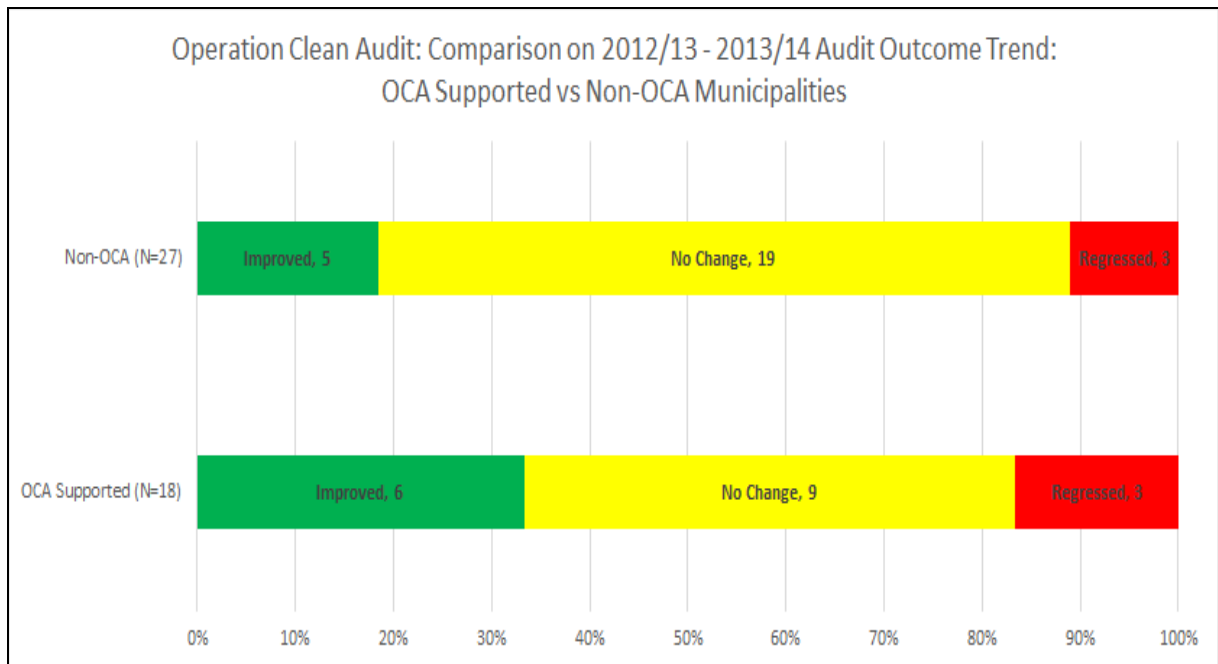
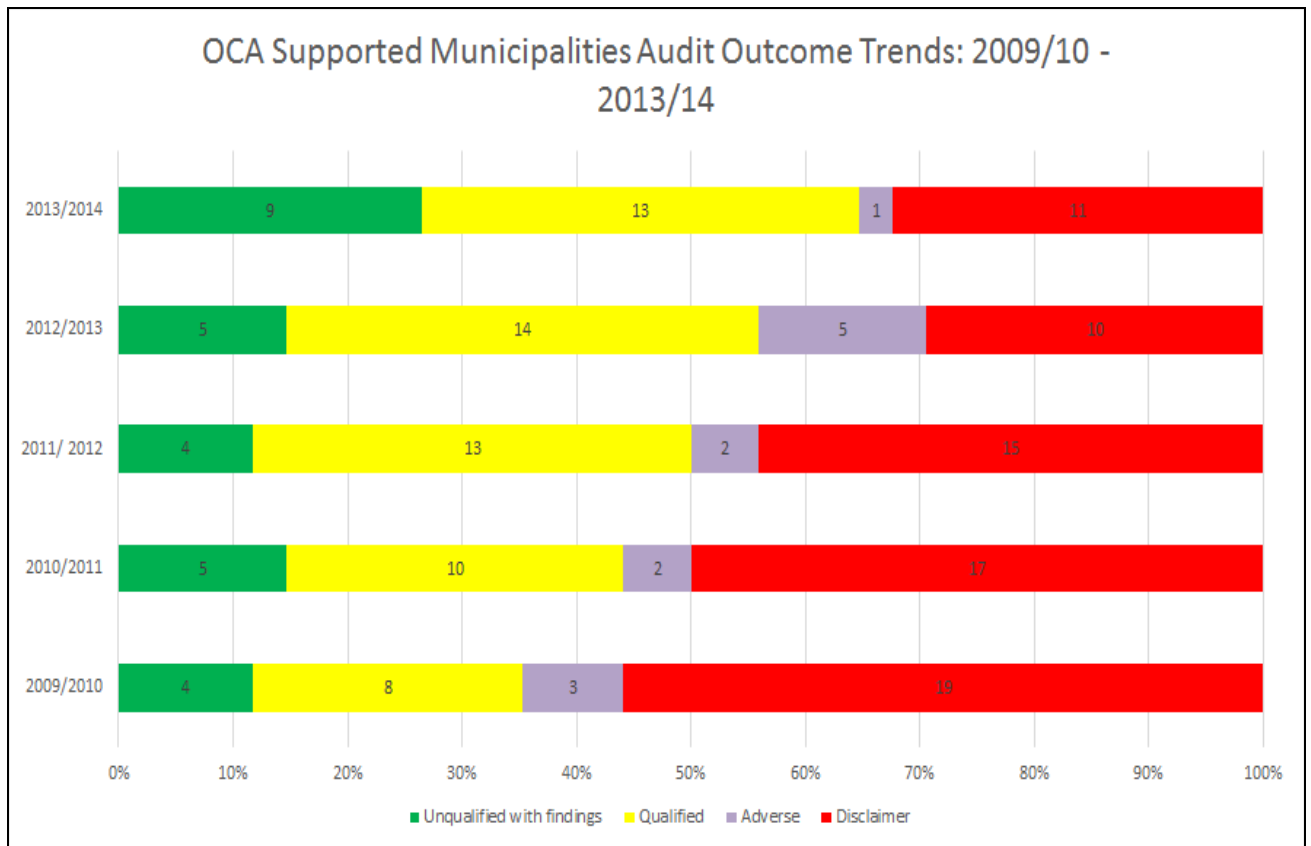


Figure 11 shows the audit outcome trend for municipalities which received some form of OCA support between 2009/10-2013/14 (the duration of OCA support to each municipality was over different time-frames and was only provided to municipalities that received adverse or disclaimer audit outcomes). The results shows that the generally the number of municipalities with disclaimer audit outcomes has declined from 19 in 2009/2010 to 11 in 2013/2014 (which is still 24% of municipalities).

Figure 11: OCA Supported Municipalities Audit Outcome Trends: 2009/10 - 2013/14

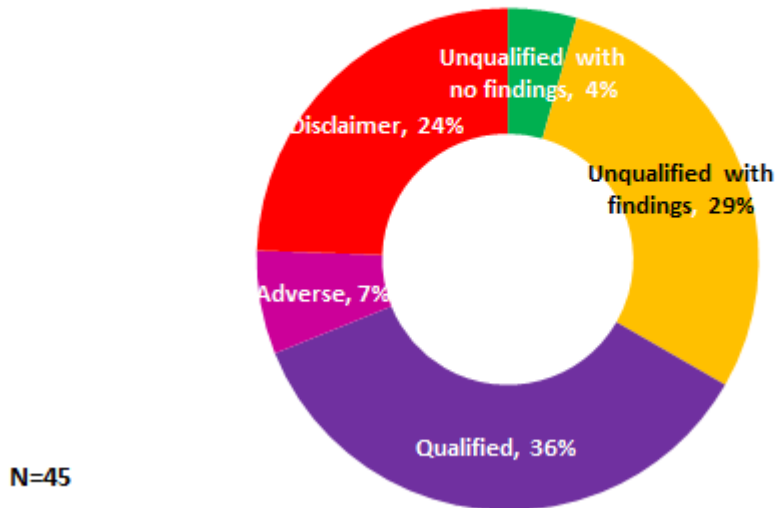


Source: Impact Economix Analysis of AGSA data (March 2015).

Figure 12 shows that 24% of municipalities in the Eastern Cape Province had disclaimers in the 2013/14 financial year whilst 4% had unqualified with no findings audit outcomes.

Figure 12: Eastern Cape Province: Summary of 2013/14 Municipal Audit Outcomes

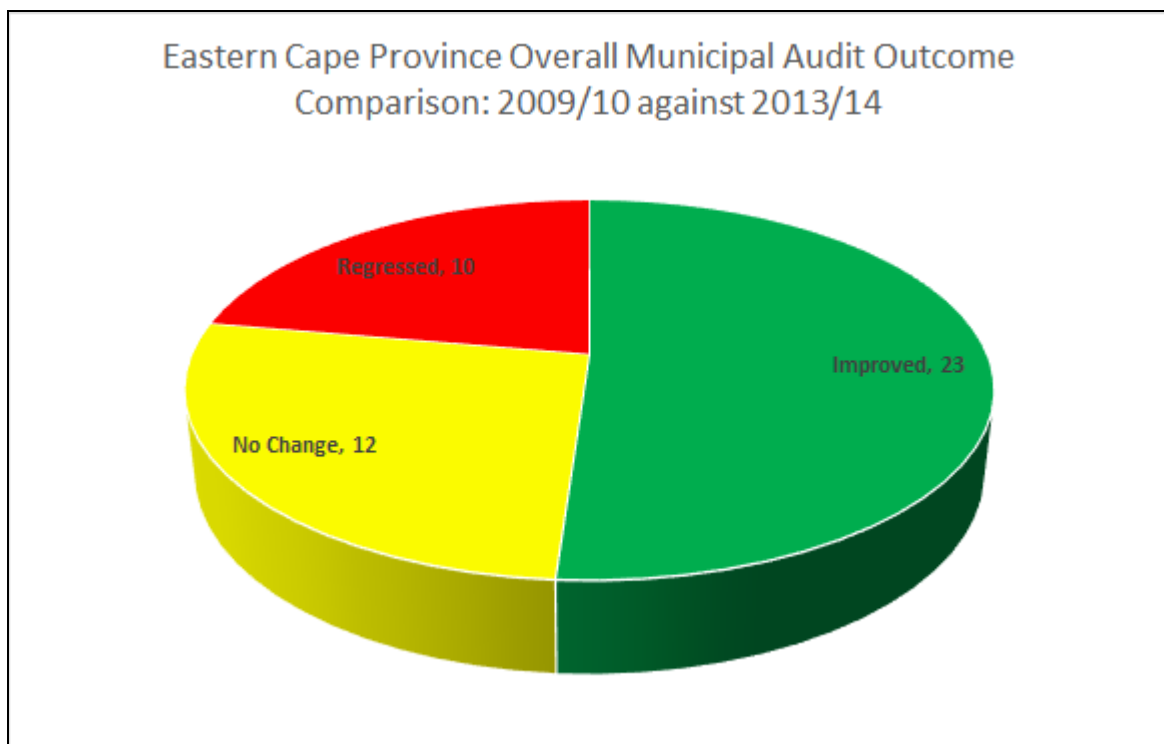
Eastern Cape Province: Summary of 2013/14 Municipal Audit Outcomes



Source: Impact Economix Analysis of AGSA data (March 2015).

Figure 13 shows that 23 municipalities out of 45 improved their audit outcomes when comparing the 2009/10 and the 2013/14 financial years.

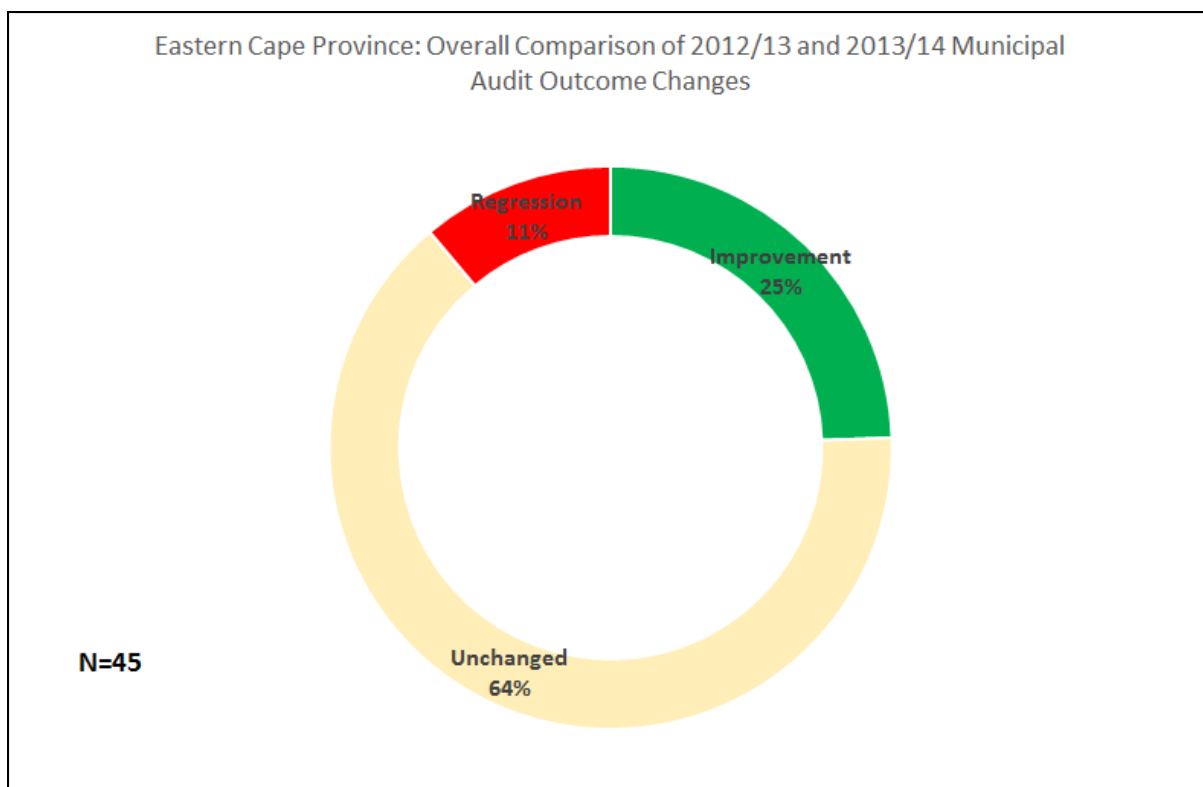
Figure 13: Eastern Cape Province Overall Municipal Audit Outcomes Comparison: 2009/10 against 2013/14



Source: Impact Economix Analysis of AGSA data (March 2015).

Figure 14 shows that between 2012/13 and 2013/14 financial years, the 64% of municipal audit outcomes remained unchanged whilst 11% regressed.

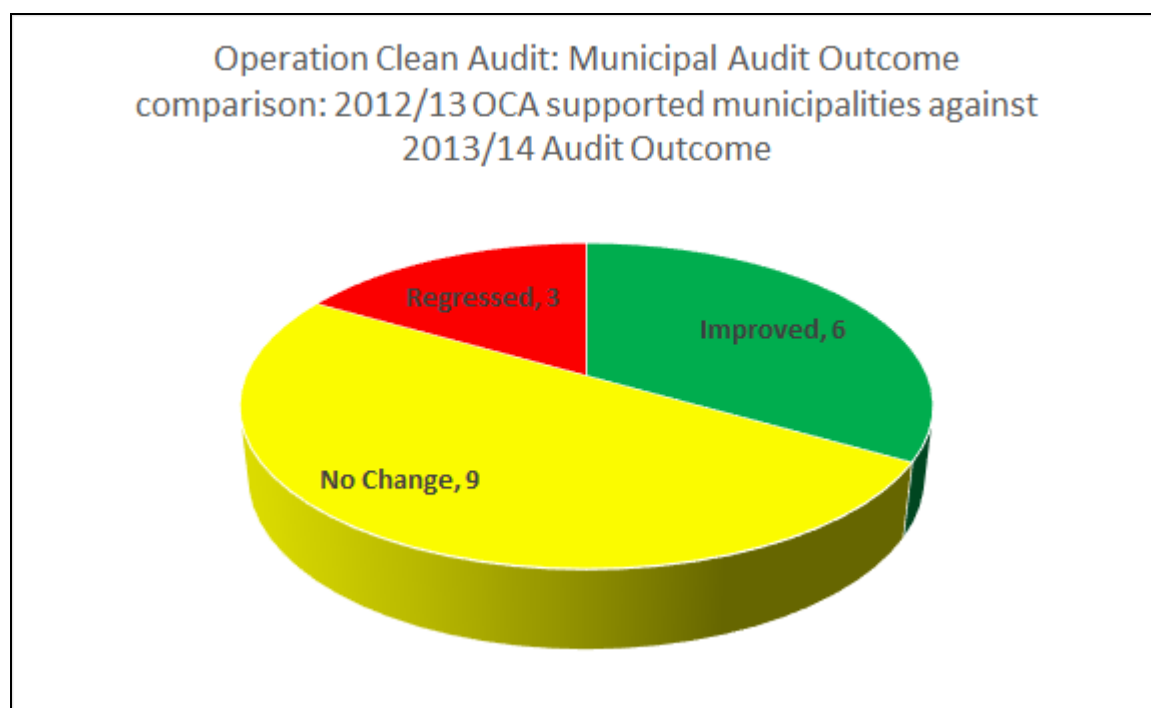
Figure 14: Eastern Cape Province: Overall Comparison of 2012/13 and 2013/14 Municipal Audit Outcome Changes



Source: Impact Economix Analysis of AGSA data (March 2015).

Figure 15: Operation Clean Audit: Municipal Audit Outcome Comparison: 2012/13 OCA supported municipalities against 2013/14 Audit Outcomes. shows that 3 of the 18 municipalities supported by OCA in 2012/13 regressed in their audit outcomes whilst 6 improved for the 2013/14 audit.

Figure 15: Operation Clean Audit: Municipal Audit Outcome Comparison: 2012/13 OCA supported municipalities against 2013/14 Audit Outcomes.

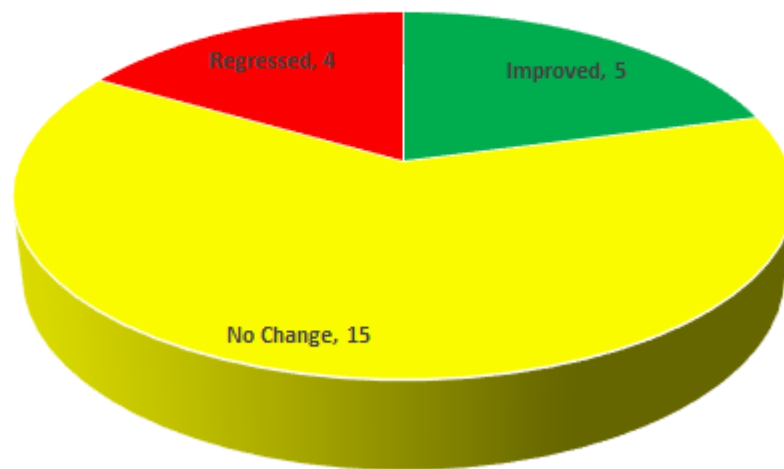


Source: Impact Economix Analysis of AGSA data (March 2015).

Figure 16: Operation Clean Audit: Municipal Audit Outcome Comparison: 2010/11 OCA Supported Municipalities against 2012/13 Audit Outcomes shows that 4 of the 24 municipalities supported by OCA in 2010/11 financial year regressed in their audit outcomes whilst 5 improved.

Figure 16: Operation Clean Audit: Municipal Audit Outcome Comparison: 2010/11 OCA Supported Municipalities against 2012/13 Audit Outcomes

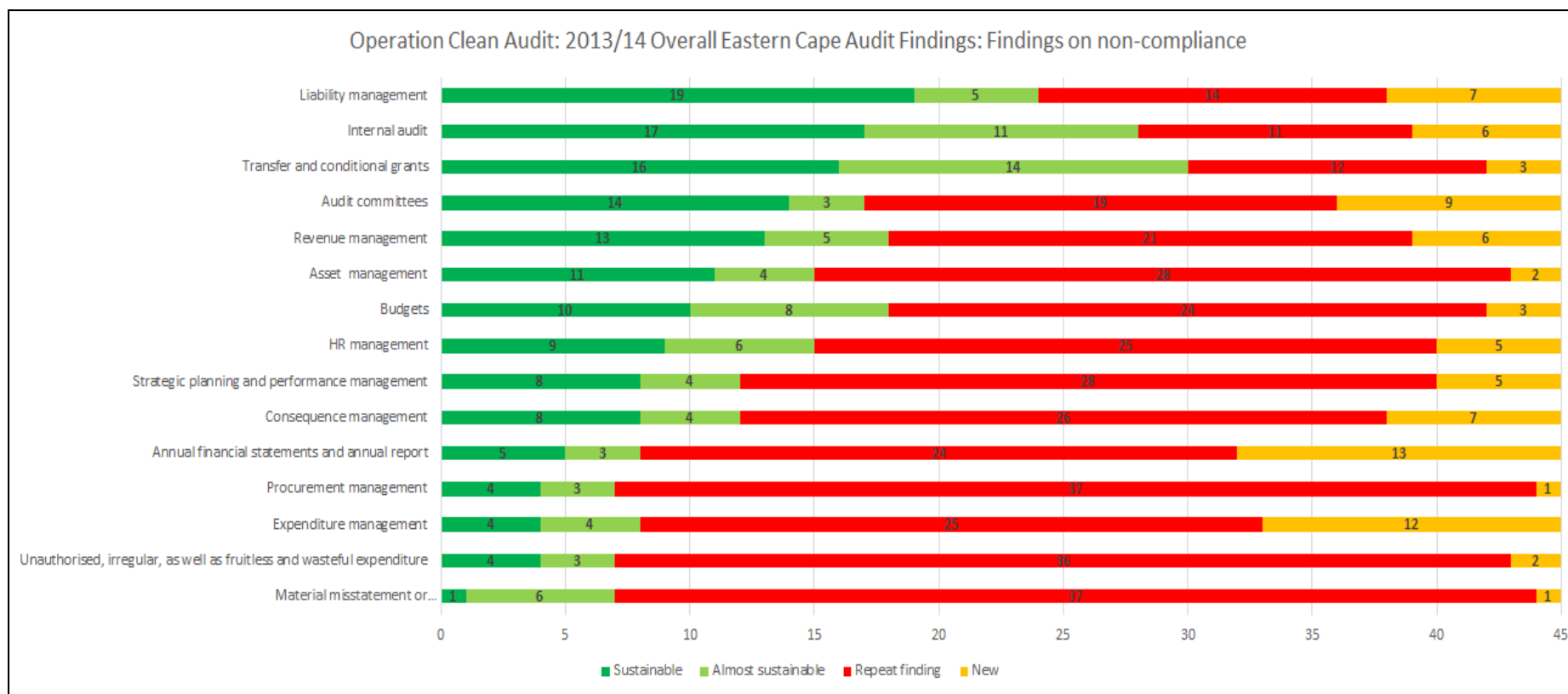
Operation Clean Audit: Municipal Audit Outcome comparison:
2010/11 OCA supported municipalities against 2012/13 Audit Outcome



Source: Impact Economix Analysis of AGSA data (March 2015).

Figure 17: Overall 2013/14 Eastern Cape Audit Outcomes: Findings on non-compliance shows that distribution of findings on non-compliance in audit outcomes for all municipalities in the Eastern Cape Province for the 2013/14 financial year. The highest number of repeat findings were on procurement management, unauthorised, irregular and fruitless and wasteful expenditure, and material miss-statements. Issues related to consequence management and performance management were also commonly found.

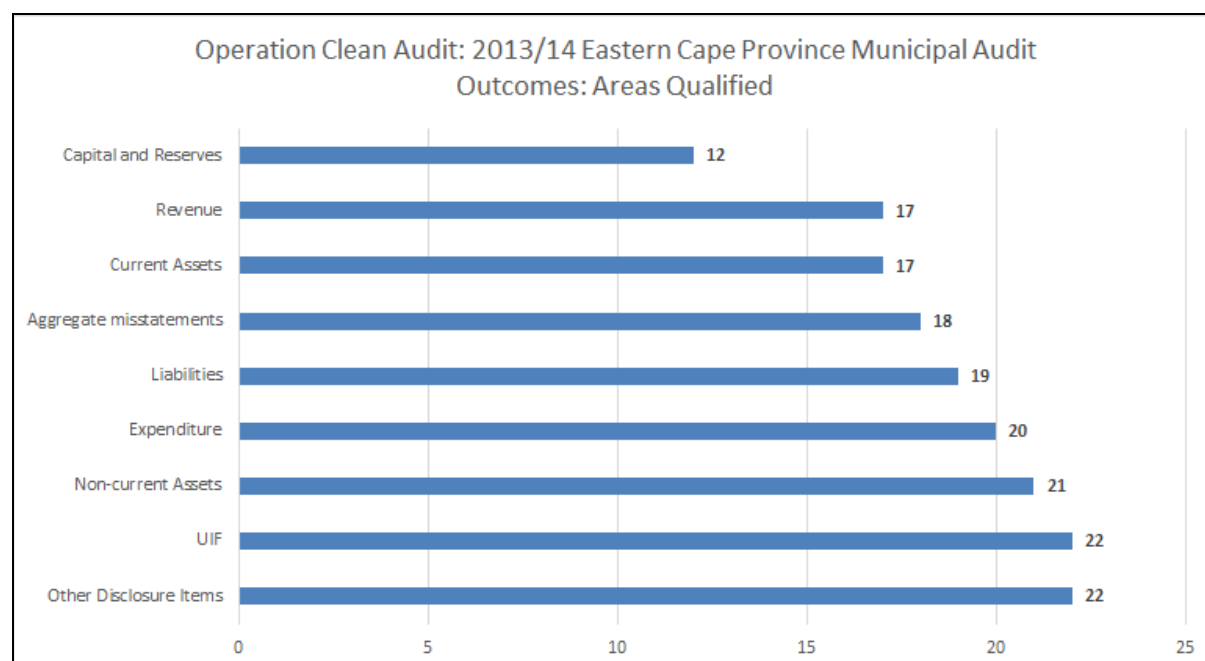
Figure 17: Overall 2013/14 Eastern Cape Audit Outcomes: Findings on non-compliance



Source: Impact Economix Analysis of AGSA data (March 2015).

Figure 18 shows that unauthorised, irregular, fruitless and wasteful expenditure (UIF) was the most commonly area qualified under the 2013/14 municipal audit in the Eastern Cape Province (in 22 municipalities).

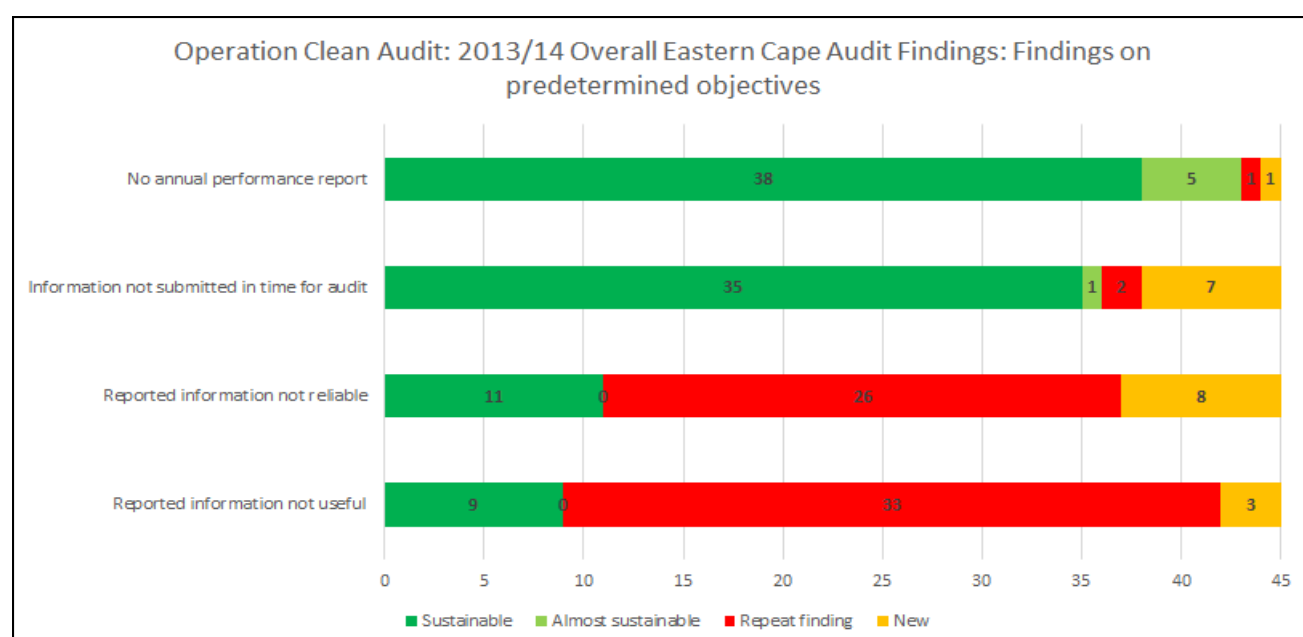
Figure 18: Operation Clean Audit: 2013/14 Eastern Cape Province Municipal Audit Outcomes: Areas Qualified



Source: Impact Economix Analysis of AGSA data (March 2015).

Figure 19 shows results on the findings on predetermined objectives. The main repeated finding was “reported information not useful” in 33 municipalities, followed by information not reliable” in 26 municipalities.

Figure 19: Operation Clean Audit: Eastern Cape Audit Findings: Findings on predetermined objectives



Source: Impact Economix Analysis of AGSA data (March 2015).

Audit Findings per six municipal case studies:

Table 26: Audit Outcome Trend for 6 Case Study Municipalities shows that audit outcomes trend for the 6 case study municipalities considered in this evaluation. This shows a persistent trend over 5-6 years of receiving disclaimers, and a number of regressions over this time (Alfred Nzo in 2009/10, Intsikayethu in 2009/10 and Greater Kei in 2013/14). At the same time, five of the municipalities improved their audit rating over this five year period and achieved qualified opinions in either 2012/13 or 2013/14.

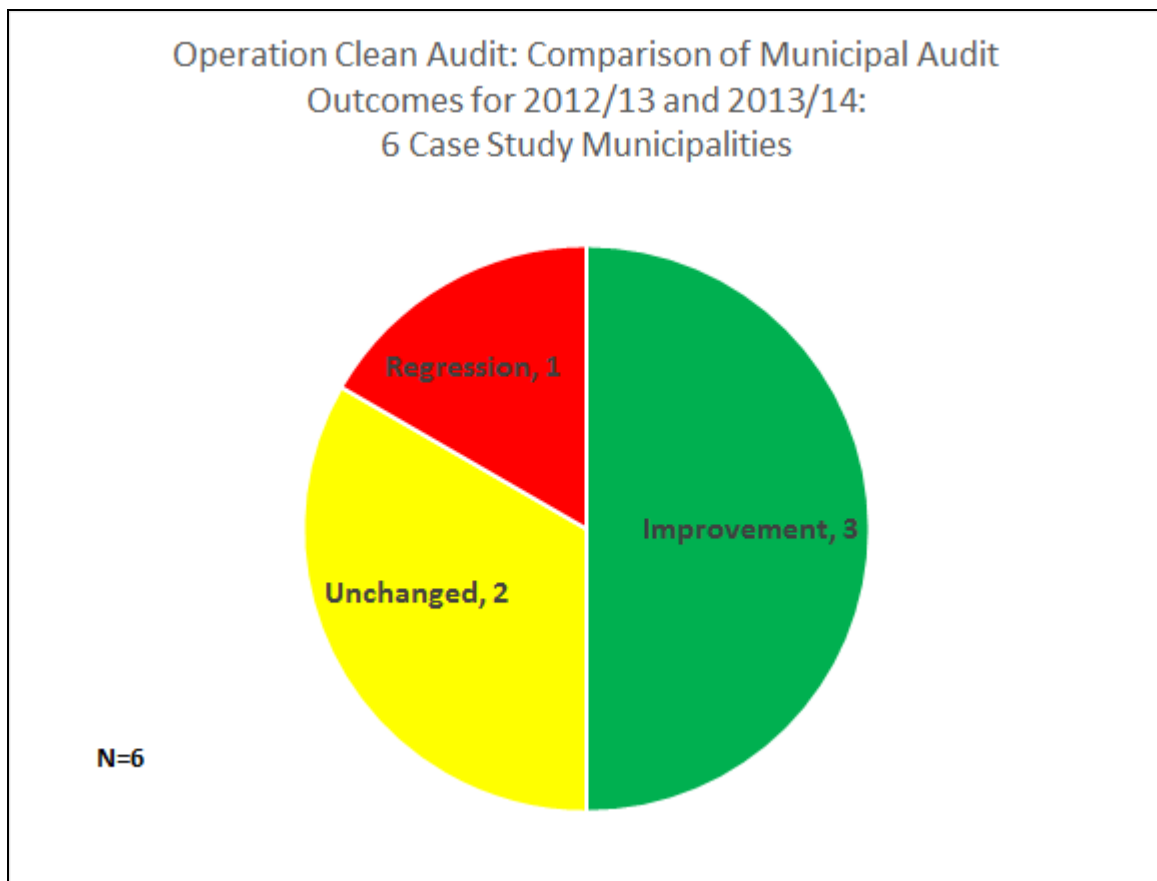
Table 26: Audit Outcome Trend for 6 Case Study Municipalities

Municipality	2008/2009	2009/2010	2010/2011	2011/ 2012	2012/2013	2013/2014
Chris Hani	Disclaimer	Disclaimer	Disclaimer	Adverse	Qualified	Qualified
Alfred Nzo	Adverse	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified
Emalahleni	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified
Intsikayethu	Qualified	Disclaimer	Disclaimer	Disclaimer	Adverse	Qualified
Nxuba	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified	Qualified
Great Kei	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Adverse	Disclaimer

Source: Impact Economix Analysis of AGSA data (March 2015).

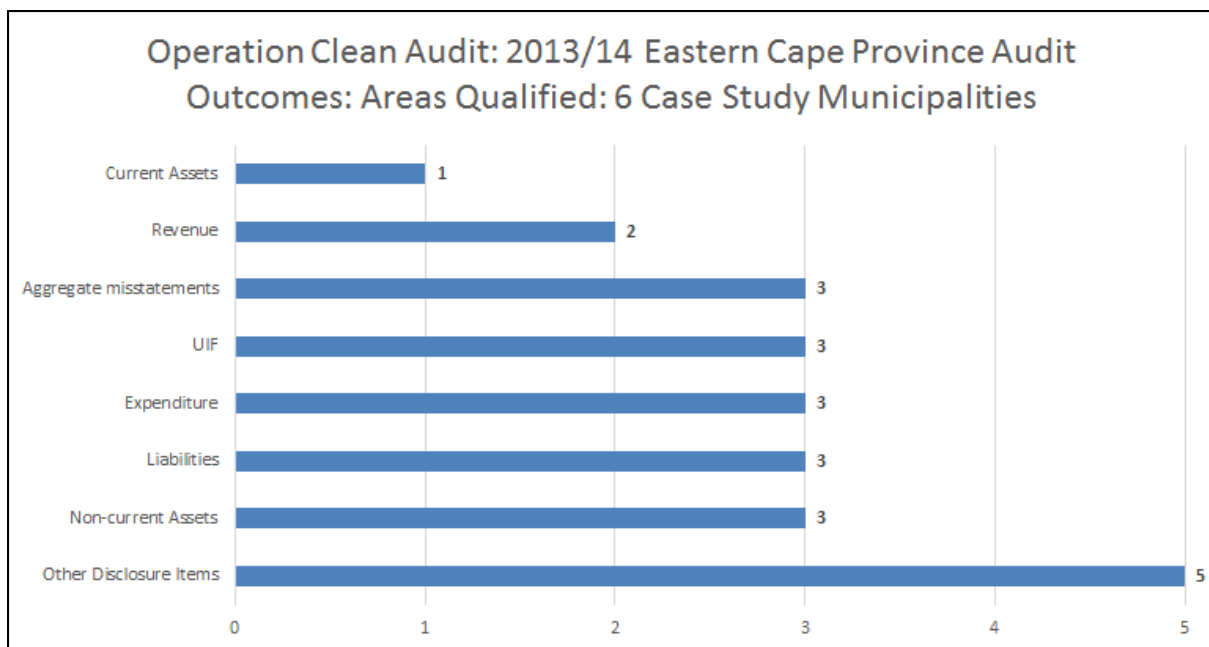
Figure 20 shows that between 2012/13 and 2013/14, 3 of the 6 case study municipalities improved their audit outcomes whilst 1 regressed.

Figure 20: Operation Clean Audit: Comparison of Municipal Audit Outcomes for 2012/13 and 2013/14: 6 Case Study Municipalities



Source: Impact Economix Analysis of AGSA data (March 2015).

Figure 21: Operation Clean Audit: 2013/14 Areas Qualified: 6 Case Study Municipalities



Source: Impact Economix Analysis of AGSA data (March 2015).

Table 27 Six Municipal case studies; 2012/13 - 2013/14 Audit findings on Performance objectives and compliance with legislationshows that all six municipalities had repeated

findings on the quality of their performance objectives (the information was both not useful and reliable) as well as on compliance with legislation (see also **Error! Reference source not found.**).

Table 27 Six Municipal case studies; 2012/13 - 2013/14 Audit findings on Performance objectives and compliance with legislation

Auditee	2013-14 audit outcomes				2012-13 audit outcomes		
	Movement in audit opinion	Audit opinion	Predetermined objectives	Compliance with legislation	Audit opinion	Predetermined objectives	Compliance with legislation
Alfred Nzo District	Improvement	Qualified	R	R	Disclaimer	R	R
Chris Hani District	Unchanged	Qualified	R	R	Qualified	R	R
Emalahleni	Improvement	Qualified	R	R	Disclaimer	R	R
Great Kei	Unchanged	Disclaimer	R	R	Adverse	R	R
Intsika Yethu	Improvement	Qualified	R	R	Adverse	R	R
Nxuba	Unchanged	Qualified	R	R	Qualified	R	R

S	Sustainable
A	Almost sustainable
R	Repeat
N	New

Table 28 Six Municipal case studies: 2013/14 Audit findings on pre-determined objectives

Auditee	2013/14 AG Findings on predetermined objectives			
	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report
Alfred Nzo District	R	R	N	S
Chris Hani District	R	R	S	S
Emalahleni	R	N	S	A
Great Kei	R	R	S	S
Intsika Yethu	R	R	N	S
Nxuba	R	R	S	S

Regarding compliance with HR legislation the following 13/14 issues were identified by the AG per municipality. These show a range of serious HR challenges I Chris Hani District and Nxuba Municipality which are likely to pose challenges with respect to improving audit outcomes (unfortunately the AG's database did not have HR compliance date for the other four municipalities) (see Table 29):

Table 29 Six Municipal Case Studies: HR Compliance issues detected by the AGSA- EC 2010/11 - 2013/14

	2010/11	2011/12	2012/13	2013/14
Chris Hani District	Not complied with management of vacancies (Snr management – positions vacant for more than 12 months) and overtime (written authorization not provided in advance for overtime worked)	Not complied with appointment process (prescribed selection not followed for all appointment and verification process for new appointments did not cover all verifications prescribed) and suspensions (suspensions for longer than 30 days were not reviewed regularly).	Not complied with management of vacancies (Snr management – positions vacant for more than 12 months, Finance department – positions vacant for more than 12 months, Service delivery department – vacant positions not advertised within six months and Financial reporting – critical positions vacant for more than 12 months)	Not complied with Management of vacancies – overall vacancy rate increased from previous year, Performance management – no performance management system in place for employees other than senior management and competencies of key personnel – compliance with legislation – competencies of key personnel inadequate
Alfred Nzo District	Unknown	Unknown	Unknown	Unknown
Emalahleni	Unknown	Unknown	Unknown	Yes
Intsikayethu	Unknown	Unknown	Unknown	Unknown
Greater Kei	<i>Not in ASMIS</i>	No	No	No
Nxuba	Unknown	Acting MM/ Senior manager appointed for more than 3 months without approval of MEC	1)Appointments made in posts with no job descriptions 2)Competencies of financial/ SCM officials/ CFO/ Head of SCM were not assessed 3)Municipality did not submit a report on compliance with prescribed competency levels to treasuries 4)Annual report did not reflect information on compliance with prescribed minimum competencies	Other non-compliance with legislation related to HR management

			5)The municipality appointed candidates who have, in the past 10 years, been dismissed for financial misconduct in local government/ fraud/ corruption	
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Source: AGSA EC ASMIS database (March 2015).

Regarding the 13/14 audit, the main compliance issue of continuing concern are the following:

- Annual financial statement misstatements or limitations;
- Unauthorised, irregular as well as fruitless expenditure;
- Procurement management;
- Performance management as well as consequence management;
- HR management;
- Budgets; and
- Revenue management.

Regarding the 13/14 audit, the main compliance issue where favourable audit findings have been achieved are the following:

- Asset management;
- Audit committees;
- Internal audit; and
- Transfers and conditional grants.

Table 30 Six Municipal case studies: 2013/14 AG Findings on non-compliance

	2013/14 AG Findings on non-compliance															
Auditee	Material misstatement or limitations in submitted AFS	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Annual financial statements and annual report	Asset management	Liability management	Budgets	Expenditure management	Consequence management	Audit committees	Internal audit	Revenue management	Strategic planning and performance management	Transfer and conditional grants	Procurement management	HR management	Other
Alfred Nzo District	R	R	R	N	S	R	R	R	N	S	N	R	A	R	N	S
Chris Hani District	R	R	A	A	S	R	A	R	N	N	S	R	R	R	R	S
Emalahleni	R	R	A	A	A	A	A	N	N	S	R	R	A	R	A	S
Great Kei	R	R	R	R	R	R	R	R	N	S	R	R	S	R	R	S
Intsika Yethu	R	R	R	A	R	R	R	A	R	R	R	R	A	R	R	S
Nxuba	R	R	N	R	N	R	N	R	S	A	R	A	A	R	R	S

Table 31 Six Municipal case studies: 2013/14 AG findings regarding accuracy and disclosure of information

Auditee	Non-current Assets						Current Assets	Liabilities					Capital and Reserves	Other Disclosure Items	Other Disclosure Items											
	Property, plant and infrastructure	Investment property	Intangible assets	Investments	Biological assets	Other non-current assets		Cash and cash equivalents	Receivables	Inventory	Other current assets	Payables, accruals and borrowings			Provisions and guarantees	Taxes and VAT	Other liabilities	Subsidiaries, associates, joint ventures	Leases	Financial instruments	Cash flow statement	Related parties	Events after the reporting date	Accounting policies, changes in estimates	Contingent liabilities and commitments	Other disclosures
Alfred Nzo District	1										1	1				3		1		1		1				
Chris Hani District																2			1			1				
Great Kei	1	1					2	1	1		3	1	1	1		2					1		1			
Intsika Yethu											2	1		1		1								1		
Nxuba	1	1																								
Emalahleni																1										1

Regarding other financial management indicators, the 13/14 audit findings per municipality show that the main area of concern is irregular expenditure in terms of SCM regulation. The amounts of unauthorised, irregular, and fruitless and wasteful expenditure are often fairly large (in proportion to the overall municipal budgets) with R500 million in unauthorised and fruitless and wasteful expenditure (both identified and not identified by management) being identified for the six municipalities for the 2009/10 and 2013/14 financial years. The data shows that there has not always been a favourable downward trend between 2009/10 and 2013/14 which is a negative reflection on indicators which should have shown improvement over time if audit action plans had been effectively implemented and if political interference in SCM had been avoided:

Table 32 Six Municipal case studies: 2013/14 AG findings regarding financial management indicators

Auditee	Revenue	Revenue		Expenditure	Expenditure			UIF	Unauthorised, irregular, fruitless and wasteful				Aggregate misstatements
		Revenue	Revenue - Transfer payments and grants		Expenditure	Expenditure - transfer payments	Employee cost		Unauthorised expenditure	Irregular expenditure	Supply chain	Irregular expenditure - other	
Alfred Nzo District				1	1			2	1	1			
Chris Hani District													1
Great Kei	2	1	1	2	1		1	2	1	1			1
Intsika Yethu				1	1								
Nxuba													
Emalahleni	1	1						1		1			1

Table 33 Six Municipal case studies: Trends in unauthorised and fruitless and wasteful expenditure: 2009/10 - 2013/14

		2009/10 Total Mil.	2013/14 Total Mil.	Total (Mil.)
Unauthorized expenditure	Chris Hani	103	144	247
	Alfred Nzo	0	106	106
	Emalahleni	0	12	12
	Intsikayethu	0	47	47
	Nxuba	6.3	9.9	16.2
	Great Kei			0
Fruitless & wasteful expenditure not ID by Mgmt.	Chris Hani	0	0	0
	Alfred Nzo	0	2.1	2.1
	Emalahleni	18	49	67
	Intsikayethu	0	0	0
	Nxuba	0	0	0
	Great Kei	0	0	0
Fruitless & wasteful expenditure iID by Mgmt.	Chris Hani	0.161	0.125	0.286
	Alfred Nzo	0	0.043	0.043
	Emalahleni	0	0.266	0.266
	Intsikayethu	0	0.122	0.122
	Nxuba	0	0.897	0.897
	Great Kei	0	0.755	0.755
TOTAL				499.669

Source: Impact Economix analysis of AGSA- EC data (March 2015).

Other trends in the audit findings show a reduction in many negative audit findings however misstatements in the financial statements were still reported in 2013/14 (see Table 34).

Table 34 Six Municipal Case Studies: Main reasons for audit opinions 2009/10 - 2013/14

2009/10	2010/11	2011/12	2012/13	2013/14
Emalahleni				
Scope limitations and disagreements	Scope limitations and disagreements	Scope limitations and disagreements	Scope limitations and disagreements	Qualifications on irregular, water revenue, water losses
Chris Hani District				
Property, plant and equipment, Cash and cash equivalents, Receivables, Inventory, Payables, Provisions, Taxes, Commitments, Revenue, Expenditure, Compensation of employees, Unauthorised expenditure, Fruitless and wasteful expenditure and Irregular expenditure	Receivables, Inventory, Payables, Commitments, Revenue, Revenue – transfer payments and grants, Expenditure and Irregular expenditure	Property, plant and equipment, Receivables, Payables, Taxes, Capital and reserves, Revenue, Expenditure, Irregular expenditure and Aggregation of immaterial misstatements	Capital and reserves, Cash flow statement, other disclosures, Irregular expenditure and Aggregation of immaterial uncorrected misstatements	Cash flow statement, Commitments, Aggregation misstatements
PPE, Cash & Cash equivalents, Inventory, VAT, Receivables, Payables,, Accumulated surplus, Revenue, Other disclosures, Material losses Expenditure, Employee costs Unauthorised expenditure, Irregular expenditure	PPE, Cash & Cash equivalents, VAT, Receivables, Payables, Accumulated surplus, Revenue, Expenditure, Unauthorised expenditure, Irregular expenditure	PPE, Payables, VAT, Commitments, Other disclosures, Cash Flow Statement, Expenditure, Accumulated surplus, Aggregate misstatements	PPE, Unauthorised expenditure, Payables, Irregular expenditure, Commitments, Repairs and maintenance, Risk management, Statement of net assets, Statement of comparison of budget and actual.	PPE, Inventory, Receivables, VAT, Commitments, Revenue, Expenditure, Employee costs, Irregular
Intsikayethu				
			The documentations that was available was not adequate and did not reconcile to the accounting records.	N/A
Nxuba				
Disclaimer: PPE; Non-Current Investments; Cash and Cash Equivalents; Receivables; Inventory; VAT; Revenue; Expenditure; Employee cost; Going concern; Contingent Liabilities and commitments; Fruitless and wasteful expenditure	Disclaimer: PPE; Investment Property; Cash and Cash Equivalents; Receivables; Other current assets; VAT; Cash flow; Revenue; Expenditure; Irregular expenditure; Employee cost; Going concern; Other disclosures; Contingent Liabilities and commitments	Disclaimer: PPE; Investment Property; Receivables; Payables and accruals; VAT; Other liabilities; Cash flow; Revenue; Expenditure; Irregular expenditure; Going concern; Other disclosures; Contingent Liabilities and commitments; Aggregate misstatements	Qualified – PPE; Investment property; Expenditure; Irregular Expenditure; Aggregate misstatements	Qualified (disagreements and limitations) – PPE (completeness; valuation; classification) and Investment property (completeness; classification)
Greater Kei				

Disclaimer: A pervasive limitation of scope on the balances in the financial statements. Please refer to the audit report.	Disclaimer: A pervasive limitation of scope on the balances in the financial statements. Please refer to the audit report.	Disclaimer: A pervasive limitation of scope on the balances in the financial statements. Please refer to the audit report.	Adverse: Limitations of scope existed, however there were more disagreement misstatements relating to the information provided in the financial statements. Please refer to the audit report.	Disclaimer: A number of misstatements existed on the financial statements, but majority of the findings related to evidence not being provided to support balance in the financial statements. Please refer to the audit report
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Source: AGSA- Eastern Cape ASMIS database (March 2015)

OCA approach, model and process and municipal ownership

Table 35 OCA approach and process: Lessons

Municipality	What did not work well/ challenges
Chris Hani District	"I think the support was not well coordinated and it was not discussed with the top leadership. For me if it came, if OCA came with the top leadership to say these are the people who are here to assist the municipality, that be announced and then we don't have a reason not to welcome them when they come in that fashion, but now they came in in pieces, in piece meal they will go to their different units, you know we've got different personalities so some of us get defensive when they see that people are coming to help us if you do not know what you were doing, and I don't know the approach of other individuals, but even for me if somebody would come to me and say you have not done this and that and that and that so I will do it for you maybe I would have been defensive."
Alfred Nzo District	
Emalahleni	"If Provincial Government wishes to support municipalities I think they should first identify within local Government the people that are specializing in various fields and they are performing well in these municipalities to say "okay, we get the team from this municipalities that will go around the municipalities" and share the best practices and importing what they have done in their municipalities that made them win... Provincial and National, yes they understand each other but they do not understand our functioning here at this level. Then it becomes difficult for them to adapt one. It takes time for them to get to know our systems. In that process you are wasting resources."
Intsikayethu	
Greater Kei	
Nxuba	"I think the first thing that they must do, I think they must talk to each other so that there could be proper coordination of what they are doing and if they are supporting a particular municipality I think they must go there as one

	team so that the support that they are providing could have an impact. Prior to coming to that institution they must conduct something like a feasibility study and needs analysis, they must conduct an assessment of what needs to be done. COGTA will do its own assessment, treasury will do its own assessment that's why I said they must talk to each other and do an assessment as a team so that whatever support they providing could have an impact."
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Source: Impact Economix interviews (March 2015)

Table 36 OCA and Municipal ownership: lessons

Municipality	What worked well/ successes	What did not work well/ challenges
Chris Hani District		"OCA was never welcomed to the municipality, should we have allowed the team from OCA to come and operate in our space, then we would have achieved a clean audit a long time ago, but we never allowed them to come in, the only team that was working was the team which was working with the internal audit unit, so in other areas, in areas of supply chain and finance no they were not welcomed."
Alfred Nzo District		
Emalahleni	The MM and OCA developed a Service Level Agreement which outlined what support was to be provided as well as roles and responsibilities. The MM's approach and communication drive with Directors resulted in strong municipal ownership being developed at lower levels of the organisation which improved the implementation of OCA support.	
Intsikayethu		
Greater Kei		"I must say we had a challenge with this organization. The previous management, they were not accepting any support from outside we had a challenge [from] 2013 to this beginning of this year [2015] we had no top management and so that was a problem. District municipality

		was also trying to assist us and the problem was we were not accepting people from outside.”
Nxuba		

Source: Impact Economix interviews (March 2015)

Table 37 Effectiveness of OCA support provided to six municipal case studies: lessons

Municipality	What worked well/ successes	What did not work well/ challenges
Chris Hani District		
Alfred Nzo District		
Emalahleni	<p>“Even communicating, they [OCA specialists] give you constant feedback on what they have done and what is not working and what they think should be done. All those things. They are trying by all means to transfer those things. Because they will sit with the officials. Show them. They try.”</p> <p>“They were like part of the family. They didn’t regard themselves as outsiders or policing people. They were part of the family and whatever we were doing, they would advise on the things we were doing.”</p> <p>“In this last audit, the recent one, 13/14, there was less documents that they could not get. In general all records could be sourced. It means that there was an improvement on that.”</p>	There was no one dedicated from OCA to IT.
Intsikayethu	<p>“Improving the internal controls. Has changed if you look at the audit report, the audit report had 365 pages, but in relation to the previous year, we had about 78 we have reduced them.”</p> <p>“OCA support helped with the financial management advising on the internal controls, the risk management, even prevention of fraud strategy- OCA helped us with that. Then since they were here there are improvements. That’s why if than can happen we still need them... Yes because since OCA was here in the system, audit outcomes improved tremendously. There have</p>	

	<p>been great improvements. We attribute the improvements to the presence of OCA”.</p> <p>“Now that we have a better audit opinion; we’ve addressed the issue of root causes. In our municipality OCA was a success...out of their support we got a better audit opinion from AG.”</p>	
Greater Kei		<p>“The DM is trying to play a central role however I don’t think it’s really that much effective... Sometimes it has limitations because sometimes it must look at probably all the local municipalities in the jurisdiction because most of the time the municipality are having the problem of incapacity it’s usually the main issue. Then it gives a burden or a load to the districts because they are unable to deploy as many officials.”</p> <p>“I chose neither satisfied nor satisfied [with OCA support provided] because I think that for an intervention there must be a dent there must be something, something must change, and there hasn't been, the status quo has remained. The support did not change the audit outcome.”</p>
Nxuba	<p>“Overall I will say Nxuba managed to improve in terms of financial management, governance issues, internal controls and SCM...Because our approach was to say because auditor general is sampling we can not only say we will address what the AG has said. We have dealt with all the areas that are challenges in the institution, we said let's have a turnaround plan that goes beyond what the AG has said so that we can ensure that we have managed to address the short term, medium term and some long term challenges. We had that kind of a turnaround plan in place, so I will safely say that within Nxuba the improvement that the municipality has realized it has realized because we have managed to partner with OCA.”</p>	<p>“OCA helped with Fraud prevention plan. But then it went flat because there was no whistle blowing number and the Provincial Fraud line for the government is useless.”</p> <p>“We still have, as a matter of the audit outcome for 13/14 we got a qualification, due to assets, irregular expenditure and we had fruitless and wasteful expenditure. Now irregular talks to the assistance we got from OCA, as it talks to your processes not being followed correctly. But most of them were caused by, we had section 32 contracts [where the municipality procures a service providers services via a service provider that has already been appointed by another municipality that has followed proper tender processes] and unfortunately we were not able to supply</p>

	<p>SCM templates: “They were also quiet extensive with that and it somehow had an impact as we’re still using those templates till now. As I just said we’re still using those templates, the checklist I’m talking about we’re using, the deviation form we’re using, I think even the demand memos they did we are still using. So it was quiet effective as I’m saying we’re still using them.”</p> <p>”Most of the OCA support in finance was on the SCM side... [There was] minimal support on the income side. In terms of satisfaction they did help, the support was evident. The issue just became an implementation issue, which is up to us to actually implement that. I was maybe dissatisfied that support was not rolled for the entire departmens”.</p> <p>“Yes policy development was one area, which I think they managed to address...they will team up with the officials ensuring that they transfer skills so developing tools and instruments for procedure manuals, policies for the officials to carry on with their duties I think they did that excellently and also assisting in work- shopping those policies with the internal stakeholders....Also reviewing our governance systems and governance structures you know I think that's one area where they, they assisted I think overall you will say their assistance was satisfactory.”</p>	<p>all of the documents, with those contracts you are supposed to get all the documents from the municipalities and when you don't it then becomes an irregular.”</p>
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Source: Impact Economix interviews (March 2015)

Table 38 OCA support: intensity of support: lessons

Municipality	What did not work well/ challenges
Chris Hani District	
Alfred Nzo District	“We have a very big municipality you cannot just deploy 2 OCA people or one OCA people we need more.”
Emalahleni	“To me it does not assist to import a person from Provincial Government to come and say “let us put this person at that municipality to impact skills”. In

	fact, what they are doing is they do these manuals and policies for you and print them out and say “this is the policy” and that is not what we expect. I, for one, would expect that if with the support given you assign a person, a mentor, to an employ and saying “this will be your mentor and he will be taking you through the steps that you are supposed to follow and which you must do yourself”. I think that would assist and capacitate other people.”
Intsikayethu	
Greater Kei	
Nxuba	<p>“The only challenge that I have was the continuity in what [OCA] did. You will find that they must have been gaps in what they were doing because, I will make an example if you are here for a week and after a week without even having looked at the report for the work that you have done looking and that findings and recommendations are with the people and all that and you go to another municipality, you come back say after three months, obviously the work you are doing will be hampered , to say when I left things were here you know and sometimes you find that officials have proceeded and in the way that they've done things they are gaps, and you also become frustrated that things didn't go the way you wanted because you had to go to another municipality.</p> <p>“I think that is exactly the challenge that is always there, I mean they [OCA] provide these tools and a workshop saying this is how you supposed to this but at you find that on the implementation side. At times you at a workshop and seem to be understanding what is being said but when you get to the office in terms of the actual implementation, yeah I think there could have been more support”.</p>

Source: Impact Economix interviews (March 2015)

Table 39 Level of Municipal satisfaction with OCA support

Municipality	Level of Municipal satisfaction with OCA support
Chris Hani District	
Alfred Nzo District	Neither satisfied or dissatisfied (1)
Emalahleni	Extremely Satisfied (1) Satisfied (1)
Intsikayethu	Extremely Satisfied (1) Satisfied (5)
Greater Kei	Satisfied (2) Neither satisfied or dissatisfied (2 – CFO, MPAC chair) Dissatisfied (1 – Corporate Services Manager)
Nxuba	Satisfied (1) Neither satisfied or dissatisfied (1 – Acting CFO)

Source: Impact Economix interviews with municipal representatives (March 2015)

Coordination and monitoring of OCA support including other OCA relevant support being provided.

Table 40 Other financial management support provided to six municipal case studies

Municipality	National Treasury (interns and MFIP)	Provincial Treasury (CFO support programme)	SALGA Province	District Municipality (interns, IT, indigents etc.)	Others: Auditor General, Audit Institutes etc.
Chris Hani District		Internal Audit Manager: PT provided CFO support person as we had challenges with section 71 reports.			
Alfred Nzo District					Financial statements are compiled by consultants.
Emalahleni	Someone was appointed from NT to assist the municipality with the asset register, preparation of the AFS. NT changed the person before my arrival but I wrote a letter to treasury to say we want that support to continue until I have stabilized the institution. Systems and internal controls were established. "We should be proud of that support that we receive from National				

	Treasury".				
Intsikayethu		<p>Internal Audit: Provincial Treasury support finance with a person for CFO support when they were looking at section 71 reports.</p> <p>PT provide training for Councillors on how to budget etc.</p>	<p>MPAC Chair: We attend regular courses like SCM. Some are organised by SALGA.</p>		
Greater Kei			<p>MPAC Chair: Only SALGA training.</p>	DM trying to assist.	CFO: Mnotho consulting was supposed to help us do the auditing books, yes but there were issues with that as well.
Nxuba	<p>In 2013 also provided CFO support with municipal financial advisor in 2013 for 6 months. Ensured that all SCM compliance matters are being adhered to, reconciliations, financial internal controls are adhered.</p>	<p>Asked PT to clarify issues for e.g. the budget for instance. Our budget was in a deficit and we consulted on what was really causing was you non-cash items which is your provision for bad debt.</p> <p>PT assisted in terms of our section 71 reports as</p>		<p>Coordinated with District regarding indigent registration drive.</p> <p>District deployed an IT intern, assisted with our web site, and managed to develop the IT governance policies for us and also managed to</p>	

		<p>well as the budget process to ensure that our budget is a credible. PT also assisted with debt collection and systems and models for revenue. PT also assisted with challenges with the late payment of the equitable share</p>		<p>ensure that our server is also working in good order.</p>	
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Table 41 OCA support and coordination: lessons

Municipality	What worked well/ successes	What did not work well/ challenges
Chris Hani District		<p>"The other problem with these support functions is that, they are not coordinated. Today we meet with the person from local government providing the same support, tomorrow somebody from OTP somebody from treasury. So it's so annoying and you don't know which one to work with. Sometimes they ask for documents and you don't know what they are going to do with those documents."</p> <p>"For us, Operation Clean Audit has not worked well in the area of coordination. From the first go they have never visited for example this [Mayor's] office, so they have never introduced themselves as a team and how are they going to work to support us... So that is why it ended up being an issue with specific individuals who were supporting in a particular area. OCA should have maybe in our meetings of the IGR for example the highest meeting that is sitting is the District's Mayors Forum to go there and make a presentation of a plan of how they are going to assist the municipality."</p>
Alfred Nzo District		
Emalahleni		
Intsikayethu	"As I said, it went very well. They complimented each other. Those weekly meetings assisted a great deal so that I started a process to say that rules and responsibilities of each one is in terms of your SLA, in terms of the mandate from the National Treasury, in terms of the	

	<p>mandate for OCA, that we sign. There was no conflict. They do work harmoniously well.”</p> <p>“At the end of the day, it was a very fruitful to work at Intsikayethu. Especially with the Municipal Manager and their eagerness. He would sometimes invite us as operation clean audit to say there will be such and such an event or meeting, can you come support.”</p>	
Greater Kei		<p>“The coordination was not proper as far as I am concerned. For instance, I am a political head and these people come here to give support but I won’t get a report to say that these people where chased away, I will hear later maybe after six months and you see that is a problem. But you see if we coordinated so that when they come here I know and when there is a problem I can intervene as soon as possible we would be in a better position.”</p>
Nxuba		<p>“The support seems to be there, treasury support and local government does have support. The problem is that it’s not coordinated; at times you find that there is duplication and there’s no communication. No, I don’t think it really fits into each other properly.”</p>

Source: Impact Economix interviews (March 2015)

OCA Services provided incl. skills, intensity of support, municipal capacity building, governance and OCA service gaps

Table 42 Selected OCA support provided to six municipal case studies

LINK THIS TO AUDIT FINDINGS AND REPEATED FINDING ANALYSIS SEE AGG TABLES AS WELL AS EXCEL SHEET TABLES

Municipality	Compliance with legislation (policies, SCM, governance MPACs, audit committee, audit action plans, Legal)	Financial (statements, assets, reports, records and contracts management)	Performance reporting/ management	HR capacity and training (OCA acting position, filling posts, interns), stakeholder management	Other (incl. infrastructure, environmental, IT)
Chris Hani District	<p>Director corporate services: Legal services and administrative processes and systems and compliance.</p> <p>Internal Audit Manager: Developed documents: Audit charter, assessment tools, Internal audit manuals. In 2010 assist w development of the audit plan and the risk assessment</p>				
Alfred Nzo District	<p>Internal Audit Manager: Advice on audit action plan.</p>				
Emalahleni	<p>Director Corporate Services: Assistance to identify short-comings and setting up systems to address those, for e.g. Procedure manuals (we already had policies in place).</p> <p>Chief Audit Executive: SCM procedure manuals.</p> <p>MPAC Chairperson: MPAC ToR and work plan. Development of annual reports. Interpretation of legislation.</p>	Assistance to develop centralised filing system.		Recruitment process: Advice on the most competent candidates for Manager responsible for annual financial statements.	

Intsikayethu	<p>MM: OCA experts worked with Manager: Corporate Services, Acting CFO, expenditure, revenue and SCM.</p> <p>MPAC Chairperson: Training on oversight and Treasury laws.</p>	<p>MM: Assisted with HR employee filing system and HR policies.</p> <p>SCM checklists in line with treasury regulations.</p> <p>Assisted how to do reconciliations and balances.</p>			
Greater Kei	<p>CFO: SCM support. Assisted with BTO and billing system.</p>			<p>Corporate Affairs: HR policies and procedures.</p>	
Nxuba	<p>Acting CFO: SCM assistance: review of SCM policy and templates e.g. for making payments, deviation form.</p> <p>Audit Committee Chair: Seconded Acting CFO. Assisted with fraud prevention plan.</p>				

Source: Impact Economix interviews (March 2015)

Table 43 Municipal perceptions on adequacy of OCA skills provided

Municipality	Were OCA skills provided adequate?
Chris Hani District	
Alfred Nzo District	Yes (1)
Emalahleni	
Intsikayethu	Yes (3) No (1) Insufficient training in GRAP regarding financial statements.
Greater Kei	
Nxuba	

Source: Impact Economix interviews (March 2015)

Table 44 Types of financial management governance challenges still being experienced as well as types of support still needed per municipal case study

Municipality	Type of audit/ financial management/ governance challenges still being experienced support still needed by the Municipality? (Audit committees, MPACs, policies, staffing, training, IT systems etc.)
Chris Hani District	<p>Current challenges include:</p> <ul style="list-style-type: none"> • Integration of IT systems. • Inconsistent application of performance management and enforcement of disciplinary processes. • Management communication of recommendations made by Council within individual departments for implementation (e.g. MPAC reports), • SCM and irregular expenditure is still continuing which is based more on the lack of internal controls (sometimes decisions made with only two quotes and in some cases issues of emergency are not clearly defined), The SCM policy is not effectively implemented due to poor supervision. Also in the bid committees minutes are not captured accurately and there are issues with the composition of the bid committees, Training is needed for SCM committees regarding the roles and the responsibilities of each person seating on the committee. • Asset transfer issues between local and District. • Financial reporting: monthly and quarterly financial reports do not align with the annual financial statements. • MPAC effectiveness: MPAC does not receive documents and reports seven days prior to MPAC meetings due to poor planning from Directorates: "This renders assurance and oversight committees ineffective because they don't have anything to advise council on. The documents will go straight to council without going to them so we don't see their role, it's like we are just keeping them for compliance purposes and sometimes you will see that the reports are not accurate but they are presented to council, so that's having a huge impact." <p>PT needs to provide training and monitoring support.</p>
Alfred Nzo District	<ul style="list-style-type: none"> • Training programmes that are designed to ensure that the OCA support is effective.

	<ul style="list-style-type: none"> • Support from PT for the budget and risk management. • We don't have human capital to actually drive the risk management processes in our municipality • Financials compiled by consultants shows we do not have capacity. Need internal capacity e.g. to do monthly bank reconciliations.
Emalahleni	<ul style="list-style-type: none"> • Do not have ICT Governance and structures are weak. The salary package that we offer for a person in IT is not commensurate with what is in the market out there, especially for IT people. We are being piloted for a broadband connectivity by the Department of Communications. • We need to work very hard to strengthen leadership on all levels and in all departments.
Intsikayethu	<ul style="list-style-type: none"> • Need monitoring to see if OCA and other support is being implemented. • Need a municipal official who is trained in journal control as "we lose a lot of marks there." • MPAC Committee needs training on "probing skills to investigate matters within the municipality." • Support needed on cascading the performance management system down to below Directors. • Need support with valuation of properties and valuation of assets. • "We will always need the additional support especially when we're using consultants, were losing lot money through consultants. So if there is capacity on the side of the state that can be provided to minimize the use of consultants."
Greater Kei	
Nxuba	<ul style="list-style-type: none"> • PT support to small municipalities is needed regarding debt collection and indigent registration to develop a credible indigent register which will support a review of our equitable share allocation. • PT can also assist with revenue generating strategies that we implementing norms and standards with respect to the expenditure and budget management, and advice on reporting and compliance with legislation. Also provide training on SCM and ensure our SCM unit is operating within the applicable laws through conducting a due diligence of SCM processes.

Source: Impact Economix interviews (March 2015)

Implementation of OCA support and building municipal capacity

Table 45 OCA and implementation of OCA support: lessons

Municipality	What did not work well/ challenges
Chris Hani District	District-wide shared audit committee: Logistical challenge relates committee meetings and finding dates to meet which are suitable to all municipalities: "Yes the challenges are on coordination sometimes, where you find one municipality is not available to seat in you only seat two municipalities and that is not serving the purpose of having a shared services, but in terms of finances the shared services is helping because we are sharing the cost, so it's economical to have it but in terms of efficiency we are struggling."

Alfred Nzo District	
Emalahleni	<p>Had about 3 MMs since 2011.</p> <p>Quality of reports on service delivery are poor as they do not reflect all projects and it seems previous years report is copied and pasted.</p> <p>“When OCA faced challenges they come to my office. Even when I was the internal auditor. Because I was the only internal auditor. The challenge was regards to staff, municipal staff not implementing proposed actions by OCA. And then that led to them not even knowing where we have issues. Whether we don’t understand or we don’t want to accept their support. So they were always faced with that challenge.</p> <p>As a result, in some instances, they try and implement and show them how a procedure manual should be implemented or how things should be done. When they come back for monitoring and checking if we are able to implement the proposed actions, they find us not doing anything as municipal officials.</p> <p>There is a challenge, we have staff that are not implementing our recommendations.”</p> <p>Poor implementation of internal audit reports due to poor communication from Director level down to managers: “I would say it’s between the Director, my manager and the person implementing the recommendation. His report will sit at director level and not be implemented.”</p> <p>The findings of the internal audit committee were not taken seriously. There was nothing implemented. Because in the administration, we don’t invite the audit committee to attend Council meetings all the time. They don’t come back to Council and report on those recommendations that were made for management to implement.</p> <p>It is poor coordination. You know you have this thing but you are busy with something else. And you end up forgetting and issue invitations and agendas late. These things are presented in a meeting and when you go out of the meeting, you forget. And then go and do something else and then you are reminded when you get an agenda for the next meeting. Then you remember I was supposed to do this and let me do it quickly. So we don’t have time. It is management style. It influences everything. It is how we do things. Poor planning has been part of all of this.”</p>
Intsikayethu	
Greater Kei	
Nxuba	<p>“I think that is exactly the challenge that is always there, I mean they [OCA] provide these tools and a workshop saying this is how you supposed to this but at you find that on the implementation side. At times you at a workshop and seem to be understanding what is being said but when you get to the</p>

	office in terms of the actual implementation, yeah I think there could have been more support”.
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Source: Impact Economix interviews (March 2015)

Table 46 OCA support and building municipal financial management capacity: lessons

Municipality	What worked well/ successes	What did not work well/ challenges
Chris Hani District	Internal audit: “She’s done that [assist with audit plan] very well and I did not have an issue again with the AG on those, on the audit plan. There was a skills transfer because there were lessons that I learned from, in terms of how to develop an internal audit plan. This is a system I’m still using even now, so what I can say is that I gained a lot from that program even though after we received a qualification opinion then they [OCA] were no longer assigned to the district.”	
Alfred Nzo District		
Emalahleni		“OCA was clear. I would say it is commitment by us. It is influenced by many factors. People are not happy. Staff morale is low. You have many factors influencing that. Even if you train them, they are untrainable. Maybe because we don’t have this performance management system. You could cascade it down to lower levels. That could also help relieve that.”
Intsikayethu		Regarding preparation of financial statements, OCA specialists were not sufficiently trained in GRAP standards which limited the extent to which they could provide relevant support regarding financial statement issues.
Greater Kei		

Nxuba		
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Source: Impact Economix interviews (March 2015)

Table 47 Municipal stakeholder recommendations for strengthening OCA support

Municipality	Municipal recommendations for strengthening OCA approach/ model
Chris Hani District	<p>"If you can develop a model of working whether you are saying OCA will assist the district municipality, whereby not only the individual municipalities but the district municipality as a whole, then if we need to develop audit action plans then we go into one roof and we develop audit action plans for the entire district, not to do it in piecemeal and also for those municipalities that do not have warm bodies.</p> <p>If OCA can have a warm body that can be placed in a particular municipality, because the challenge was that when you needed that person, the person will say no I'm not available, I'm working for the other municipality. So you find that the support is there sometimes it's not there when you needed it most, but if you can develop a plan a year plan as to how are we going to work."</p>
Alfred Nzo District	
Emalahleni	
Intsikayethu	<p>"I think what must be done is the rotation of people from OCA; we don't need people from OCA who will sit in one municipality for two years, same warm bodies. I think you need to rotate them going forward for example we've got someone spending about 6 months and then after that you change that person and then come up with someone from another municipality as well, that way we will exchange knowledge and then we will know that municipality this is the way they are doing things and then they have improved and we take this on in our municipality and go work in another municipality- not having the same people sitting within the municipality for 2 years and then they are not coming up with new things. Yes, unlike the ones that are rotating them are getting experiences form other municipalities.</p>
Greater Kei	
Nxuba	

Source: Impact Economix interviews (March 2015)

Annexure 12: Detailed Western Cape approach to municipal support case study

This case study was written based on a brief review of the Western Cape approach (which was developed based on an interviews with two Directors (one from WCG PT: Municipal Governance and one WCG DLG: Municipal Capacity Support) as well as a review of key documents in March 2015).

While a review of other Province's approaches to OCA and municipal support is not part of this evaluation's ToR, the author was able to have brief discussions with a representative from the Western Cape's Provincial Treasury as well as the Department of Local Government. This section contains selected information on the Western Cape Government's approach. It must be noted that the Eastern Cape PAICC meeting resolved to investigate the Western Cape's approach to OCA in 2011, however, apparently this did not happen. Apparently a learning visit did take place to the Free State Province.

It must also be noted that the Western Cape municipal context differs from that of the Eastern Cape's in that it does not have the homeland history and therefore the Western Cape's smaller rural municipalities do not suffer from financial viability, neglected infrastructure, and low revenue base problems to the same extent of the Eastern Cape. In addition, it can be argued that it is not as challenging to attract and retain skilled personnel to the Western Cape municipalities and this is one reason why the municipal skills shortages may not be as acute in the Western Cape.

The Western Cape achieved 18 out of 30 clean municipal audits in the 2013/14 financial year, compared to 2 out of 45 in the Eastern Cape.

The Provincial Treasury was tasked with driving OCA in the Western Cape. The PT is seen as being responsible for audits. When the MFMA (2003) was finalised, PT was seen as the driver of this legislation. Both NT and PT are responsible for drafting directives, including norms and standards, to guide implementation of the MFMA.

The Western Cape does have District Offices, however, all support is provided by Directors at head office level and through a range of Provincial-Municipal inter-governmental processes and interactions which involve senior staff. Instead, there are a range of municipal self-assessment and monitoring processes, as well as inter-governmental structures, which inform municipal support plans and which are implemented by PT and DLG representatives from head office.

A MoA was drafted and signed between PT and the Department of Local Government (DLG) outlining roles and responsibilities in terms of the MFMA. This MoA outlines very clear and strict roles of both PT and DLG, however, the roles of each department and their relationship with each other has evolved such that there is a very close and strong working relationship. In general, PT deals with financial management (including audits) and LG deals with planning and governance support. However, in practice it is recognised that these areas overlap and link in many ways. As a result, when a representative from either PT or DLG

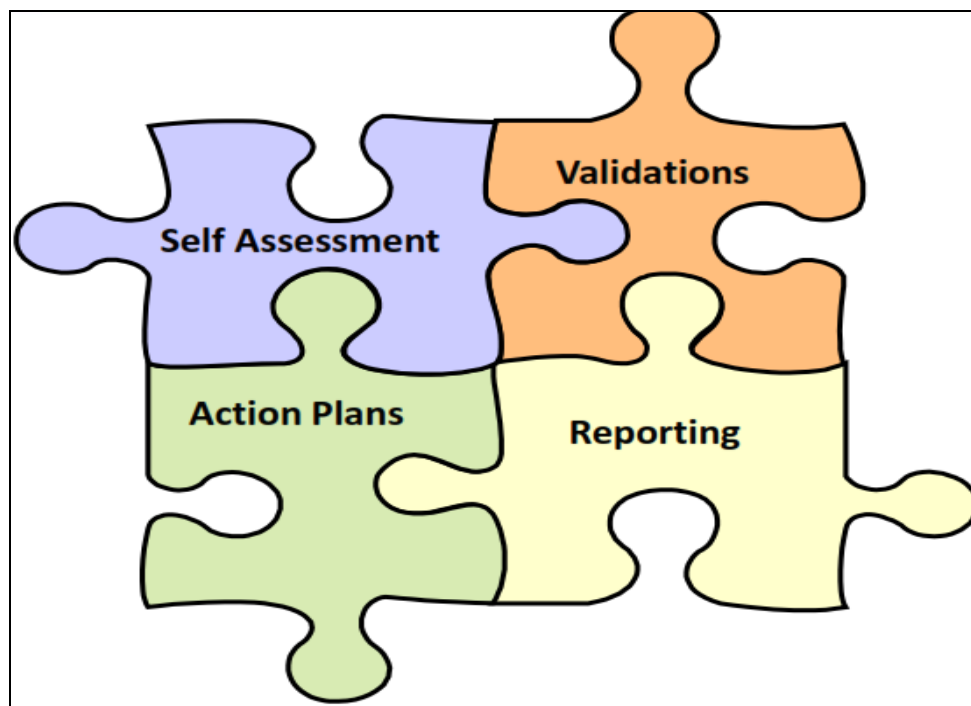
conducts an assessment or provides support to a municipality then a representative from the other department also participates in the process. The PT representative will look at financial issues and the DLG representative will assess all other issues. Representatives from other line departments such as Environmental Affairs or Economic Development also participate in these assessments and in providing support.

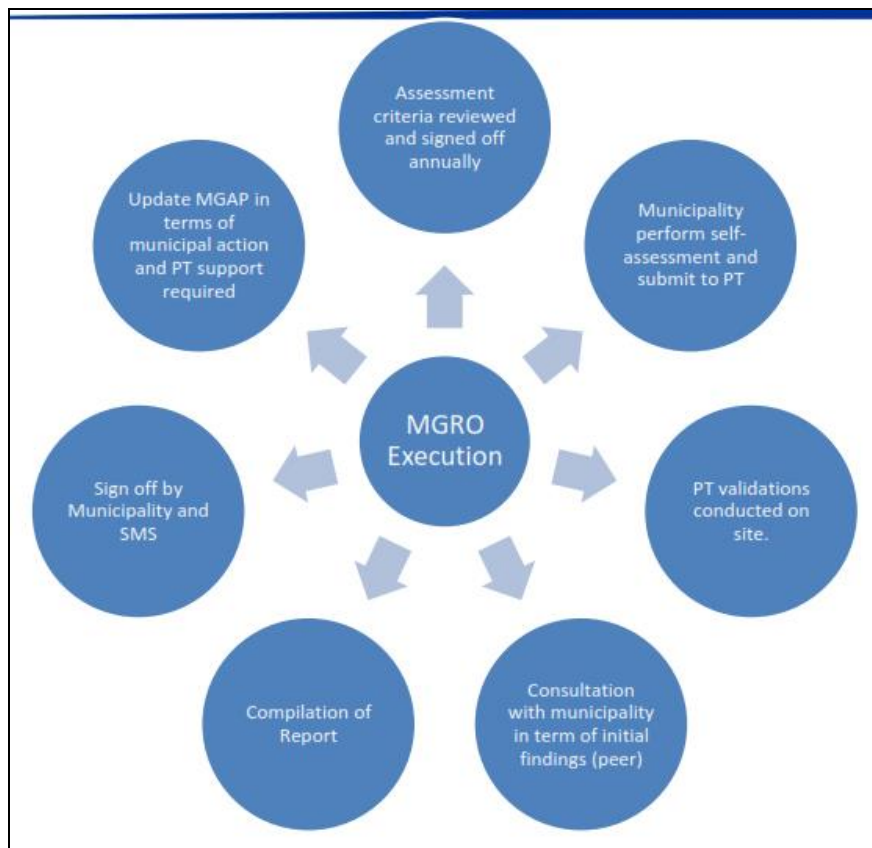
PT and LG have joint management team meetings which meet quarterly and where the support to be provided by each Department to each specific municipality is discussed and coordinated.

The Western Cape approach is that the Province should not adopt a “big stick” approach to support, but need to use a cooperative approach. The approach is that municipal governance needs to be improved if audit results are going to be improved.

In 2011/12 PT developed a Financial Governance Review and Outlook (MGR&O) strategy which includes a self-assessment tool which municipalities used to assess themselves. The MGR&O support methodology can be summarised as follows:

Figure 22 Western Cape Municipal Governance and Review & Outlook Support Model





Source: Vink. 2014.

This self-assessment tool was later modified to include broader political governance issues and together with the DLG, the Municipal Governance Review and Outlook (MGR&O) self-assessment tool and process was developed. The outcome of this self-assessment process is a Municipal Governance Action Plan (MGAP) to inform required support. PT and DLG engages with all municipalities at a District level twice a year (February and September) to review audit progress as well as challenges and review the MGAPs.

MGAPs are attached to Integrated Development Plans.

The MGR&O strategy can be summarised as follows (Vink. June 2013):

- To promote good governance by driving a single minded focus on clean governance.
- A collaborative effort required by municipalities, Provincial Treasury(PT) and Department of Local Government (DLG).
- PT to provide a self-assessment tool to municipalities – MGR&O GAP tool.
- Municipalities to continue to perform self-assessments (MGR&O GAP tool) to guide strategies and plans to achieve clean governance.
- Municipal Manager and his management team to continue to take ownership and accountability of the process.
- PT and DLG to validate municipal self-assessment (MGAP) and to continuously monitor and support municipalities.
- Focused PT and DLG support to municipalities.
- Communicate and report to relevant stakeholders and role-players.

On 14 July 2012, the Western Cape Premier issued a media statement¹ which outlined the following initiatives and actions which have been undertaken to address municipal audit issues and which is quoted in detail here:

The Western Cape Government, more specifically the provincial departments of Treasury and Local Government, have committed to a number of interventions aimed at addressing the problems raised by the AG.

The first category of interventions focuses on strengthening the relationship between the provincial government, the provincial legislature and the municipalities. It includes the following initiatives:

- *A joint working group has been set up between the provincial departments of Treasury and Local Government that is tasked to provide support to municipalities.*
- *Municipal budget performance is also published on a quarterly basis and tabled in the Provincial Legislature, to ensure oversight and accountability.*
- *Provincial debt owing to municipalities is also tabled in the Provincial Cabinet on a quarterly basis, which assists municipalities with improving cash flow.*
- *The provincial government has assisted some municipalities in submitting a cash funded budget for the 2012/2013 financial year.*
- *The Local Government Medium-Term Expenditure Committee (MTEC) has had engagements with 30 municipalities on their draft 2012/2013 budget assessments.*
- *There have been a number of scheduled visits by provincial government officials to municipalities in order to improve their in-year monitoring process and reports.*

The second category of interventions focuses on providing support to municipalities. It addresses a number of the control weaknesses raised by the AG.

When it comes to the lack of appropriate skills in municipalities, our provincial government has introduced the following interventions:

- *A service provider has been appointed to assist with recruitment and selection of municipal officials and has assisted in the appointment of people to 20 positions, including nine municipal managers.*
- *The provincial department of Local Government was directly involved in the initial induction and training of newly elected councillors in all municipalities after the 2011 local elections.*
- *Local Government has also run ongoing councillor training programmes, which include courses on the role and responsibilities of councillors in terms of the MFMA, procurement processes, oversight in local government, and the code of conduct for councillors.*

¹ Source: <http://www.westerncape.gov.za/news/western-cape-governments-interventions-improve-municipal-audit-outcomes>

- Our government has also developed "municipal capacity building projects" in partnership with the University of Stellenbosch, which provide training in a number of fields, including supply chain management, financial management, corporate governance, Generally Recognised Accounting Practice (GRAP) and the development of standard operating procedures.

The Western Cape Government has also taken steps to assist municipalities in promoting greater accountability and strengthening performance management systems:

- The provincial department of Local Government has assisted municipalities with the implementation of responsive performance management systems, in particular Langeberg and Stellenbosch municipalities.
- Local Government has also procured the services of a labour consultant who has specialist knowledge in local government, and who has provided advice to municipalities.

When it comes to addressing internal control shortcomings across the board, both the provincial departments of Treasury and Local Government have introduced the following interventions:

1. Western Cape Government Financial Support Grant - R3.450 million
 - Provincial Treasury continuously monitors the provision of this grant, which is aimed at assisting municipalities financially to improve and optimise their revenue collection, develop responsive and credible budgets, improve their financial governance and audit outcomes, strengthen their supply chain management and their financial systems.
2. Accounting Reform Initiatives
 - A helpdesk has been established by Provincial Treasury to assist municipalities.
 - Provincial Treasury is currently assessing the GRAP implementation of all municipalities, and training in new GRAP standards is being arranged.
 - Most municipalities have also submitted their financial management improvement plans (FMIP's) to Provincial Treasury, and these will now be assessed and feedback will be provided to municipalities on where these can be improved.
 - Provincial Treasury has performed the Local Government Financial Government Review and Outlook (FGRO) on 30 municipalities, and provided them with remedial action points to move them to a level 3 compliance (controlled environment).
3. Corporate Governance Initiatives
 - Provincial Treasury has engaged with National Treasury and has requested the national department to provide specific guidelines on laws, regulations and practice relating to corporate governance.
 - Provincial Treasury has implemented support plans that are aligned to PSO12 and Operation Clean Audit in order to drive municipalities' FMIP's, and is also monitoring municipal corrective action plans.
 - Both the provincial departments of Treasury and Local Government are driving and co-ordinating Operation Clean Audit for the Western Cape.

- *During 2011, Provincial Treasury initiated the Financial Governance Review and Outlook process, which aims to assess and support municipalities to receive clean audits and a level 3+ maturity. This process has evolved into the Municipal Governance Review and Outlook process, which will include assessment by the provincial department of Local Government.*
 - *Provincial Treasury has set up a website to assist the Chief Audit Executives (CAE), Chief Audit Executive Forum, Chief Risk Officer Forum and Enterprise Risk Management (ERM) units in municipalities.*
4. *Establishment of Municipal Public Accounts Committees (MPACs)*
- *The Western Cape government has created awareness on the important role played by MPACs as an oversight mechanism.*
 - *The provincial government also provided training during June to municipalities on the function of MPACs.*
 - *The provincial government is currently drafting a position paper on MPACs, which will be completed by September 2012, after consultation with MINMAY, and tabled at the PCF. Municipalities will be requested to endorse the paper after adoption by the PCF.*

I am also pleased to announce that last week the Western Cape Cabinet endorsed the newly drafted Local Government Framework for Municipal Support. The purpose of this framework, is to provide a co-ordinated approach between provincial departments when providing support to municipalities. A Municipal Support Committee (MSC) has been established, that will guide and facilitate aligned and combined provincial support actions to municipalities. The MSC will ensure that these co-ordinated support actions between provincial departments, other spheres of government and other stakeholders, are tailored to a specific municipality's needs, requirements and priorities.

The Western Cape uses various inter-governmental structures to strengthen coordination as well as information sharing (for explaining regulations and giving guidance on good practices etc.), including the following:

- MuniMEC and MinTECH (LG coordinates);
- Provincial Audit Improvement Coordinating Committee (driven by PT);
- District Coordinating Forum: Technical (Municipal Managers) (driven by DLG);
- District Coordinating Forum (Municipal Mayor's) (driven by DLG);
- Municipal Chief Finance Officer Forum (driven by PT);
- Chief Risk Officer Forum (driven by PT);
- Audit Audit Executive Forum (driven by PT);
- Audit Committee Chairs Forum (driven by PT);
- Accounting Forum (driven by PT);
- Supply Chain Management Forum (driven by PT);

The Western Cape held quarterly PAICC meetings which were driven by PT. At these PAICC meetings each role-player presented their progress and future plans at a municipal level (which did not take place at the Eastern Cape PAICC). This allowed the PAICC to

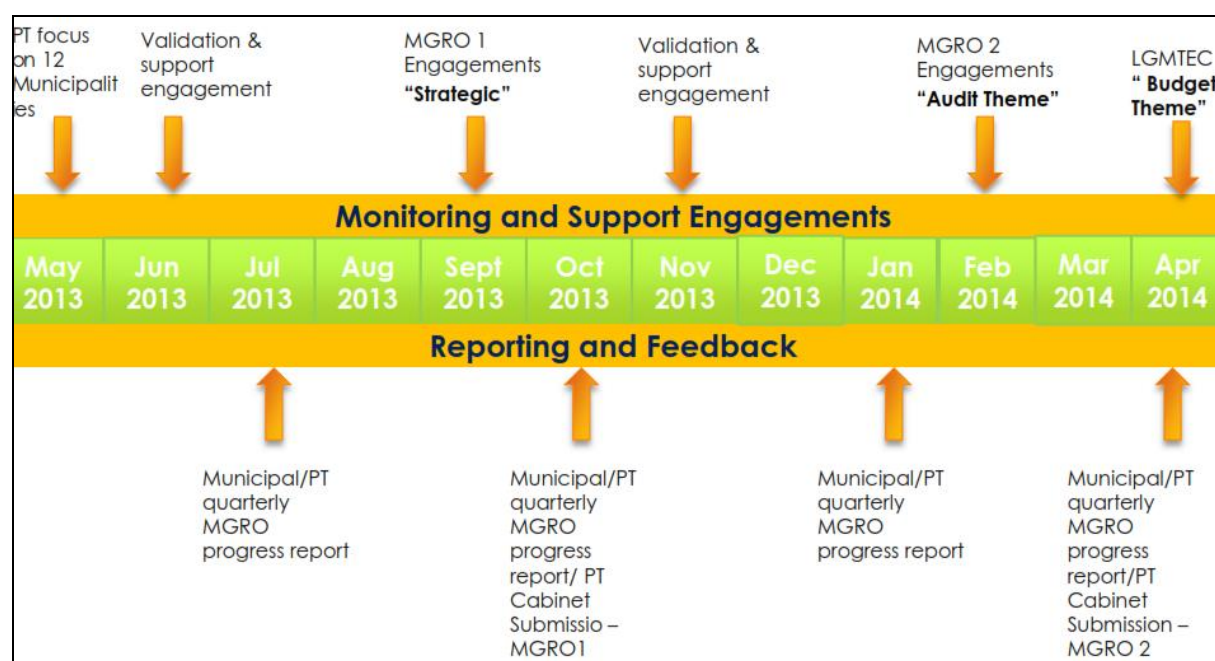
identify duplication in support efforts and apparently it was found that there was often duplication in support being provided by SALGA and this was addressed at the PAICC meetings. The Institute for Municipal Finance Officers was closely involved and provided training.

These inter-governmental structures are linked to various Provincial-Municipal engagement processes which take place at key points in the year and which are linked to the MFMA reporting cycle. These engagements In February there are MGR&O engagements (at a District level) with Municipal Managers and Directors and representatives of PT and DLG and where each municipality makes presentations on progress and challenges. These focus on various issues including audit readiness, clean governance and challenges being experienced and support required at a municipal level.

Joint Provincial and municipal planning happens in September-October where municipal issues inform the PT and DLG Provincial plans for the next financial year.

In addition, there are the MuniTech engagements between February-April which focus on budget issues where visits to Municipalities take place to assess the sustainability of the budget, the links to the IDP and which provide another forum to identify municipal support needs. These are aligned to the mid-year review of municipal financial statements. These sessions are attended by representatives of all Provincial Departments.

Figure 23 Key Western Cape Municipal Support Annual Milestones and Time-frames



Source: Vink. 2013

As the PT official stated "We need municipalities to do their work so we can't be in their space the whole time."

At the February 2013 MGR&O engagement, the following transversal issues or findings emerged regarding municipal audit challenges:

Figure 24 Western Cape Municipal Audit Transversal Challenges: 2013

Focus Area	Findings
Predetermined Objectives	<ul style="list-style-type: none"> ● Non Compliance with laws and regulations ● Target indicators not suitably developed.
Supply Chain Management	<ul style="list-style-type: none"> ● Demand management planning not to an acceptable level to impact efficiencies within SCM. ● Non compliance to laws and regulations – SCM Regulation 44 and 45
Asset Management	<ul style="list-style-type: none"> ● Lack of maintaining records of asset movement between directorates. ● No internal monitoring mechanisms or systems in place to ensure that assets are safeguarded and used appropriately.
Budget Management	<ul style="list-style-type: none"> ● Lack of accurate completion of schedules according to NT requirements. ● Lack of long term financial plans.
Cash Management	<ul style="list-style-type: none"> ● Performance of bank reconciliation process – compilation and review of bank reconciliations and clearing of suspense accounts.
IT Controls	<ul style="list-style-type: none"> ● Lack of IT controls; security access, user access and IT service continuity controls.
Assurance Functions	<ul style="list-style-type: none"> ● Risk management policy, strategies and implementation plans not in place or annually reviewed. ● Lack of capacity with risk management function. ● Risk management committees not established. ● Audit methodologies not documented.
Budget and Treasury Office Capacitation	<ul style="list-style-type: none"> ● BTO officials not compliant to Municipal Regulations on Minimum Competency however; majority of officials are attending relevant training. ● Implementation of financial management internship programme - lack of rotation plans, portfolio of evidence, etc.
GRAP Compliant AFS	<ul style="list-style-type: none"> ● Misstatements and material corrections. ● Non compliance with GRAP reporting framework – GRAP 12, 16,17,19 & 25

Source: Vink. June 2013.

In response to these MGR&O engagements, Provincial Treasury developed the following transversal municipal support responses:

Figure 25 Municipal Support Provided by Western Cape Provincial Treasury: 2013

Predetermined Objectives (PDO)

- Training on PDO's will be provided in the 2013/14 financial year. The training covers the legislative environment, systems and processes, setting of key performance areas, indicators and targets, reporting and auditing of performance information.
- Provide support for municipalities via the PDO forum.

Asset Management (AM)

- Conducting Asset Management Assessment at dedicated municipalities.
- Support and assistance via the quarterly SCM forum meetings on asset management best practice guidelines and latest legislative requirements.
- Support and assistance via the Provincial Treasury's SCM Helpdesk Function.

Expenditure Management

- Municipalities will also be assisted with the development of budget related policies and the implementation thereof where absent.
- Continue to assist municipalities with the management of their financial systems requirements to accurately report on outstanding debtors.

Information Technology (IT) Controls

- PT will assist on the functionality of the financial system.

Supply Chain Management (SCM)

- Special interventions at dedicated municipalities to assist in crucial SCM decision making processes.
- Special SCM training intervention sessions at dedicated municipalities.
- Conducting SCM virtuous cycle assessments at dedicated municipalities.
- Conducting SCM Policy Assessment of selected municipalities.
- Assisting municipalities in doing a comparative analysis with regard to people in service of the state, and thereby addressing non-compliance to SCM Regulation 44.
- Support via the PT SCM helpdesk Function.
- Support and assistance via SCM forum.
- SCM support and assistance rendered to certain municipalities via LGTAS.

Revenue Management

- Municipalities will be assisted with the development of long term financial plans and policies to ensure municipalities plan to stay financially sustainable and financially viable in the future.
- Municipalities will also be assisted with revenue management initiatives and effective credit control.

Cash Management

- Support will be provided in term of PT circular 10/2013 as well as the USB-ED training initiative-cash management.
- On-going support will be provided through the in year monitoring process by advising the municipality in terms of cash flow, external borrowings and investment management.

Assurance Functions

- Perform risk management and internal audit QAR readiness reviews.
- Develop and Issue guidance on MGRO findings.
- Chief Risk Officer and Chief Audit Executive for a
- Establishment of the Audit Committee Chair Forum.
- Provide support in the implementation of combined assurance.

Budget and Treasury Office (BTO) Capacitation <ul style="list-style-type: none"> Monitoring and support of financial management internship programme. Issue BTO structures guideline. Monitoring and support of municipal BTO training plans and compliance with minimum competency regulations. 	Delegations and compliance management <ul style="list-style-type: none"> Assess and provide recommendations on municipal delegations in line with NT guidelines. Provide training on NT delegations framework. Development of an integrated compliance reporting framework.
GRAP compliant AFS <ul style="list-style-type: none"> Monitor the implementation of the corrective action on the audit findings. Monitor progress on compliance with GRAP standards. Roll out training on GRAP Standards and SOPs. Monitor HELP desk to address accounting queries raised by municipalities. Continue to provide a platform via the accounting forum for the sharing of best practices and knowledge. 	

Source: Vink. June 2013.

PT has also established in 2011/12 the **Western Cape Financial Management Grant** which grew from an initial R3.5 mil and currently provides about R25 million in funding support (a portion of this amount is provided to NT and a proportion to DLG). Both PT and DLG sit jointly to decide what support is provided to which municipality on the basis of grant funding criteria (which ensures that the funding does not fund items that are already covered by existing National government grants).

PT has also established targets for clean audits per municipality divided into short, medium and long term as follows (from a 2013 presentation):

2012/13	2013/14	2014/15
PT SHORT TERM FOCUS	PT MEDIUM TERM FOCUS	PT LONG TERM FOCUS
City of Cape Town	Matzikama	Swellendam
West Coast District	Cederberg	Overberg District
Swartland	Bergvliet	
Cape Winelands District	Saldanha Bay	
George	Theewaterskloof	
Mosselbay	Overstrand	
Cape Agulhas	Eden District	
Witzenberg	Kannaland	
Drakenstein	Hessequa	
Stellenbosch	Oudtshoorn	
Langeberg	Bitou	
Breede Valley	Knysna	
	Central Karoo District	
	Laingsburg	
	Prins Albert	
	Beaufort West	
12	16	2

Source: Vink. 2013.

Some of the interesting aspects of this support response and which the author has noted include the following:

- The WCG uses dedicated telephonic help desks to assist municipalities with specific kinds of support which include: legal queries; help to address accounting queries related to GRAP compliant AFS, SCM assistance etc.
- If municipalities contact PT or DLG telephonically to request support, then the municipality is requested to submit such a request formally in writing. In some cases, the original support request is refined or expanded when the municipality commits the request to writing.
- The bi-annual MGR&O annual municipal engagements provide a wealth of information on support needs which inform the development of Municipal Governance Action Plans (MGAPs). Transversal issues (impacting on many municipalities) are identified and these inform the agenda of the various Forums which have been established, as well as PT circulars which may be required (e.g. BTO structures guideline), so that guidance and information sharing can be tailored to addressing key issues which municipalities have identified.
- Aside from the 10 vulnerable municipalities which have been identified for intensive support and MGAPs, support is provided to other municipalities in the form of focused special projects (which may include the appointment of specialised consultants). Examples would include change management and organisational restructuring. There is also transversal DLG support in nine areas which includes ICT.

Regarding municipal support provided by DLG, the DLG is structured into the following Directorates.

Figure 26 Western Cape Department of Local Government Organogram



DLG support includes accredited training and the DLG is responsible for all Councillor training (including MPACs). Training is provided by the University of Stellenbosch and the Western Cape Provincial Training Academy (which was established towards the end of 2009). DLG has established a Training Committee to accredit training (especially training for Councillors) which comprises representatives from all Provincial Departments (as it found

most departments were providing training to Municipal Councillors) for as it has found that much training suffered from quality problems in the past.

The DLG Governance Director includes the following types of support (this list is not necessarily comprehensive):

- Legal advice (including the correct operation of Council structures)
- Anti-corruption policies and investigations.
- Councillor issues including complaints submitted to MECs.
- Election assistance issues (there is a dedicated Provincial help line before and after elections for MMs).
- Performance contracts for MMs and Directors- each municipality's compliance with new regulations is monitored very closely.
- MPAC training

Currently the Western Cape has identified 10 vulnerable municipalities (which correspond to the B2B vulnerable municipalities) for which detailed action plans are being or have been developed. These action plans are signed off by each Municipal Manager and are included in the Municipal IDPs. Regarding Back-to-Basics, PT is responsible for pillar 4- Financial Management.

When the Western Cape PT official interviewed for this report was asked whether there was a need for either stronger intervention and/or legislation to intervene in Municipalities when, for example, issues around political interference in municipal administration arose, he commented that Section 139 of the MFMA only allows intervention when it is too late (as MMs are political appointments made by the Mayor and problems are heard about when it is too late) but Provinces should not wait that long. There is a need to strengthen oversight institutions (incl. MPACs) including the independence of the audit committees and “you can’t leave independent oversight bodies at the mercy of Council”. Also, he felt that there is a need to hold Mayors personally liable, as Mayors sit on appointment committees. The point was made that “there is no way you can drive clean audits when oversight is not working properly”.

Regarding the use of District Support Centres in the Eastern Cape, the point was made that the MEC for Local Government needs to play the primary coordination function of ensuring all Provincial Sector departments support municipalities in a coordinated manner. By decentralising the coordination of support to a District level there is the danger that the MEC will not have information on what departments are doing in the Districts and Districts may not be getting the same message from Provincial Government. Provincial departments need to be coordinated at head office level before going to the Districts. District Municipalities should rather play a coordination role at District level.

Regarding NT's Financial Management Capability Maturity Model (FMCMM), the WCG is currently in discussion with NT as there are concerns about the level of detail the model goes to (only to level 3 management) and the model is a questionnaire and not a self-assessment tool. The FMCMM focuses mainly on compliance questions and most Western Cape municipalities are moving beyond compliance to focus on service delivery performance issues and the FMCMM is not seen as being too relevant to service delivery performance

issues. The PT believes that they can incorporate the FMCMM into the MGR&O assessment tool and still meet NT reporting/ information requirements.

Annexure 13: Other strategies, programmes, initiatives carrying out similar or related functions to OCA incl. Presidency Municipal Assessment Tool: KPA 4 Financial Management extract

1. Back to Basics (B2B) (COGTA National):

B2B was launched nationally in 2014 by COGTA. One of its goals is to eliminate municipal disclaimer audit findings. A CoGTA: National October 2014 presentation on Back to Basics (B2B) outlines the B2B approach including differentiated approach to support for 3 categories of municipalities, priority Key Performance Indicators to be monitored including for financial management, a diagnostic approach to inform the development of action plans, and the establishment of Provincial Task Teams to coordinate interventions. This presentation also indicates CoGTA's intention to legislate municipal key performance indicators.

As part of B2B, municipal assessments have been conducted and Eastern Cape Municipalities have been classified as follows (the "Not Doing Well" group is also called dysfunctional and sometimes called "Vulnerable"):

EASTERN CAPE		
Doing Well	Potential to do well	Not doing well
Umzimvubu Local	Alfred Nzo District Municipality *1	Mbashe Local Municipality
Amathole District Municipality	Nxuba Local Municipality	Mhlontlo Local Municipality 1
Ngquza Hill Local	Mbizana Local Municipality	King Sabata Dalindyebo Local
Cacadu District Municipality	Mnquma Local Municipality	Ngqushwa Local Municipality *
Joe Qcabi District	Chris Hani District Municipality	Lukhanji Local Municipality
Matatiele Local	Inxuba Yethemba	Intsika Yethu Local
Nkokobe Local Municipality	Tsolwana Local Municipality	Ikwezi Local Municipality
Nyandeni Local Municipality	Emalahleni Local Municipality	
Engcobo LM	Blue Crane Local Municipality	
Port St Johns Local *	Kou- Kama Local Municipality	

EASTERN CAPE

Doing Well	Potential to do well	Not doing well
Camdeboo Local Municipality	Sakhisizwe Loc	Makana Local Municipality
Senqu Local Municipality	Kouga Local	Sundays River Local
Elundini Local Municipality	Maletswai Local Municipality	Gariep Local Municipality
Ndlambe Local Municipality		OR Tambo District
Buffalo City		Great Kei Local 1
Nelson Mandela Metropolitan		Inkwanca Local * 1
Ntabankulu LM		Baviaans Local
Amahlathi Local		

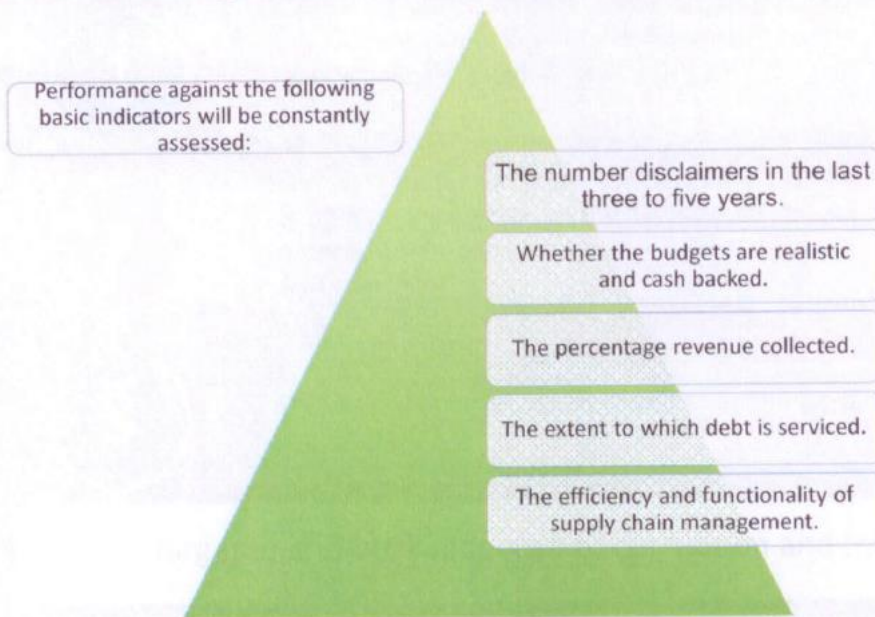
6

B2B identifies the following five priorities or key focus areas for taking forward local government:



B2B identifies the following municipal financial management performance areas:

3. Building blocks of Back-to-Basics approach Financial Management



B2B proposed a differentiated approach to municipal support based on a three-fold classification of municipalities as follows. This involves a stronger intervention role for CoGTA in dysfunctional municipalities including greater involvement in the appointment process for Section 57 managers:

Differentiated Approach

- Light touch monitoring
- Minimise additional regulatory burden
- Delegate additional functions
- Enable networking between top performers and expose to best practice locally and internationally
- Free to make own compliant appointments
- Unallocated block grants and participation in City Support / Rural Support Programmes

Doing Well

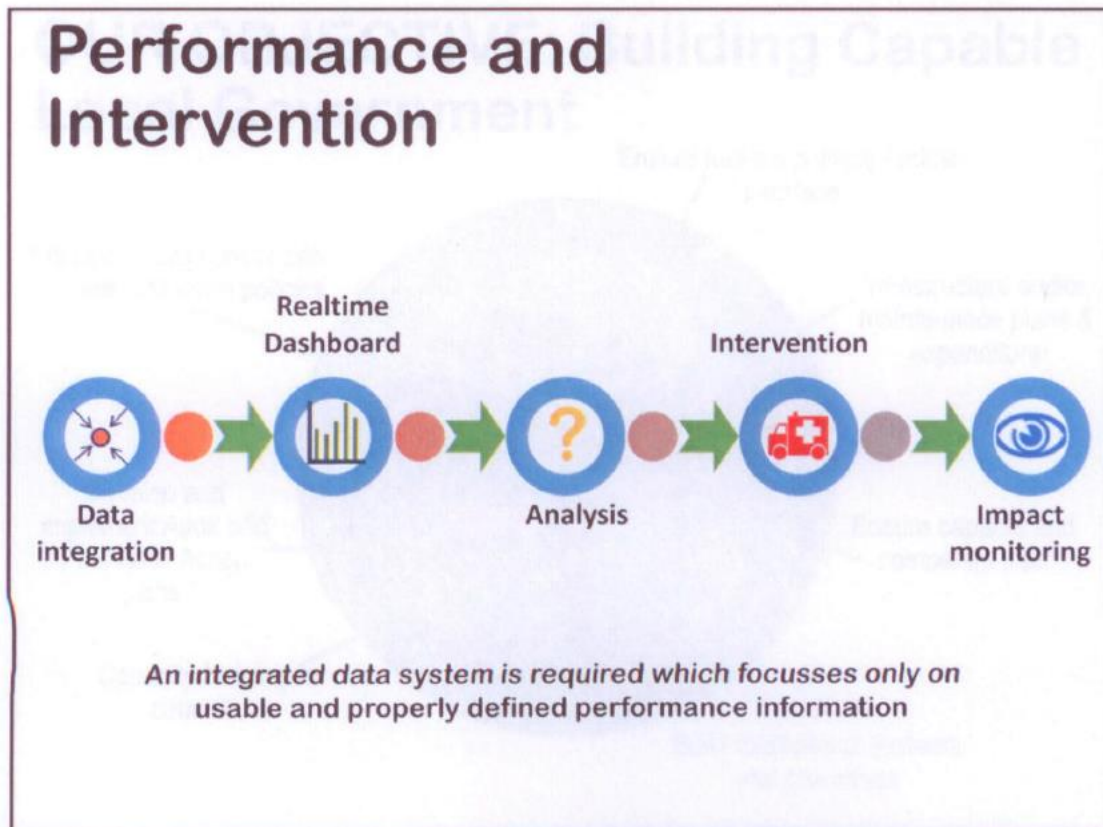
- Medium intensity monitoring
- Oversee effective performance of functions
- Close supervision of service delivery with targeted interventions
- Capacity building based on diagnosis of gaps
- Oversee all appointments, and COGTA participates in process of Section 57 Appointments.
- Conditional grant with regular monitoring and reporting

At Risk

- Intensive monitoring, high degree of oversight
- Intervene in terms of Sections 55, 139 and 155 (7) of Constitution
- Where necessary functions removed / suspended and performed by third parties
- COGTA assumes the recruitment function, appoints administrators and S. 57 managers.
- Where necessary channel funding for services via third party agencies.

Dysfunctional

This is a very high level approach and it leaves many questions unanswered. For example, how are gaps going to be diagnosed for “at risk” municipalities and why is such a diagnosis not mentioned for “dysfunctional” municipalities? Mention is made of an integrated data system for monitoring, however, the design of such a system is quite complex and will require a coordinated approach at national level between PT, COGTA, Presidency, and others.



In addition, B2B proposes establishing certain Provincial structures to coordinate B2B although it was not possible to obtain details of these structures for this evaluation and therefore it is not possible to reach conclusions regarding how these B2B Provincial structures need to interface with other inter-governmental structures relevant to and involved in coordinating municipal support. It is possible that the B2B Provincial structure could play a similar role to that envisaged for the PAICC when it was established (but with a broader municipal scope covering financial management, governance and service delivery).

Regarding financial management, the B2B document contains the following regarding roles:

National and provincial government:

- National and Provincial CoGTAs and Provincial Treasuries to assess and address capacity deficiencies of municipalities to develop and implement Audit and Post Audit Action plans.
- Provincial CoGTAs and Treasuries to assess and address capacity deficiencies of municipalities to develop and implement procurement plans.
- Provincial Treasuries to support municipalities in the development and implementation of financial recovery plans.
- National and Provincial CoGTAs and Provincial Treasuries to assess the credit control and debt collection policies and by-laws for adequacy, and support the implementation thereof.

Municipalities:

- All municipalities must have a functional financial management system which includes rigorous internal controls.
- Cut wasteful expenditure.
- SCM structures and controls with appropriate oversight.
- Cash-backed budgets.
- Post Audit Action Plans are addressed.
- Act decisively against fraud and corruption.
- Supply Chain Management structures in place and functional according to regulations.
- Conduct campaigns on 'culture of payment for services' led by councillors.
- Conduct campaigns against 'illegal connections, cable theft, manhole covers' etc.

Finally the B2B document contains proposals for monthly reporting responsibilities of key municipal office bearers including monthly reporting of progress on audit action plans.

2. National Treasury's municipal support:

Both NT and PT can issue guidelines and directives require to support implementation of and compliance with the MFMA. In addition, NT can initiate amendments to the MFMA.

National Treasury's Financial Management Capacity Development Strategy (FMCDS) which includes the Financial Management Capability Maturity Model (FMCMM)/ assessment

The FM CDS is a comprehensive strategy (it adopts a comprehensive approach to capacity at a policy, organisational and individual level) that has not yet been rolled out to municipal government (to the best of the author's knowledge although it may be in the piloting phase) and it includes a comprehensive focus on the following components of public financial management: Management accounting (planning and budgeting); Revenue management; Expenditure management; Asset management (movable and immovable); Financial accounting; Supply chain management; Internal control; Enterprise risk management; Internal audit.

National Treasury issued a letter, dated 12 December 2014, to all municipalities and their entities communicating the roll out of the FMCMM tool and uniform financial ratios (details of uniform financial ratios are provided in National Treasury Circular 71 that was issued on 17 January 2014). This initiative is designed to assist municipalities in monitoring their finances and help in identifying areas of financial weakness with a view to improve their financial position. This letter states the following:

"As you will be aware from previous engagements at different forums, Provincial Treasuries supported by National Treasury, are now in the process of finalising arrangements for the roll-out of the Financial Management Capability Maturity Model (FMCMM) and uniform financial ratios to all municipalities. The outcome of this exercise will result in a holistic picture providing empirical information on the capability, maturity and financial sustainability of each municipality. The results will be used to address specific needs and improve targeted support programmes...."

Data from the assessments will be provided to the municipality, a rating and financial management maturity level, for its own review, consideration and actions. This information, together with information from other available sources including Auditor- General reports, and reports provided by the National Treasury and the Provincial Treasury will then be reviewed, validated, evaluated and consolidated, with consolidated provincial and national reports being published thereafter.

Results and outcomes of these assessments will feed into governments various programmes of action, including the Back to Basics activities, and used to guide other financial and support measures. Any further clarification of these initiatives should be raised at the municipal training workshops scheduled during January and February 2015.”

The letter contains further detail on the scope of the FMCMM tool as follows:

The FMCMM is a financial management assessment tool designed to help municipalities assess their own level of financial management maturity and performance. It was developed by National Treasury in consultation with various stakeholders, including Provincial Treasuries and a number of municipalities, primarily to provide Municipal Managers, Chief Financial Officers, Heads of Departments and other staff in Budget and Treasury Offices, identify any gaps that may exist in the management of municipal finances across the entire spectrum of financial management functions. It also addresses internal audit and audit related processes to improve governance over financial management. As such, it provides a comprehensive management tool to address system and process improvements, identifying areas of compliance or non-compliance and allowing ongoing monitoring of improvements as they are made. It also acts as a checklist for managers and assists internal audit compliance procedures in readiness for the annual audit and to help municipalities in adopting broader best practice initiatives.

When one read the NT 2014 detailed FMCMM document it is worrying that NT only refers to coordinating NT support when there is clearly a need to coordinate a broader range of support:

Table 48 NT FMCMM Process



Source: NT. 2014.

It is clear that National Treasury intends the FMCMM to be the primary municipal assessment tool to address both financial management and governance issues and inform support. It is therefore critical that the processes surrounding how the FMCMM tool is rolled out and how the results are used to inform support programmes and the coordination thereof be clarified and subject to further discussion between NT, PT, and CoGTA National and EC.

Municipal Finance Improvement Plan implementation began on 1 April 2011 and concluded 31 March 2014 (Source National Treasury. September 2014). NT provided direct support to 8 PT's and 91 muni's through placement of Technical Advisors. A MoA and Project Charter (PC) was signed between Government Technical Advisory Centre (GTAC) and OAG on 24 June 2014 which makes provision for the launch of the MFIP II under the auspice of the OAG, managed by the NT Chief Director: Capacity Building.

MFIP II started with the piloting of MFIP SCOA (Standard Chart of Accounts) in 2015 at Camdeboo Municipality. The roles and responsibilities of MFIP Technical Advisors are as follows:

- Act as liaison officer between municipality, relevant PT and NT SCOA Project Team;
- Assist municipality with the preparation and adoption of SCOA implementation plan;
- Monitoring and oversight process made with the pilot process:
 - Lead up to budget capturing within the SCOA classification framework for the 2015/16 MTREF;
 - Actual Pilot implementation: 1 July 2015; and
 - Report extraction aligned to the local government financial management accountability cycle (i.e. monthly, quarterly and annually);
- Assist municipality in identifying all risks associated with SCOA implementation and advice and assist in the management of it on a monthly basis – including escalation to PT, NT SCOA Project Team and vendor
- Coordinate information flow between muni, PT, NT SCOA Project Team and vendor;

- Attendance of SCOA ICF;
- Attendance of Provincial Treasury CFO Forums and providing feedback on SCOA ICF resolutions and providing training on specific issues;
- Assist with quality control on submissions;
- Provide strategic, tactical and operational advice on the broader financial management disciplines;
- Assist with the determination of capacity development needs and facilitate the appropriate training; and
- Once pilots are up and running Advisors relocated to respective PT's for further broader roll-out and replication at non-pilot municipalities.

The author was unable to obtain information on NT's roll out of MFIP II in terms of whether all municipalities had been identified for MFIP II assistance, and how these municipalities have been, or will be, identified. It is clear that there needs to be provincial coordination in the identification of municipalities for support between PT and CoGTA EC to ensure that support is complimentary.

NT has also put in place a Financial Management Minimum Competency programme to ensure CFOs can meet the legislated minimum competencies. NT keeps a database on all CFOs and what competencies have been achieved as part of the monitoring process.

3. Provincial Treasury Municipal Support

PT obviously assists NT to implement the MFMA and related national initiatives and support. Annexure 3 contains detailed PT roles linked to various sections of the MFMA. PT therefore has a critical coordination role to play in linking various support initiatives, however, it has not played this coordination role effectively to date.

PT has a Municipal Finance unit which provides financial management support to municipalities. PT also has a decentralised model of providing support which uses six District Offices. Apparently these District Offices provide support in all areas of financial management, including SCM, assets, budgets, financial statements, and audits. No information was supplied by PT regarding the staffing levels and profile of the District Support Offices. PT District Offices are headed by a Director and supported by Assistant Directors.

The District Support Office model has changed over time. Initially Deputy Directors were specialists in particular areas of financial management and would provide support to all municipalities in the Province in that particular area. Subsequently this has been changed to allocating responsibility for a small number of municipalities to a Deputy Director. PT has developed a new departmental structure where each District will have a specialised team. All PT support staff have accounting three level qualifications or a BCoM with accounting as a major for Deputy Directors.

The main initiatives by PT appear to be the following:

- CFO Support Programme: an advisor is deployed to a municipality for 1-2 years to support the CFO and budget and treasury office (see overview of this programme below in terms of information provided by PT).
- Assistance with Municipal Financial Statements.

The purpose of the Provincial Treasury CFO Support Programme is to provide hands-on support to the Budget and Treasury Office (BTO) in a municipality to strengthen financial management and institutional capacity and to support service delivery and improve audit outcomes.

Financial management specialists (CFO Support staff) are deployed to a municipality for a period of 12 to 24 months.

The implementation approach includes:

- Review of the organisational structure of the BTO of the participating municipalities to ensure that it meets the minimum requirements for a functional office;
- Perform a skills audit of personnel within the BTO and identify skills gaps;
- Evaluate the financial management systems and business processes in the municipal environment and assess their functionality and usefulness for financial reporting;
- Plan training and support activities to address the identified gaps in the skills and business processes;
- Review, develop, and align policies and procedures; and
- Constantly monitor progress on implementation.

Key elements of assistance and support are based on:

- **Analysis, assessment, and verification of information given** – assess the previous efforts made to support municipalities to address their specific problems and identify gaps and any other support required;
- **Development and implementation of an action plan** – drawing up of an action plan in collaboration with the municipality to address issues raised in the assessment report;
- **Promoting shared model approach** – encourage sharing of resources and financial management systems to improve supply chain management processes, financial management, performance management systems, and governance structures like audit committee and internal audit activity;
- **Providing streamlined hands-on support** – ensure the development and implementation of policies, procedures, financial management systems in line with best practice;
- **Training, mentoring and coaching** – coordinate training, mentoring and coaching of the BTO personnel; and
- **Reviewing and feedback** – review the functionality of the BTO based on the support given and provide timely and strategic feedback.

The PT has identified the following ten municipalities for priority and full hands on support to be provided by a dedicated team of financial management specialists. These municipalities will be supported by PT for a period of +-3 years and lessons learnt will then be applied to the remaining 35 municipalities (the 35 municipalities will received less intensive support in the mean time from PT):

Table 49 PT Ten priority municipalities to receive support

No	Municipalities
1	Makana
2	Gariep
3	Maletswayi
4	Mbizana
5	Senqu
6	KSD
7	Mzimvubu
8	Mbashe
9	Lukhanji
10	PSJ

Source: handout provided to author by PT key informant. March 2015.

It is not clear how these ten priority municipalities related to the Back to Basics typology of municipalities or what steps PT is taking to coordinate support processes with these ten municipalities.

4. SALGA's Municipal Audit Support Programme (MASP):

The South African Local Government Association (SALGA) launched (July 2014) the Municipal Audit Support Programme (MASP). The MASP is a multidisciplinary effort within SALGA based on 4 pillars: Leadership, Governance, Institutional Capacity, and Financial Management. The MASP plans to provide “hands on” support to selected municipalities based on a customised support plan agreement concluded with the respective selected municipalities. In addition to this SALGA wants to develop either individually or together with other stakeholders, frameworks that are practical and will assist municipalities. SALGA plans to cover both the political as well as the administrative elements within municipalities for the transversal support and hands-on support. For the municipalities selected for hands on support SALGA is planning on finalising the customised support plan agreements for these municipalities during quarter 2 (April- June 2015) and commencing with hands on support in quarter 3 (July- September 2015). In order to finalise the support plan agreements SALGA is preparing a diagnostic report for each selected municipality based on the audit report, management report and audit action plan related to the 2012/2013 financial year (which may need to be updated regarding the AGSA 2013/14 audit reports).

It is not clear how SALGA intends to coordinate MASP with NT and the FMCMM as well as with Provinces and this issue needs to be addressed. Apparently the MASP approach will be for municipalities to approach SALGA to request support and that “Leadership must be involved”. No further details on MASP and its approach and process were available to the author.

Within the Eastern Cape SALGA office there are five Directorates (municipal infrastructure services (engineering), municipal institutional development (HR, labour relations, capacity building.), community development. (E.g. sport and recreation), planning and LED, and

municipal finance, governance and IGR. There are only two staff members working under the municipal finance directorate and therefore capacity is limited.

SALGA has been attending MPAC and Audit Committee meetings but it is unclear what SALGA's role is in these meetings and what support value SALGA brings by attending these meetings. According to a key informant, SALGA has quarterly visits to all municipalities and they spend two days at each municipality analysing the municipal audit report and identifying support. According to a key informant, they "do what they can to clear audit queries". SALGA apparently also assists to develop audit action plans and engages with PWC or PT to assist.

SALGA coordinates a Provincial Finance Working Group as a platform for municipalities to share their best practices to assist each other where challenges are being experienced. This meets quarterly and is apparently attended by MMs and CFOs. There is a standing agenda item on the state of municipal finances. This is a forum where different departments can share their plans for supporting municipalities.

SALGA also apparently has a MoA with Price Waterhouse Coopers to provide financial management support to municipalities- apparently at no cost. PWC has provided training to audit committees. It is not clear what the scope of support is and on what basis decisions are made regarding which municipality to receive what support and how that support is coordinated. This issue clearly needs to be addressed.

It is broadly understood that SALGA's role is to focus on Councillor training as well as to assist in resolving political issues. SALGA's role in training new Councillors after the 2016 municipal elections is an important one and PT and CoGTA EC need to coordinate Councillor support with SALGA in this regard.

5. FNB's Academy for Municipal Excellence:

Not much detail is available on FNB's Academy for Municipal Excellence except the following:

The first phase of this initiative will start in Gauteng on 20 October. It is also in line with the National Development Plan (NDP) and the departments' Back to Basics approach, which seeks to ensure that municipalities perform basic duties through performance benchmarks.

Minister of COGTA, Pravin Gordhan commended FNB's contribution and said he hoped this would encourage other organisations in the private sector to emulate FNB. "This partnership, hopefully, will act as an embryonic one for others to build upon, so we can truly have a more effective public sector."

CEO of Provincial and Local Government Business at FNB Public Sector Banking, Kgosi Ledimo said, "In our daily interaction with municipalities, we are able to identify some of the challenges they face and this programme is designed to address areas which need improvement such as procurement and management of finances or contracts.

The first phase will incorporate municipalities from Gauteng, North West, Mpumalanga, Free State, Northern Cape and Limpopo. The second phase will be held in the Eastern Cape and will also incorporate municipalities from Western Cape. The last phase will take place in Kwa-Zulu Natal.

FNB services over 50 percent of municipalities in Kwa-Zulu Natal and Eastern Cape.

Kgosi Ledimo, CEO of Provincial and Local government Business at FNB Public Sector Banking said, "In our daily interaction with municipalities, we are able to identify some of the challenges they face and this programme is designed to address areas which need improvement such as procurement and management of finances or contracts. Each session is programmed to last for 2, 5 days with breakaway sessions that will encourage robust debate around the challenges municipalities face, and how to overcome these."

The Academy is part of FNB's efforts to develop interventions that are aligned to the NDP and the Department of Cooperative Governance and Traditional Affairs "Back to Basics" approach, in order to assist municipal managers to perform their responsibilities more effectively.

"Looking at the NDP, partnerships are a key and most persistent theme," says Anita Botha, the academy's facilitator and skills development expert. "Partnerships, specifically between government and the private sector, can best serve communities, the very communities which help sustain businesses."

The academy aims to train at least 150 senior municipal officials and financial officers between October 2014 and March 2015. Some of the issues threatening local government performance, says Botha, are poor levels of professionalism. She argues that local government should be run on business lines, not to make a profit, but to maintain the kind of professionalism seen in business. Only once this is happening "will we start to see results in the effectiveness and efficiency of local government".

According to Minister Pravin Godhan, "back to basics means forgetting about politics and putting people first. This approach will ensure that municipalities work as a vehicle to address the concerns of citizens and their welfare, to promote good governance and ensure that decisions are made within the formal structures."

KPA 4: Financial Management

4	Key Performance Area: Financial Management
4.1	Performance Standard name: Maintaining a credible budget
<p>Performance Standard definition: The municipality maintains a properly funded budget (capital and operational). Ensuring that the municipality only budgets to spend what it will realistically collect in revenue as well as in funding sources for capital expenditure. Funding sources for capital include grant funding, borrowing, public contributions and other internal funding sources. Operational income includes grants, service charges and rates and taxes. The municipality's budget is not credible if it is not funded appropriately.</p> <p>Importance of the Standard: If a municipal budget is unfunded, it is not a credible budget in that the revenue projections are unrealistic, the operating expenses are too high, or the capital budget is too ambitious.</p>	
<p>Relevant Legislation and Policies:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Constitution of the Republic of South Africa of 1996 and as amended, <input type="checkbox"/> Municipal Systems Act (Act 32 of 2000) and as amended, Municipal Structures Act (Act 117 of 1998) and as amended, <input type="checkbox"/> Municipal Finance Management Act (Act 56 of 2003), <input type="checkbox"/> Municipal Property Rates Act (Act 6 of 2004) <input type="checkbox"/> Municipal Fiscal Powers and Functions Act (Act 12 of 2007); and Regulations to these Acts 	

Standards	Evidence Documents	Moderation Criteria	Level
<input type="checkbox"/> The municipality does not have an approved budget.	<input type="checkbox"/> N/A	<input type="checkbox"/> N/A	Level 1
<input type="checkbox"/> The municipality has a budget but not properly funded: Current commitments in terms of the MTEF that is under scrutiny including all expenditure - capital and operational - funded by own revenue, transfers from national and provincial government and borrowing (for capital) exceed available resources	<input type="checkbox"/> MFMA Section 71 reports (last three months) <input type="checkbox"/> MFMA Section 72 report	<input type="checkbox"/> Moderators to verify that current commitments are at least equal to available resources	Level 2
<input type="checkbox"/> The municipality has a properly funded budget: Current commitments in terms of the MTEF that is under scrutiny including all expenditure - capital and operational - funded by own revenue, transfers from national and provincial government and borrowing (for capital) are at least	<input type="checkbox"/> MFMA Section 71 reports (last three months) <input type="checkbox"/> MFMA Section 72 report	Moderators to verify that: <input type="checkbox"/> Current commitments are less than available resources – 3 months expenditure in reserve)	Level 3
<input type="checkbox"/> The municipality has a properly funded budget: Current commitments in terms of the MTEF that is under scrutiny including all expenditure - capital and operational - funded by own revenue, transfers from national and provincial government and borrowing (for capital) are less than available resources – 3 months expenditure in reserve <input type="checkbox"/> The budget is focussed on actual delivery and is used as such by regularly identifying available resources to expedite service delivery and development.	Level 3 plus: <input type="checkbox"/> Cash flow and expenditure plan <input type="checkbox"/> SDBIP	Moderators to verify that: <input type="checkbox"/> Budget is adjusted as required in terms of section 28 of the Municipal Finance Management Act, Act 56 of 2003. <input type="checkbox"/> The SDBIP has been adjusted in line with the budget.	Level 4

4	Key Performance Area: Financial Management
4.2	Performance Standard name: Management of unauthorised, irregular or fruitless and wasteful expenditure
Standard definition: Ensure efficient and effective process in place to prevent, detect and report unauthorised, irregular or fruitless and wasteful expenditure Importance of the standard: To encourage departments to have documented policies and procedures in place to detect, prevent and report the occurrence of unauthorised, irregular or fruitless and wasteful expenditure and to take disciplinary measures against negligent officials in this regard.	
Relevant Legislation and Policies: <ul style="list-style-type: none"> <input type="checkbox"/> Municipal Finance Management Act (Act 56 of 2003), and its Regulations <input type="checkbox"/> Municipal budget and reporting Regulations: Government Notice R393 of 2009 	

Standards	Evidence Documents	Moderation Criteria	Level
<input type="checkbox"/> The municipality does not have a policy and process in place to prevent and detect unauthorised, irregular or fruitless and wasteful	<input type="checkbox"/> N/A	<input type="checkbox"/> N/A	Level 1
<input type="checkbox"/> The municipality has a policy and process in place to prevent and detect unauthorised, irregular or fruitless and wasteful expenditure	<input type="checkbox"/> Policy document <input type="checkbox"/> Documented process	Moderators to verify: <input type="checkbox"/> The existence of a policy document <input type="checkbox"/> The existence of the process to prevent and detect unauthorised, irregular or fruitless and wasteful expenditure	Level 2

<ul style="list-style-type: none"> <input type="checkbox"/> The relevant Council Committee investigates the recoverability of unauthorised, irregular or fruitless and wasteful expenditure, and report the findings to Council <input type="checkbox"/> The municipality recovers unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless authorised in an adjustments budget or certified as irrecoverable, and written off <input type="checkbox"/> The municipality addresses audit findings on unauthorised and irregular or fruitless and wasteful expenditure 	<ul style="list-style-type: none"> <input type="checkbox"/> Council Committee investigation report on reasons for unauthorised, irregular, fruitless and wasteful expenditure <input type="checkbox"/> Report by the MM to the Mayor, MEC and AG in terms of Section 32(4) of the MFMA <input type="checkbox"/> Approved action plan to address audit findings 	<p>Moderators to verify existence of:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Investigation reports showing the nature of fruitless and wasteful expenditure, reasons for such expenditure, responsible officials, the measures already taken to recover such expenditure, the cost of the measures already taken to recover such expenditure, the estimated cost and likely benefit of further measures that can be taken to recover such expenditure, and a motivation explaining its recommendation to the municipal council for a final decision. <input type="checkbox"/> The MM reports: <ul style="list-style-type: none"> - any occurrence of unauthorised, irregular or fruitless and wasteful expenditure - whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure - the steps that have been taken to recover or rectify such expenditure; and - to prevent recurrence of such expenditure - to the Mayor, MEC for Local Government and 	Level 3
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Standards	Evidence Documents	Moderation Criteria	Level
		<p style="text-align: center;">AG in terms of Section 32(4) of the MFMA</p> <ul style="list-style-type: none"> <input type="checkbox"/> Management feedback to responsible officials <input type="checkbox"/> Appropriate action (disciplinary and/or criminal) taken against responsible officials <input type="checkbox"/> Reasons for the condonement of unauthorised, irregular or fruitless and wasteful expenditure <input type="checkbox"/> The action plan on audit findings 	

<p>Level 3 plus:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The municipality analyses and reviews the effectiveness of controls and systems to prevent recurrence of unauthorised, irregular or fruitless and wasteful expenditure <input type="checkbox"/> The municipality implements preventative measures <input type="checkbox"/> Positive results are achieved in recovering of unauthorised, irregular, fruitless and wasteful expenditure from guilty parties 	<p>Level 3 plus:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Report on analysis and review of controls <input type="checkbox"/> Documented preventative measures 	<p>Level 3 plus:</p> <p>Moderators to verify:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The existence of the report on analysis and review of controls and systems <input type="checkbox"/> The existence of documented preventative measures 	<p>Level 4</p>
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Annexure 14: Extracts from CoGTA EC 2012 Document on Single Window of Coordination

The following principles of the Single Window of Coordination Plan are proposed:

- Address the needs, i.e. conduct a needs analysis as a basis for all interventions.
- Seek out the most vulnerable, i.e. prioritise the needs according to importance or urgency.
- Mainstreaming and promotion of integration.
- Identify short, medium and long term support to optimise effectiveness.
- Sustain support through continuous Monitoring, Reporting and Evaluation.

Three broad types of support to municipalities are proposed as follows

- a) Light support: This refers to support offered to municipalities in improving performance and implementing new policies and pieces of legislation. These municipalities are generally functioning well, i.e. (at sustainability phase) and can implement new policies and legislation through appointing the required skills with the support of grants and some technical assistance from provincial and national government. The biggest constraint in such municipalities often relates to the broader environment over which they have no control, but which nonetheless affects their ability to deliver services effectively. Support to them, therefore, is often very different to other institutions as it requires engagement and lobbying of government departments that are currently causing these broader environmental constraints. This involves short term targeted support involving empirical advocacy and lobbying to remove red tape and functional overlaps.
- b) Medium support: Applicable to municipalities that are gradually improving their performance, but nonetheless require support to reach and complete the consolidation phase. There are two sub-types:
 - a. Short term organisational building focussing on specific problems that occur within the institution and can be resolved through short term technical support.
 - b. Medium term gap filling involving support to institutions in delivering services. It is relevant both to institutions that are established and functioning and those that are still being established, but cannot upscale their service delivery without additional support through the placement of technical assistance teams (programme management units) with skills from the private sector.
- c) Intense support: Focussed on those municipalities which are still effectively in the establishment phase and are still experiencing severe challenges. It comprises two sub-types:
 - a. Long term organisational building: which is likely to include political, strategic and operational components. This acknowledges that there are no structural or environmental constraints to this capacity being built over the medium to longer term.
 - b. Long term gap filling: which is relevant to those institutions which are not able to ever attract the required skills (in the medium to long term) due to broader structural and environmental (geographical location and population densities) constraints. This limits them from recruiting skills on a full-time basis. This is relevant to small municipalities only who cannot afford high level skills (structural skills shortage). This requires capacity from another institution to be deployed on an ongoing basis to fill the gaps that exist.

When all support fails, National and Provincial governments are enabled through the Constitution and legislation to intervene. Four types of intervention are identified:

Regular interventions in response to a crisis that is not strictly financial in nature (failure to fulfil an executive obligation). This type of intervention is managed by the MEC for Local Government. (Section 139) and is compulsory in nature.

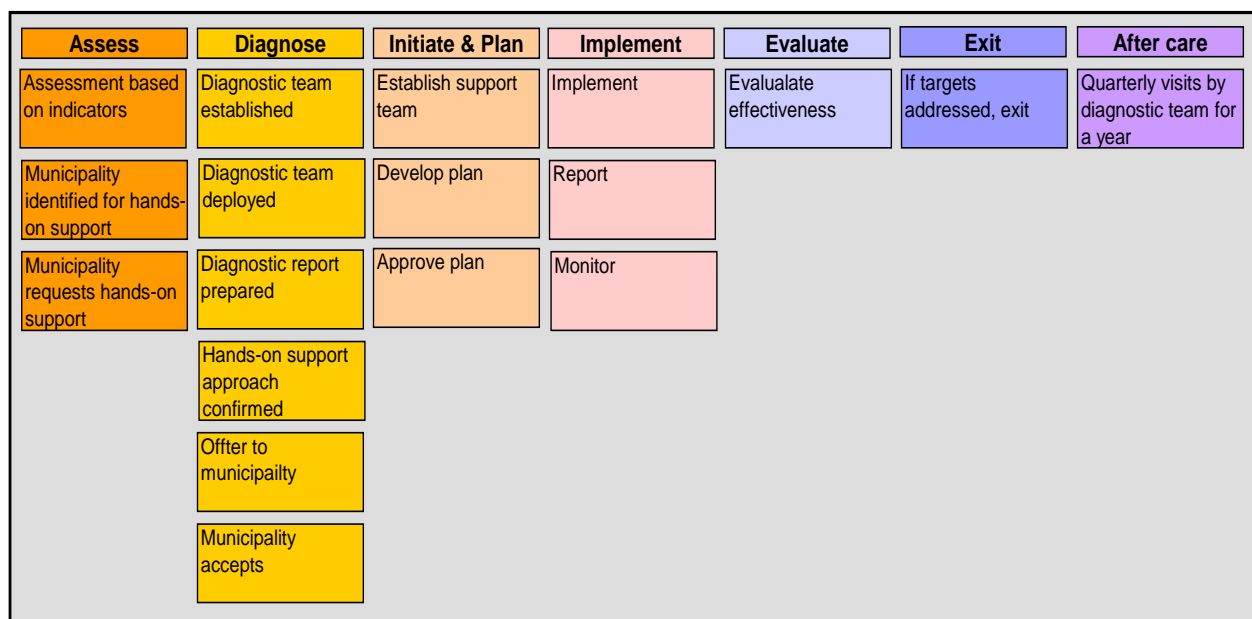
Intervention in response to a municipality having serious financial problems (financial recovery plan). This is also managed by the MEC for Local Government. This intervention is discretionary in nature.

Intervention in response to a municipality failing to adopt a budget or revenue-raising measures. This type of intervention is managed by the MEC for Finance. This intervention is compulsory in nature.

Intervention in response to a municipality experiencing a crisis in financial affairs. This is also managed by the MEC for Finance and is mandatory.

The relationship between intense support and intervention is a very close one. Generally, the first step in intervention is to provide intense support which could later warrant intervention should such support not achieve the desired results.

A diagrammatic illustration of the Single Window of Coordination Implementation Plan is given below:



Following is an explanation of the steps of the implementation plan:

Assessment

This refers to an assessment, based on KPIs that will define where the municipality is located in terms of establishment, consolidation and sustainability and also whether it is characterised by certain other realities such as being a former cross-boundary municipality and having very high service delivery backlogs. Should it be identified to be having establishment related problems, it would become eligible for intense support.

The assessment would identify potential municipalities for intense or medium support. However, a municipality should also be able to request such support, even if it is not identified as initially qualifying. Such assessments are best undertaken by provincial governments with the support of district municipalities where such capacity exists. Assessments are therefore an authority function and part of monitoring and evaluation.

Diagnosis: The next step is to “zoom” into the problem through a detailed diagnosis. This stage is particularly critical as it will define the nature of support provided. A diagnostic team should be constituted which includes expertise in the political, strategic and operational aspects of municipal performance. The process for this phase should include:

Establishment of the diagnostic team (local government practitioners/ consultants/ experts etc.): Visit to the municipality by the diagnostic team. This should include meetings with officials, politicians and review of available secondary information and cover areas of individual capacity, organisational capacity and broader environmental constraints.

Report and recommend. A report should be prepared by the team based on benchmarked indicators with a final recommendation of whether hands-on support is the most appropriate form of support. If it is required, a detailed TOR should be developed.

Offer support to municipality. Once approved, a letter should be written to the municipality advising it of the recommendations of the diagnostic team and making an offer of hands-on support, the associated TORs and the roles and responsibilities of parties.

Acceptance. The municipality would then accept (or decline) the offer of hands-on support. Should the municipality decline, the MEC’s office should be communicated with to advice on the most appropriate form of action.

Diagnosis can be undertaken by a team of specialists, either part of government, or contracted by government for this function.

(iii) Initiation and planning: Establish support team, based on the skills required by the diagnosis, a hands-on support team should be established by government and contracted to it, drawing people (or one person) from the various support providers (public, parastatal, private). If a team of more than two is required, it should be headed by a project manager who will be accountable for the overall performance of the team. Clear contracts are required in this regard.

Develop a plan. The team will then need to draw up a plan, in collaboration with the municipality, to address the issue raised in the diagnostic report, in the context of nationally defined norms and standards and in the context of the IDP. There are many potential names for such plans, but what is important is that it builds on the IDP (generally the institutional component). The plan should include clear outputs, timeframes, roles and responsibilities and monitoring processes.

This plan must be signed by all support role-players assisting the municipality. It must also be adopted by the Council.

(iv) Implementation (deployment)

Implementation of the plan will require a particular approach which acknowledges the need for quick wins, an initial focus on showing through doing, building new systems, recruiting the necessary staff, building the capacity of such staff and then preparing for exit.

Throughout this process, reports should be submitted to both the municipality and province (as authority for support) and institutions from which supporters are contracted.

These reports will form the basis of monitoring to be undertaken at the provincial (or district) levels.

Implementation is undertaken by the team deployed which would typically be contracted to government.

(v) Evaluation

Before the deployed team is withdrawn, an external evaluation should be conducted to assess whether all outputs have been achieved.

(vi) Exit

If the evaluation team confirms the achievement of outputs, the team should then prepare for exit.

(vii) Sustainability

Quarterly visits should be undertaken by the diagnostic team for a year after the support has been withdrawn to assess progress. Should the municipality's performance deteriorate (based on the indicators discussed above) to levels that require hands-on support, it would then be subjected to such support again.

(Source: Framework for Hands-on Support, dplg, 2007)

Annexure 15: OCA Evaluation Report Comments and Responses Tables

Table 50 Draft Evaluation Report Steering Committee Comments template

1. Report: Evaluation of Operation Clean Audit: Eastern Cape
2. Stakeholder Organisation:
3. Stakeholder Contact Person:
4. Date comments submitted: X April 2105

REPORT PAGE	RELEVANT CONTENTS BEING COMMENTED ON	COMMENT AND PROPOSED CHANGE TO BE MADE	CHANGE MADE BY SERVICE PROVIDER
	1.		
	2.		

Table 51: Recommendations validation table

Original Recommendation	Proposed change in report	Change made to the report
R1 In the short term while ongoing discussion takes place between PT and CoGTA EC to clarify support approach and roles etc. it may be necessary to agree on an immediate support plan per municipality outlining what support PT and CoGTA will provide to each municipality in the Province for the 2015/16 financial year. The production of coordinated Municipal Support Action Plans for 2015/16 could be one of the responsibilities of the proposed Municipal Support Committee below (see R2).		
R2 Coordination begins with coordinated planning and it is imperative that a coordinated approach to developing the 2016/17 APPs begins as soon as possible as this provides the performance framework for management of both Departments. To assist this process either a Joint P/ CoGTA EC Municipal Support Committee should be established (or if there is an existing committee which can serve this purpose then that should be used) to identify actions to improve the coordination of municipal support between PT and CoGTA EC and other role-players in the Eastern Cape.		

<p>R3 Senior management from PT and CoGTA need to meet between monthly and quarterly to oversee the change process of support approach and role clarification and agreement. Monitoring reports highlight progress with implementation of Municipal Support Action Plans also need to be submitted to this joint management structure and strategic issues regarding constraints and proposed transversal solutions should be included in these monitoring reports.</p>		
<p>R4 Clarification and agreement is first needed on an overarching municipal support approach, model and process between PT and CoGTA including streamlining municipal assessments and monitoring and reporting processes. The PT and CoGTA support approach should include various options for providing support in addition to District Support Centres, such as dedicated and specialised municipal help lines for specific issues such as elections support, legal support, SCM support, accounting support etc. (with detailed implementation of these help lines in terms of processes to be followed, required skills to be in place etc. to build on lessons identified from the Western Cape regarding municipal help lines).</p>		
<p>R5 Clarification and agreement is then needed on specific municipal support roles between PT and CoGTA EC as well as between the various Directorates within CoGTA EC as well as District Municipalities. Structures and processes need to be put in place whereby the support plans of each role-player are discussed both at an overall National/ Provincial level, as well as at a municipal specific level. It would be good practice to record this agreement in a formal document which is approved by the relevant structures including Provincial Cabinet. It is possible that these roles may need to be phased in with certain roles agreed for the 15/16 financial year and a slightly different set of roles agreed for the 16/17 year etc. as certain financial management support roles shift from CoGTA to PT (Annexure 3 provides the MFMA context</p>		

for specific departmental roles however this needs to be supplemented with the Municipal Systems and Structures Act relevant provisions impacting on Departmental roles). Key informants interviewed indicated that PT's roles should include responsibility for municipal SCM support.		
R6 Clarification and agreement is also needed on the roles to be played by various inter-governmental coordination structures within the overall municipal monitoring and support process including the monitoring of individual Municipal Support Action Plans in District inter-governmental forums attended by representatives of both PT and CoGTA.		
R7 A set of coordination and inter-governmental structures and processes will need to be agreed at Provincial level and which rationalises the reporting needs of both CoGTA (national and provincial) and Treasury (national and provincial) to minimise the reporting burden on municipalities. Ideally The Eastern Cape Province (PT and CoGTA) can conduct a rapid learning review tour of the Western Cape to identify lessons and good practices to inform the refinement of the Eastern Cape's municipal support intergovernmental structures and processes. As part of these inter-governmental monitoring processes, municipalities will be required to report progress with implementation of the MSAPs and all Provincial officials will be present to assist in refining their support on an ongoing basis.		
R8 PT and CoGTA need to design/ develop joint municipal monitoring and reporting processes which are strongly aligned to strengthened inter-governmental structures and processes.		
R9 Only once clarity and agreement has been achieved on issues covered by R2-R6 should PT and CoGTA municipal support staffing and budget issues begin to be addressed, including the allocation of staff to District Support Offices. Strategy and approach should inform structure. As part of this process the possibility of PT		

and CoGTA sharing District Offices should be explore to improve the cost effectiveness of Provincial Government's District Support Services. The Department of Public Works needs to be part of this process and there may be a need to form a PT/ CoGTA/ DPW inter-departmental committee to coordinate the process of strengthening District Support Offices.		
R10 All role-players need to agree to use the results of the FMCMM assessment (which should now just be available from NT/ PT) and agree to developing ONE Municipal Support Action Plan (MSAP) per municipality. A format for these support plans needs to be agreed between PT and CoGTA and which should ideally include short (0-1 year), medium (1-3 years) and long term (3-5 years) actions with the primary implementation responsibility of each role-player for each action clearly indicated. These action plans should include all areas of financial management, namely Management accounting (planning and budgeting); Revenue management; Expenditure management; Asset management (movable and immovable); Financial accounting; Supply chain management; Internal control; Enterprise risk management; Internal audit. These action plans then need to be formally agreed with municipal management and submitted to Council for approval and included in Municipal IDPs.		
R11 This evaluation report to be communicated to all Eastern Cape municipalities on the basis of a joint PT-CoGTA communication plan.		
R12 CoGTA EC to ensure that the municipal monitoring system and processes include key performance indicators which accurately reflect the effectiveness of the internal audit, risk management, and MPAC structures.		
R13 CoGTA EC to consider developing a proposal on legislative amendments to the Municipal Structures Act to accord MPACs formal committee status and to		

ensure their roles are clear and established in legislation. Actions to ensure that all MPACs are properly resourced with research and administrative capacity need to be identified and implemented by CoGTA.		
R14 Steps need to be taken to evaluate and improve the effectiveness of fraud reporting and investigation processes in the Province which include an evaluation of the effectiveness of the Provincial government's fraud hot line reporting process. CoGTA also to take steps to ensure that all municipalities have approved fraud prevention and anti-corruption policies in place as well as the resources and processes required to effectively implement these policies.		

Management Response format

Date: 28 April 2015

Table 52 Evaluation Report Management Response Template

Recommendation	Accept/Partially Accept/Reject	Action already taken	Action to be taken	Target date
Recommendation 1:	Accept			
Recommendation 2:				
Recommendation 3:				
Recommendation 4:				
Recommendation 5:				
Recommendation 6:				
Recommendation 7:				
Recommendation 8:				
Recommendation 9:				

Recommendation 10:				
Recommendation 11:				
Recommendation 12:				
Recommendation 13:				
Recommendation 14:				

Annexure 16: Evaluation Report Validation Workshop Agenda and Guidelines

Validation Workshop on Findings of the ABC Evaluation

Date:

Time: 08:00– 16:30

Venue: tbc

Objectives

By end of the workshop participants have validated and added to the findings and recommendations

Time	Item	Item	Responsible
08.00		Coffee and registration	
08.30	1	Welcome and process	Chair:
	1.1	Objectives and flow of the day	
	1.2	Introductions	Chair
08.45	2	Overview of the evaluation	
	2.1	Overview of the evaluation – background, TORs and process	Client
9.00	3	Evaluation findings and recommendations	
9.50	3.1	Overview of methodology Presentation of evaluation findings and recommendations	Impact Economix
10.50		Coffee	
11.10	4	Group work on findings and recommendations	Client
	4.1	Introduction to the group task	Client
	4.2	Groups work on sections of the report covering both findings as well as recommendations : <ul style="list-style-type: none"> Recommendations A-B Recommendations C-D 	All
13.00		Lunch	
14.00		Continue	
	5	Report back	Chair:
14.30	5.1	Groups report back on the emerging TOC, accuracy of the findings and relevance of the recommendations- and implications for future PIs	
16.20	7	Way forward and closing	Client

Group Task

Background

The group session is where detailed work is to be carried to validate and enrich the findings. Participants members will be allocated to a group dealing the following elements of the report:

Group 1

- Recommendations A-B

Group 2

- Recommendations C-D

Group 3

- Recommendations E-FB

Roles and responsibilities within each group

1. Decided on who will be allocated the role of:
 - a. facilitator, and
 - b. someone to take detailed notes.
 - c. someone to do the report back
2. Each group will be given power point slides relating to their section of the report A resource person presents the findings and recommendations of these sections (15 mins)
3. Have a general discussion on the picture emerging (15 mins)
 - a. Go through the findings and recommendations one by one asking:
 - b. Does the finding make sense
 - c. Is the recommendation appropriate to the finding – is it realistic and will it make a difference
 - d. The rapporteur should capture major issues, the secretariat should make detailed changes
4. Draw out what seem to be the major comments to report back on:
 - a. Overall do you agree with the thrust of this part of the report
 - b. What are major changes to the findings/recommendations you would like to see (if any)

Annexure 17: Evaluation Improvement Plan draft Workshop Agenda and guide

Workshop to develop Improvement Plan

Background

The last stage of an evaluation under the National Evaluation System is developing an improvement plan, whereby the agreed findings and recommendations are translated into actions.

The management response has now been received. This workshop will develop the improvement plan for submission to Cabinet.

Objective

By the end of the workshop, we should have developed an improvement plan XXX..

Participants

Identify all key officials required to participation.

Time	Session	Objective	Responsible
	DATE		Chair:
8.00	Coffee and registration		
8.30	Welcome Objectives, introductions		
8.45	Outline programme and flow	Participants understand the flow of the day	
9.00	Outline of process, findings and recommendations	Participants understand the process, findings and recommendations	Service Provider
10.00	Agree concept for the improvement objectives (not detailed wording) and the main outputs around role of Presidency, cluster secretariats, cluster leadership, number of meetings	Participants have agreed the overall objectives and generated ideas for the outputs	
10.45	Coffee	Allocate groups	
11.05	Continue		
12.00	Introduction to work in groups	Groups understand what they have to do	
12.05	Break into groups dealing with the improvement objectives identified previously	Groups have produced the Improvement Plan	
13.00	Lunch		
13.45	Continue	If time they can start on some content elements	

Time	Session	Objective	Responsible
	Tea in groups		
15.40	Update on where groups are at and issues emerging issues which may need discussion in plenary	Any issues which need resolution in plenary have been identified	
16.25	Closing for the day		
	DATE		Chair
8.00	Coffee		
8.30	Introduction to the day	Participants understand the flow of the day	
8.40	Reflections on yesterday	Participants have reflected on how they are feeling about the plan	
9.00	Discussion of issues which need resolving in plenary	Issues requiring addressing in plenary are resolved	
10.00	Groups continue	Groups have completed their section of the Improvement Plan and are working on content agendas.	
11.00	Coffee		
11.15	Feedback from groups validating/adding to what each has produced (5 minutes per recommendation)	The contributions to the plan have been validated	
13.00	Lunch		
13.45	Continue		
15.00	Tea		
15.15	Discussion on managing the Improvement Plan: <ul style="list-style-type: none"> • What structure • Any dedicated team • Phasing • Budget 	How the Improvement Plan will be managed has been agreed	
16.00	Way forward	The next steps to submit to Cabinet and taking the Improvement Plan forward have been identified	
16.30	Closing		

Group Task – Drafting the Improvement Plan

Background

Groups are allocated into the following:

- KEY EVALUATION THEMES
-

Purpose

The purpose of the task is for groups to have produced the Improvement Plan for the specific improvement objectives they are dealing with.

Tasks

- 3.1 Facilitator has been allocated.
- 3.2 Group selects rapporteur to write on flip chart and secretary to capture on computer
- 3.3 Facilitator runs through the task and ensures all understand it
- 3.4 Then read recommendations and improvement objectives allocated and make sure all understand these (10 mins)
- 3.5 For the first objective, check the wording of the improvement objective and make changes as needed (10 mins)
- 3.6 Brainstorm why things are not working well. Is there some new insight to add to the evaluation which we need to take account of as we plan how to improve things?
- 3.7 Then check the outputs suggested in plenary and adjust as needed (check with Ian when this has been done, so we are sure outputs are OK before proceeding)
- 3.8 Then work on completing the table for each output – the activities needed, whom, when etc
- 3.9 While you are doing this flag any issues which need to be discussed in plenary for discussion in the afternoon
- 3.10 If you have an issue where you need to confer with someone in another group, do so
- 3.11 By 15.30 check the issues you have raised to be mentioned as needing to be resolved in plenary

You have about 4 hours in total, 3 hours on Tuesday, 1 hour on Wednesday.

4 Resources

- Blank format for the Improvement Plan
- Copy of the Evaluation of Government Coordination Systems
- Printed document summarising the recommendations and improvement objectives

Grouped recommendations and improvement objectives for XXX

Improvement Objective/outputs	
1	Strengthen role of Presidency to support clusters

Annexure 18: Improvement Plan Format Template

The Presidency has issued a guideline for improvement plans available at <http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CB0QFjAA&url=http%3A%2F%2Fwww.thepresidency-dpme.gov.za%2Fkeyfocusareas%2FEvaluationsSite%2FEvaluations%2FGuideline%25202%25202%25206%2520Improvement%2520Plan%252013%252005%252029.pdf&ei=yUMZVbvNDYTB7gaLmICYBg&usg=AFQjCNGRLKbeWi7oMT7bpLjKP9JwdcPq-w>

The improvement plan template is as follows: This improvement plan must be submitted to Cabinet for approval.

Improvement Objective 1								
Outputs to achieve the objective	Priority L/M/H	Activity to achieve output	Person/institution responsible	By when? (Deadline)	Target	Embedde d where	Budget available	Current situation/ Progress Report

Annexure 19: OCA Evaluation Steering Committee Comments on draft OCA Evaluation Report and Service Provider Responses

Comments were received from the following three OCA Evaluation Steering Committee members and which are reflected below, together with service provider responses regarding what changes have been made to the report:

1. Eastern Cape Provincial Government: Provincial Treasury: Chief Director: Municipal Finances: Thomas Sesele.
2. Eastern Cape Provincial Government: CoGTA: OCA Project Office Coordinator: Sibongile Nkosi.
3. SALGA: Specialist: Municipal Governance: Sonwabo Gqegqe.

1. Stakeholder Organisation: CoGTA

Stakeholder Contact Person: Sibongile Nkosi

Deadline for comments to be submitted: 22nd April 2105

REPORT PAGE	RELEVANT CONTENTS BEING COMMENTED ON	COMMENT AND PROPOSED CHANGE TO BE MADE	CHANGE MADE BY SERVICE PROVIDER
Page 14, bullet no 04 - (Findings on OCA approach and model...)	OCA was established as a separate not falling under CoGTA EC but under its own GM/CD reporting to the HoD.	Yes, OCA was established as a separate chief directorate but it remained under CoGTA-EC and the GM reported directly to the DDG not the HoD. It is proposed that the statement be rephrased accordingly.	Change made.
Page 15 – (Types of support provided)	Types of OCA Support Provided	OCA had 5 functions as mentioned in the slide (from no 01 to 05). Secondly, OCA officials had various expertise which were referred to as focus areas and these 5 functions were performed under each focus area. Focus areas were 11 initially and reduced to 8 at a later stage. On the slide in question they are reflected as from no 06 but they need to be shown appropriately (please see attached document to assist).	Change has been made.
Page 16 – bullet no 02 (How were OCA support	More detailed investigation or assessment to the root causes of the audit findings were not conducted resulting in OCA support	Please consider rephrasing this statement because support that was provided to municipalities which had no officials was not as a result of lack of assessments	I have amended this paragraph as follows: “OCA support covered a wide range of

areas identified and support provided)	allocated in municipalities where there were no municipal officials...	on audit finding root causes. OCA was mandated to support all municipalities that had received disclaimers or adverse not choose municipalities according to audit finding root causes. However, the model was refined at a secondary level to focus intensively on municipalities that shown commitment by requesting the support.	support areas which were generally identified at a municipal level after reviewing the municipal audit action plans. More detailed investigations or assessments into the root causes of the audit findings were apparently not conducted by OCA according to informants interviewed. These root causes sometimes related to the lack of municipal financial management staff at either or both a senior and lower levels. Because OCA was mandated to support municipalities receiving disclaimer or adverse audit opinions, OCA support resources were sometimes allocated to municipalities where there were no human beings/ municipal officials to be supported in some cases.”
Page 18, bullet no 01	If a municipality moved from a disclaimer to an adverse or qualified OCA support was terminated...	Please note that municipalities with adverse were also under OCA. Please rephrase accordingly.	Change made.
Page 20	Main heading: Other financial management interventions	As suggested during the workshop, the statement under this heading should be revised accordingly or removed because OCA didn't contribute to the 69 mil reflected as an expenditure on consultants.	<p>The report does not state that OCA contributed to the R69 mil. The 6 munis spent on consultants for financial management. The municipalities spent these funds completely separate from OCA. The report has however modified this paragraph to reflect some of the possible reasons why municipal expenditure on financial management consultants has grown in recent years as follows:</p> <p>“There are various possible reasons for</p>

			<p>the growth in municipal expenditure on consultants to assist with financial management and it is not possible to identify the main reason within the scope of this evaluation without looking in detail at exactly what consultants were appointed to do. Possible reasons for this growth include that some municipalities do not have the expertise to use their new financial systems and relay on consultants to produce financial reports and perform basic functions such as producing payroll slips etc., challenges with producing GRAP compliant asset registers, challenges with producing Annual Financial Statements, as well as the possibility that existing support initiatives (which include MFIP, CFO Support Programme, and OCA) were insufficient to meet all municipal financial management support needs.</p>
Page 21, bullet no1	<p>Main Heading Other Strategies/Initiatives similar to OCA – bullet no 01: Back to Basics</p>	<p>Back to Basics was launched in the province in November 2014, and OCA term ended in March 2014 although the Unit was disbanded in November 2014. It is therefore clear that the two didn't coexist. Please consider removing B2B or rephrase the heading. It is important to verify if all the initiatives mentioned under the heading coexisted with OCA.</p>	<p>You have misread or mis understood the report. One of the evaluation questions in the TOR is to identify any existing initiatives which are similar to or related to OCA and which are relevant to streamlining and coordinating support moving forward into the future. The report section is titled "3.1.1 Existing strategies and initiatives similar to or related to OCA". Given the above, it is</p>

			clearly relevant to discuss Back to Basics which is the national CoGTA approach to supporting municipalities.
	Main Heading- Conclusions: OCA approach and process and municipal ownership, bullet no 04 which says OCA quarterly progress reports are merely lists of actions taken per municipality...	This statement is correct. However, it should be noted that these reports referred to were merely annexures to departmental quarterly performance reports. Reports that contain strategic analysis were done in form of presentations which were delivered in various platforms such as PAICC, Developmental Local Gov Brach Quarterly Review sessions, MuniMEC, SALGA Finance Working Group, G&A Cluster and other relevant structures. May I propose that this be reflected to paint an accurate and holistic picture.	Agreed. The following sentence has been added at the end of this paragraph: "However, OCA presentations with more strategic analysis were made in selected inter-governmental structures such as the PAICC, CoGTA internal quarterly review meetings etc."
	Conclusions – Bullet no 1 (Only one in the slide)	Please revise as per workshop discussions (The word "loose" to be replaced).	The word has been replaced with "less consistent".

2. Eastern Cape Provincial Government: Provincial Treasury: Chief Director: Municipal Finances: Thomas Sesele.

Update the information on the PT CFO Support Programme with information provided separately. RESPONSE: THIS HAS BEEN DONE.

Original Recommendation	Proposed change in report	Change made to the report
R1 In the short term while ongoing discussion takes place between PT and CoGTA EC to clarify support approach and roles etc. it may be necessary to agree on an immediate support plan per municipality outlining what support PT and CoGTA will provide to each municipality in the Province for the 2015/16 financial year. The production of coordinated Municipal Support Action Plans for 2015/16 could be one of the responsibilities of the proposed Municipal Support Committee below (see R2).		
R2 Coordination begins with coordinated planning and it is imperative that a coordinated approach to developing the 2016/17 APPs begins as soon as possible as this provides the performance framework for management of both Departments. To assist this process either a Joint P/ CoGTA EC Municipal Support Committee should be established (or if there is an existing committee which can serve this purpose then that should be used) to identify actions to improve the coordination of municipal support between PT and CoGTA EC and other role-players in the Eastern Cape.	Check R2 and R10 if they need to be linked.	Agreed. R10 has been integrated into R2 and R10 deleted.
R3 Senior management from PT and CoGTA need to meet between monthly and quarterly to oversee the change process of support approach and role clarification and agreement. Monitoring reports highlight progress with implementation of Municipal Support Action Plans also need to be submitted to this joint management structure and strategic issues regarding constraints and proposed transversal		

solutions should be included in these monitoring reports.		
R4 Clarification and agreement is first needed on an overarching municipal support approach, model and process between PT and CoGTA including streamlining municipal assessments and monitoring and reporting processes. The PT and CoGTA support approach should include various options for providing support in addition to District Support Centres, such as dedicated and specialised municipal help lines for specific issues such as elections support, legal support, SCM support, accounting support etc. (with detailed implementation of these help lines in terms of processes to be followed, required skills to be in place etc. to build on lessons identified from the Western Cape regarding municipal help lines).		
R5 Clarification and agreement is then needed on specific municipal support roles between PT and CoGTA EC as well as between the various Directorates within CoGTA EC as well as District Municipalities. Structures and processes need to be put in place whereby the support plans of each role-player are discussed both at an overall National/ Provincial level, as well as at a municipal specific level. It would be good practice to record this agreement in a formal document which is approved by the relevant structures including Provincial Cabinet. It is possible that these roles may need to be phased in with certain roles agreed for the 15/16 financial year and a slightly different set of roles agreed for the 16/17 year etc. as certain financial management support roles shift from CoGTA to PT (Annexure 3 provides the MFMA context for specific departmental roles however this needs to be supplemented with the Municipal Systems and Structures Act relevant provisions		

impacting on Departmental roles). Key informants interviewed indicated that PT's roles should include responsibility for municipal SCM support.		
R6 Clarification and agreement is also needed on the roles to be played by various inter-governmental coordination structures within the overall municipal monitoring and support process including the monitoring of individual Municipal Support Action Plans in District inter-governmental forums attended by representatives of both PT and CoGTA.		
R7 A set of coordination and inter-governmental structures and processes will need to be agreed at Provincial level and which rationalises the reporting needs of both CoGTA (national and provincial) and Treasury (national and provincial) to minimise the reporting burden on municipalities. Ideally The Eastern Cape Province (PT and CoGTA) can conduct a rapid learning review tour of the Western Cape to identify lessons and good practices to inform the refinement of the Eastern Cape's municipal support intergovernmental structures and processes. As part of these inter-governmental monitoring processes, municipalities will be required to report progress with implementation of the MSAPs and all Provincial officials will be present to assist in refining their support on an ongoing basis.		
R8 PT and CoGTA need to design/ develop joint municipal monitoring and reporting processes which are strongly aligned to strengthened inter-governmental structures and processes.		
R9 Only once clarity and agreement has been achieved on issues covered by R2-R6 should PT and CoGTA municipal support staffing and budget issues begin to be addressed, including the allocation of staff to District Support Offices. Strategy and approach should inform structure. As part of this process the possibility of PT and CoGTA		

sharing District Offices should be explore to improve the cost effectiveness of Provincial Government's District Support Services. The Department of Public Works needs to be part of this process and there may be a need to form a PT/ CoGTA/ DPW inter-departmental committee to coordinate the process of strengthening District Support Offices.		
R10 All role-players need to agree to use the results of the FMCMM assessment (which should now just be available from NT/ PT) and agree to developing ONE Municipal Support Action Plan (MSAP) per municipality. A format for these support plans needs to be agreed between PT and CoGTA and which should ideally include short (0-1 year), medium (1-3 years) and long term (3-5 years) actions with the primary implementation responsibility of each role-player for each action clearly indicated. These action plans should include all areas of financial management, namely Management accounting (planning and budgeting); Revenue management; Expenditure management; Asset management (movable and immovable); Financial accounting; Supply chain management; Internal control; Enterprise risk management; Internal audit. These action plans then need to be formally agreed with municipal management and submitted to Council for approval and included in Municipal IDPs.		
R11 This evaluation report to be communicated to all Eastern Cape municipalities on the basis of a joint PT-CoGTA communication plan.	What about communication of the report to the HODs of both PT and CoGTA EC as we discussed?	Agreed. This has been added to R11.
R12 CoGTA EC to ensure that the municipal monitoring system and processes include key performance indicators which accurately reflect the effectiveness of the internal audit, risk management, and MPAC structures.		
R13 CoGTA EC to consider developing a proposal	Check MPAC guidelines	R13 (now R12) has been amended as

<p>on legislative amendments to the Municipal Structures Act to accord MPACs formal committee status and to ensure their roles are clear and established in legislation. Actions to ensure that all MPACs are properly resourced with research and administrative capacity need to be identified and implemented by CoGTA.</p>		<p>follows: CoGTA EC to identify actions to strengthen the functioning of MPACs in collaboration with municipalities. These actions include, but are not necessarily limited to, actions which ensure that all MPACs are properly resourced with research and administrative capacity.</p>
<p>R14 Steps need to be taken to evaluate and improve the effectiveness of fraud reporting and investigation processes in the Province which include an evaluation of the effectiveness of the Provincial government's fraud hot line reporting process. CoGTA also to take steps to ensure that all municipalities have approved fraud prevention and anti-corruption policies in place as well as the resources and processes required to effectively implement these policies.</p>	<p>OTP is also a role player on fraud and corruption.</p>	<p>It was implied that OTP would need to commission this evaluation, however the recommendation has been strengthened and made clearer in this regard as follows:</p> <p>The OTP needs to commission an independent evaluation of the effectiveness of the fraud reporting and investigation processes in the Province and which includes the Provincial government's fraud hot line reporting process. In addition, CoGTA EC to take pro-active steps to ensure that all municipalities have approved fraud prevention and anti-corruption policies in place as well as the resources and processes required to effectively implement these policies. CoGTA EC's monitoring system for municipalities must include key indicators of the effectiveness of fraud and corruption</p>

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3. SALGA: Specialist: Municipal Governance: Sonwabo Gqegge (Email of 20th April 2015).

[Responses to the comments submitted are included here in italics]

Good morning Rae and thanks for your note. May I without substantively addressing each aspect of the report recommend that you address the following key aspects in the report:

a) **The link between the terms of reference and the final report:** in my view the report should address the following critical elements in order to pre-empt any questions towards its final content

1. In your first chapter I would propose you address your terms of reference and methodology. However, because your terms of reference may not have covered all what substantially is understood as OCA, please put OCA into context so that it is properly outlined and the report read within your terms of reference in mind NOT with the general understanding of OCA. Otherwise your findings are running a risk of being ignored and thus will fail to realise what is envisioned as the purpose of the evaluation.

[Section 1.1 contains the purpose of the evaluation from the TOR and 1.4 the evaluation questions from the TOR. The headings of these sections have been made clearer to refer to the TOR.]

2. Secondly, your report should be shortened to ensure that aspects are addressed in one part of the report at the moment, my reading of the report is that it meanders and regurgitates aspects in later parts when such have been addressed in earlier parts. For instance, lessons learnt and often these are not linked to findings. My suggestion is prepare this as a research report in that way you will be in a position to create the necessary continuum so that there is an inextricable link between the terms of reference, methodology, findings, lessons and recommendations with clear recommendations in terms of who is better placed to steer implementation of the recommendations.

[The report has been shortened. Lessons learnt are always linked to and flow from the findings in the report and in turn these inform the conclusions and the recommendations.]

3. Thirdly, I think your report is over-delivering on some aspects, repetitive on some and an external reader could take an issue with us in terms of tautology.
4. Lastly, I would include an executive summary that illuminates findings, lessons and recommendations so that for the leadership, we give them the essence in the summary in case they do not have appetite to read the entire report. Key aspects for me are:

[There is an executive summary and it has been refined to address some of your comments on the basis of the following responses]

- i. Development of a Municipal Support and Intervention Framework which is applicable to all spheres and all government departments across the two spheres

[While this might make sense, I think it is beyond the scope of this evaluation to make such a broad recommendation].

- ii. Institutionalisation of such a framework in how each department structures itself and allocates resources

[While this might make sense, I think it is beyond the scope of this evaluation to make such a broad recommendation].

- iii. Development of a district coordination model which is not ONLY about how COGTA intends to structure itself BUT about how the Provincial Government intends institutionalising a collaborative symbiotic support model and integrated approach for the local government sector.

[Agreed, I had made this point clearer in R4].

- iv. A concrete recommendation on the necessity of Provincial Planning and Treasury and COGTA to structure the two departments as dialectical inextricable single whole in terms of supporting municipalities on Municipal Finance and therefore distribution of capacity and allocation of resources for these functions.

[Agreed. I have made this point clearer in R4.]

- v. If possible, the report should not attempt to look at returns on investment as this may lead to useful political controversy for some which might overshadow the important recommendations of the report.

[The evaluation does not look at return on investment but instead looks at how OCA resources were utilised (which is one of the TOR evaluation questions and one of the areas where OCA lessons need to be learnt).]

- vi. The report should clearly provide on how the OTP should play its leadership role as a centre that coordinates complementary to the cooperative governance role played by COGTA in the provinces and this includes a possible reconfiguration of the content of matters discussed in MUNIMEC, PCF and the Governance Cluster.

[Agreed. A statement has been included to this effect in R2]

- vii. Lastly, for me, the report if it is not linked with existing support programmes, it runs the risk of being over shadowed by the status quo which we all agree requires reconfiguration, so a critical look at the existing programmes when addressing findings and lessons learnt as well as recommendations might accord this report the necessary recognition and consideration it should get...

[There is a whole section on existing support programmes and a number of recommendations include making linkages with existing support programmes including for example National Treasury's Financial Management Capacity Development Strategy and the need for all role-players to use the Financial Management Capability Maturity Model assessment to inform coordinated municipal financial management support provided by all role-players.]

I hope these are useful but please inform me if you would like a page by page point by point commentary, as I indicated I did go through the 270 pages and the presentation done last week.

Regards
Sonwabo Gqegqe