MUNICIPAL AUDIT SUPPORT PROGRAMME (MASP)

Towards improved accountability, governance and service delivery

Aug/Sep 2014
• SALGA aims to influence the improvement of the audit outcomes of Municipalities while maintaining a strategic balance between a focus on audit outcomes and service delivery/institutional viability.

• We plan to do this by focusing on the root causes and main risks of poor audit outcomes identified by the Auditor-General and basing our support on a multidisciplinary approach focusing on four pillars: Institutional Capacity, Financial Management, Leadership and Governance.

• The presentation covers our proposal for Municipal Audit support as well as the need for collaboration between SALGA, COGTAs, Treasuries and Local/District Municipalities.
Confirmation from AGSA that their Regularity Audit focuses on three aspects:

1. **Financial Statements** – Audit Opinion is expressed
2. **Predetermined Objectives or Performance Information** – Report factually on findings
3. **Compliance with Laws and Regulations** – Report factually on findings

SALGAs support to Municipalities therefore needs to cover all three aspects.
Overall audit outcomes over past five years

Net improvement

<table>
<thead>
<tr>
<th>Year</th>
<th>Unqualified with no findings</th>
<th>Unqualified with findings</th>
<th>Qualified with findings</th>
<th>Adverse or disclaimer with findings</th>
<th>Audits outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>9% (30)</td>
<td>41% (138)</td>
<td>25% (84)</td>
<td>20% (67)</td>
<td>5% (16)</td>
</tr>
<tr>
<td>2011-12</td>
<td>5% (16)</td>
<td>43% (144)</td>
<td>22% (73)</td>
<td>29% (96)</td>
<td>1% (3)</td>
</tr>
<tr>
<td>2010-11</td>
<td>5% (18)</td>
<td>47% (155)</td>
<td>19% (61)</td>
<td>29% (96)</td>
<td></td>
</tr>
<tr>
<td>2009-10</td>
<td>5% (15)</td>
<td>45% (147)</td>
<td>21% (68)</td>
<td>29% (94)</td>
<td></td>
</tr>
<tr>
<td>2008-09</td>
<td>1% (4)</td>
<td>45% (145)</td>
<td>17% (53)</td>
<td>37% (118)</td>
<td></td>
</tr>
</tbody>
</table>
SIX RISK AREAS to be focused as raised by AG

- Scm
- Quality Of Performance Reports
- Hr Management
- Quality Of Submitted Financial Statements
- It Controls
- Financial Health
THREE OVERALL ROOT CAUSES THAT ARE CRITICAL SUCCESS FACTORS TO BE ADDRESSED:

1. Slow response by the political leadership in addressing the root causes or risk areas identified by the AG of poor audit outcomes

2. Lack of consequences for poor performance and transgressions

3. Key positions vacant or key officials lacking appropriate competencies
SALGAs overall objective for the MASP is:

- To support Municipalities who have qualified or worse audit outcomes in order to gradually improve and sustain these improvements to their audit outcomes AND
- To also support Municipalities with unqualified audit outcomes in order to maintain and sustain their audit outcomes.

SALGAs main focus in commencing with the MASP is on municipalities with Adverse or Disclaimer opinions as well as those municipalities whose audits were not finalised by the legislated deadline based on the 2012/2013 AGSA audit outcomes (Red Zone municipalities).

- These number 79.
SALGAs MASP follows a Multidisciplinary approach that is based on 4 Pillars.

- We believe that **all** four pillars in a Municipality need to be strong and functioning effectively in order for a Municipality to obtain and sustain unqualified audits and good service delivery.
- SALGA is confident that the MASP based on the 4 Pillars of Support cover the risk areas and root causes identified by the AGSA as well as the three aspects audited.
PILLARS OF SUPPORT

Institutional Capacity

Vacancies
- Recruitment and Retention policies and practices

Competencies
- Skills Audits
- Competency Assessment tools
- Assistance with PDPs
- Monitoring MCF

PMS
- Policies
- Systems
- Procedures
- Training
PILLARS OF SUPPORT

Financial Management

- SCM
  - Policies
  - Procedures
  - Controls
  - Contract Management
  - Record Keeping

Expenditure/Asset Management

- Asset Register
- Asset Classification
- GRAP 17
- Receivables and billing systems
- Provisions
- Record keeping

Financial, Compliance and Performance Reports

- Monthly/Quarterly Budget Statements
- GRAP AFS
- IYM – MFMA
- Compliance monitoring
- Financial Discipline
- Use of consultants
- IDP and SDBIP
Leadership

- Political and Administration
- Executive coaching
- Councillor induction and ongoing training
- SMIP
- Embedding and reinforcing Councillor Handbook
- On going technical support
- SCLG
- Consequence Management framework linked to appropriate regulations
The SALGA Centre for Leadership and Governance (SCLG) is aimed at building strong and sustainable leadership and leadership pipelines that is able to advance the vision and objectives of local government through the delivery of skills based and thought leadership programmes.

To equip leaders with abilities manage, govern competent municipalities, by amongst others, effectively responding to good governance objectives, such as good audit outcomes as an articulated contribution to the Municipal Audit Support Programme.

To offer the best programmes, and learning materials via a well-coordinated, cohesive, sustainable development drive, to fully equip the various, technical, leadership and managerial needs of municipalities.
As part of efforts to build municipal institutional capacity, plans are underway to implement an Executive Leadership and Coaching Programme which is targeted at municipal political and administrative leadership.

The purpose of the ELCP is to provide an experiential and coaching based learning platform for municipal leaders to formulate sound strategies and effectively respond in terms of their leadership and oversight responsibilities to achieve good governance in municipalities.
PILLARS OF SUPPORT

Governance

Internal Audit
- Operational Capacity
- Training
- Role and respect

Oversight
- Structures created
  - AC
  - MPAC
- Functionality of MPAC to be improved
- Recommendations to be duly considered by council

ICT
- ICT Governance Framework
- IT controls
<table>
<thead>
<tr>
<th>Province</th>
<th>No. of Munics</th>
<th>Munics with MPAC’s</th>
<th>Munics with Audit Committees*</th>
<th>Munics with Internal Audit Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC</td>
<td>45</td>
<td>45 100%</td>
<td>44 98%</td>
<td>44 98%</td>
</tr>
<tr>
<td>FS</td>
<td>24</td>
<td>24* 100%</td>
<td>23 96%</td>
<td>24 100%</td>
</tr>
<tr>
<td>GP</td>
<td>12</td>
<td>12 100%</td>
<td>12 100%</td>
<td>11 92%</td>
</tr>
<tr>
<td>KZN</td>
<td>61</td>
<td>61 100%</td>
<td>61 100%</td>
<td>61 100%</td>
</tr>
<tr>
<td>LP</td>
<td>30</td>
<td>30 100%</td>
<td>30 100%</td>
<td>30 100%</td>
</tr>
<tr>
<td>MP</td>
<td>21</td>
<td>21 100%</td>
<td>21 100%</td>
<td>21 100%</td>
</tr>
<tr>
<td>NW</td>
<td>23</td>
<td>23 100%</td>
<td>22 96%</td>
<td>23 100%</td>
</tr>
<tr>
<td>NC</td>
<td>32</td>
<td>32 100%</td>
<td>24 75%</td>
<td>28 88%</td>
</tr>
<tr>
<td>WC</td>
<td>30</td>
<td>24 80%</td>
<td>30 100%</td>
<td>26 87%</td>
</tr>
<tr>
<td>National</td>
<td>278</td>
<td>266 98%</td>
<td>267 96%</td>
<td>268 87%</td>
</tr>
</tbody>
</table>

* Some in the form of shared services
# Audit Committee for oversight
COLLABORATION AND ACCOUNTABILITY
PANEL OF EXPERTS

- In order for SALGA to provide customised hands-on support to selected Municipalities and to provide the transversal initiatives to ALL Municipalities in a coordinated manner we envisage the establishment of a panel of experts:
  - Internal Panel (MF, IGR, MID, MIS, EDP, IA, RM and OCEO)
  - External Panel (Professional Bodies, Professional Accounting firms, Consulting firms, Donors, Other groupings)
- SALGA will also establish a steering committee to be chaired by the Director: Municipal Audit Support which will include membership of all the representatives from the internal panel and will from MF also include the Cluster Managers. External panel representatives will be invite only when needed.
PANEL OF EXPERTS

- SALGA has been meeting with external stakeholders in order to firm up commitments and agree on collaboration. This will continue intensively during August and September 2014. We will continuously engage with interested stakeholders but will be clear on our expectations.

- We plan to enter into MoUs with the stakeholders that we are keen to work with as we feel that the relationship needs to be formalised so that we show commitment by both parties. This also assists with clarifying the scope and expectations while we can also measure against the agreed MoU.
KEY CONSIDERATIONS

- Ultimate accountability rests with Municipalities themselves and this needs to reinforced and confirmed to and by the Municipalities themselves. Without this acknowledgement any support will not have effective results.

- Collaboration with Treasuries and COGTAs is vital – Aim to formalise this by means of MoUs Nationally, per Province and a support agreement per Municipality selected for customised support.

- The role of Local/District Municipalities (where they are fairly strong) is also vital from a support and coordination role that they should play to Local Municipalities within their District. The establishment and rollout of shared Audit Committees and shared Internal Audit functions under the control and direction of the District Municipality will be championed.
KEY CONSIDERATIONS

- 2013/2014 Audit Cycle in progress – key issues that may impact current audit cycle and future cycles:
  - ICT Governance Framework
  - Financial Misconduct Regulations
  - SALGA Wage Curve Agreement
  - SCOA Regulations
  - Changes in GRAP Reporting Framework
  - Development and rollout of SALGA’s Consequence Management Framework

- SALGA will keep municipalities up to date with all the developments happening in these areas and where required will also assist or facilitate the rollout of training on the new Regulations and Standards.
SALGA is planning to roll out the following transversal initiatives for the 2015 and 2016 financial years of SALGA (some may become recurring annual events):

<table>
<thead>
<tr>
<th>INITIATIVE</th>
<th>PLANNED DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training workshops on understanding Local Government for audit trainees</td>
<td>August 2014 pilot in WC and thereafter in other provinces</td>
</tr>
<tr>
<td>who audit Municipalities for and on behalf of the AGSA</td>
<td></td>
</tr>
<tr>
<td>Records Management training and Development of Consultant Management</td>
<td>3rd quarter 2014</td>
</tr>
<tr>
<td>Framework</td>
<td></td>
</tr>
<tr>
<td>ASB Workshops in conjunction with SAICA and the ASB</td>
<td>Oct 2014</td>
</tr>
<tr>
<td>Audit Committee training in conjunction with the PSACF</td>
<td>3rd quarter 2014</td>
</tr>
<tr>
<td>Internal Audit training and support in conjunction with the IIASA</td>
<td>On going</td>
</tr>
<tr>
<td>MPAC induction training, refresher training and on going technical support</td>
<td>On going</td>
</tr>
<tr>
<td>Councillor Induction Training, refresher training and on going technical</td>
<td>On going but big induction planned in 2016</td>
</tr>
<tr>
<td>support</td>
<td></td>
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</tbody>
</table>
## HANDS ON SUPPORT ROLL OUT STEPS

<table>
<thead>
<tr>
<th>INITIATIVE</th>
<th>PLANNED DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finalise internal coordination within SALGA – APEX Meetings and establishment of Steering Committee</td>
<td>August/September 2014</td>
</tr>
<tr>
<td>Discussion with NT and COGTA on details of MASP and firming up collaboration nationally as well provincially (MoUs)</td>
<td>September/October 2014</td>
</tr>
<tr>
<td>Discussions with Professional Firms, Donors and Professional Bodies on areas of partnership and firming up commitments.</td>
<td>Aug/Sep/Oct 2014</td>
</tr>
<tr>
<td>Diagnostic analysis and discussions to finalise support plan agreements at all 79municipalities selected for support. Council resolution on MASP will be requested.</td>
<td>Oct 2014 to Mar 2015</td>
</tr>
<tr>
<td>Deployment of support to Municipalities</td>
<td>Mar 2015 onwards</td>
</tr>
<tr>
<td>Development and roll out of an M&amp; E Framework for MASP</td>
<td>3rd quarter 2014</td>
</tr>
</tbody>
</table>
Overall audit outcomes next four years

Picture we want to see emerging

TARGETED TREND

- **Unqualified with no findings**
- **Unqualified with findings**
- **Qualified with findings**
- **Adverse or disclaimer with findings**
- **Audits outstanding**
QUESTIONS and /or COMMENTS?
THANK YOU