



**Department of Co-operative Governance & Traditional Affairs**

# **OPERATION CLEAN AUDIT 2014 PROGRAMME**

**iLGM 13<sup>th</sup> Annual National Conference**

**18-20 November 2009**

# National Issues and Challenges

- Policy implementation: Compliance with the relevant legislation (MFMA, DoRA....)
- Political and administrative interface
- Intergovernmental fiscal relations
- Financial Management & Audit outcomes

# NATIONAL PROGRAMME AND INSTITUTIONAL CHALLENGES

**OPERATION CLEAN AUDIT 2014 PROGRAMME**

# INTRODUCTION

- Guided by our vision 'clean audits' by 2014
- Improve fiscal governance
- Financial management
- Strengthen accountability and improve service delivery

# GUIDING VISION

*“By 2014, all 283 municipalities and 9 provincial government departments must achieve clean audits on their Annual Financial Statements”.*

# PROGRAMME GOAL

*To provide assistance to all municipalities and provincial government departments in achieving **sustainable improvement systems** for maintaining quality financial statements and management of information.*

# DRIVERS OF THE CAMPAIGN

- Provincial Coordinating Committees
- Led by OPCA **AMBASSADORS** and supported by COGTA, Auditor General; Accountant General (National Treasury, Premiers' offices and Provincial Treasuries)

# PROGRAMME MILESTONES

No municipality and provincial department with Adverse and Disclaimer audit opinion	Between 2010 and 2011
60%: provincial departments and 283 municipalities achieving unqualified audit opinion	By 2012
75%: provincial departments and municipalities achieving unqualified audit	By 2013
100%: All 283 municipalities and provincial departments achieving unqualified audit opinion with no matters	By 2014

# Problem Statement

- Too many & different financial systems
- Poor record keeping
- Duplication of payments in some instances
- Indecisiveness *WRT* audit queries
- Lack of leadership
- Poor governance
- Poor financial management
- Inability to manage assets/infrastructure
- Financial management skills or *attitude* ?

# Challenges

- Leadership
- Governance
- Political oversight
- Record keeping
- Positive financial environment and reporting
- Audit management and performance contracts
- Positive risk management culture

# An Approach: OPCA

- Leadership
- Governance
- Political oversight

# Guiding Principles

- Accountable and decisive leadership: culture of reporting
- Transparency about public finances
- Credible information and record keeping
- Honesty and ethical conduct
- Governance, financial management and service delivery
- Robust financial systems to support operations and effective political oversight

# Coordination and Institutional arrangements: OPCA

- Establish PCC to implement 'Operation clean audit campaign'.
- Consists of provincial representatives from:
  - Cooperative Governance and Traditional Affairs
  - Premiers' offices
  - Provincial Treasuries
  - Business Executives (Auditor-General-provincial) and
  - SALGA, supported by National Treasury and National department ( COGTA)

# Reporting Parameters

**The following reporting parameters should be central tenets of the reports by the Coordinating Committee**

- Annual Comprehensive Analysis of issues contributing to negative audit outcomes
- Development of Province Wide and District Wide Audit Remedial Plans
- No of municipalities and provincial departments implementing Quarterly Financial Statements
- Quality of financial statements and timeous submission of financial statements to Auditor General
- Establishment and functionality of internal and Audit Committee
- Assessment of capacity of budget and treasury offices
- Capacity building and partnerships

# GOVERNANCE AND DISCIPLINE (1)

- Development of a comprehensive plan, OPCA and operational plan
- **Comprehensive plan**-detailing how the province will attend to provincial and municipal audit outcomes
- Political and Administrative interface?
- Discipline: 'Politics' within PCC ?

# GOVERNANCE AND DISCIPLINE (2)

- Decisive leadership about audit outcomes
- Decision making and accountability: Audit outcomes
- All managers: responsible for audit queries and audit outcomes not only CFO's
- Performance contracts: audit management
- Governance: Functioning AC and IA, including RM committees (*integrated risk management*)

# GOVERNANCE AND DISCIPLINE (3)

- Political oversight is the key!
- **Political oversight:**
  - SCOPAs
  - MPACs
  - Council
  - Portfolio committee on finance
  - Portfolio Committee on Co-operative governance and Traditional Affairs

# Example: MIG A-General relates Issues

- All MIG projects are VAT inclusive.
- Municipalities can reclaim the VAT paid on MIG projects
- VAT claimed back from SARS, must be re-allocated to other MIG projects.
- The VAT claimed back cannot be use for any other projects or functions within the municipality.
- The fund is still part of the MIG allocation.

# 2008/9 PFMA AUDIT OUTCOMES (ROAD SHOWS)

- Financial management (*asset management*) and reporting
- Effective leadership both political and administrative
- Role of CFO's (FM) and Programme Managers
- Governance: IA and AC and Management thereof
- Performance Audit/ Service delivery information
- Clean Audit? And the culture of an organisation

# The six "*Whats*" of asset management

- |  |                                      |
|--|--------------------------------------|
| 1. What do you own?                    | <i>Asset Register</i>                |
| 2. What is it worth?                   |                                      |
| 3. What is its condition?              | <i>Condition Assessments</i>         |
| 4. What is the backlog maintenance?    |                                      |
| 5. What is the remaining service life? | <i>Prioritising &amp; Scheduling</i> |
| 6. What do you fix first?              |                                      |

# RED FLAGS: AUDIT QUERIES

- Poor Record keeping
- Leadership and governance (AC/IA)
- Corrupt individuals
- Availability of key officials- *CFO?*
- Compliance with SCM policies
- Lack of FM skills
- Authority to spend
- Conditional grants-*payment of salaries*
- *Vat and interest on conditional grants*

# Critical Success Factors

- Appropriately skilled personnel
  - Basic relevant qualification
  - Appropriate experience
  - Training
- Sound control environment
  - Existence and effectiveness of internal audit and audit committee
  - Proper functioning risk management
  - Correct tone at leadership level
- Vigilant administrative & political leadership awa oversight
- Increased and focused support from provincial and national government.

# Message: Provincial launches

1. These institutions (*municipalities*) are not supposed to frustrate our people but to free them from poverty. Therefore, operation clean audit must translate to **quality service delivery**.

# Monitoring and Evaluation

- All executive authorities from all spheres of government should receive monthly financial statements
- PACs and MPACs should also receive quarterly financial statements
- On yearly basis evaluation summits will take place, starting from municipalities, provinces, and National summit

# CONCLUSION

- Ethics
- Effective political oversight e.g council, portfolio committees
  - Record keeping
  - Positive culture and attitude
  - Effective Leadership
  - Best practices- local government

***”The achievements of an organisation are the results of the COMBINED EFFORT of each individual.”*** Vincent Lombardi  
***Questions?***

# Words of Wisdom

*Whatever you do, do it with all your heart and  
soul- Bernard Barach*



**THANK YOU**

**ENKOSI**

**SIYABONGA**

**REALOBOGA**