



NCPT
NORTHERN CAPE PROVINCIAL TREASURY

CFO FORUM: 20 JULY 2017

Municipal Support Asset Management

OUTLINE

OUTLINE

1. INTRODUCTION
2. BACK GROUND
3. APPROACH
4. ACHIEVEMENTS
5. CURRENT ACTIVITIES
6. ACTION PLAN
7. CHALLENGES
8. REMEDIAL ACTION
9. CONCLUSION

INTRODUCTION

Provincial Treasury (PT) is responsible for the ensuring of sound financial management and accounting, and prudent management of resources to sustainably deliver services and bring development to communities.

Qualified ,disclaimer and adverse audit opinion are characterised by tactical fire-fighting approach that give rise to quality issues and cost or schedule overruns. Successful execution relies more on the heroic efforts of talented individuals than on the effectiveness of the management system. Typical failings include poor officials commitment, lack of visibility progress, controls not functioning correctly, lack of communication, and an absence of leadership.

BACKGROUND



In 2013/2014 financial year, eleven out of thirty one municipalities received disclaimers from Auditor-General. All the Municipalities had consultants appointed to prepare their Annual Financial Statements and Millions of Rand were paid for the services that were rendered. Issues that were raised as basis of disclaimer, had been repeatedly raised in previous audit reports. Various strategies have previously been employed to assist municipalities, however, these did not result in the desired outcomes.

It was on this basis that the Executing Authority for Finance announced during the 2014 Budget Speech that Provincial Treasury will be launching an intensive programme to assist municipalities. Significant progress has been made since March 2015.

APPROACH

Provincial Treasury (PT) committed itself to an intensive hands on programme that would assist Municipalities to improve their audit outcomes. This included an increased level of monitoring, support and intervention in some cases .

PT decided to utilise the audit outcomes and management letters as the indicator.

Phase 1

- Conduct road shows
- Meetings with management, supply chain and finance officials
- Discussions on audit rectification plans
- Obtain service level agreements of consultants
- Agreed on correction plans
- Nominate and select Municipalities that will be assisted first
- Intervene when necessary
- Assist with the preparation of business plans and enter into memorandum of understanding with municipalities stipulating the terms and conditions of such support
- Benchmark with other Provinces to share best practices

Approach continued

Phase 2

- Nominate and select Municipalities to be assisted
- Identify relevant training needs for the Municipalities and Treasury officials
- Analysis of service level agreements for consultants
- Review asset registers
- Review of asset management policies
- Assist with standard operating procedures (SOPs) on asset management

ACHIEVEMENTS



- Renosterberg improved disclaimer issues from 32 to 16
- Dikgatlong improved from disclaimer to qualification
- Magareng improved from Disclaimer to qualification
- Partnered with National Treasury to assist three municipalities (Kgatlelopele, Tsantsabane and Mier) and two municipalities improved from disclaimer to qualification and one cleared all qualification issues on assets

CURRENT ACTIVITIES CONTINUED



The following municipalities are being assisted:

- Dikgatlong
- Ubuntu
- Renosterberg
- Siyathemba
- Hantam
- Kamiesberg
- Richtersveld
- NamaKhoi
- Magareng

CURRENT ACTIVITIES



- Training scheduled for all asset officials – 7 August 2017– University of Pretoria
- Training scheduled for all CFO and Accountants- September 2017 – University of Pretoria
- Review of asset registers 2016/2017 – 14-23 August 2017

KEY CHALLENGES

- Too much reliance on consultants
- Unavailability of management in municipalities (CFO and MM)
- Poor Service Level Agreements are signed between consultants and municipalities.
- Lack of competent and committed people
- Finance and technical not working together
- Key position acting
- Use of intern on permanent position
- Lack of development plans for interns
- Consultants take for granted that municipalities make poor management of these contracts. Municipalities do not monitor the consultants

REMEDIAL ACTION

- Provincial Treasury enter into memorandum of agreement for each and every assistance to municipalities and steps to be taken for non-compliance
- Consequence management be implemented
- Time management is looked at critically and that key officials' time is planned in such a manner that no process is hampered due to On-going meetings, or workshops taking place during audit process
- The issues raised by AG should be included in the work plans and performance agreements of the affected officials so that these issues could be owned
- Strong positive mental attitude create more miracles
- Building awareness for politicians to buy into SCM and Asset Management
- Accredited institution to train and capacitated SCM and Asset Management official.
- A record of poor performance must be recorded. Consultants must be kept accountable for what is signed in the SLA., what duties are specified and whether theses duties and end product is produced from the consultants side.

REMEDIAL ACTION

- Identify key things what staff should know and understand. Funding will be a huge requirement.
- Forums on a executive level quarterly and sub forums on a lower level
- The buying in from leadership and political principles is very important
- One financial system for all municipalities
- Active and functioning CFO forums
- Functioning internal audit units

RECOMMENDATIONS

- Capacitate Municipalities
- Functioning of audit committees
- Functioning of internal audit
- Proper structure within Treasury
- Institution of learning
- Active forums within Treasury
- Integrated municipal support

CONCLUSION

Embracing change and adapting is better than worrying about who moved your cheese or dwelling on how things should be



NCPT

NORTHERN CAPE PROVINCIAL TREASURY

THANK YOU

QUESTIONS



NCPT
NORTHERN CAPE PROVINCIAL TREASURY

