

# **REPORT OF THE INTER-MINISTERIAL TASK TEAM (IMTT)**

FOR THE NORTH WEST PROVINCE | *03 DECEMBER 2020*



# Overview of presentation

1. Purpose
2. Background
3. Overview of progress, including 2019/20 audit results
4. Triggers, progress and outstanding priorities for departmental interventions
5. Risks and mitigations
6. Conclusion
7. Recommendations



# Purpose

- This is a progress report on the **intervention** by the national executive in the **Province of North West** in terms of section 100(1) of the Constitution of the Republic of South Africa (1996).
- The presentation provides an **overview of the intervention**, its triggers, progress made, outstanding priorities, as well as recommendations to the NCOP.



# Crisis situation in North West in April 2018

- **Violent labour unrest & community protests** paralyse service delivery & destroy life and property.
- **Health system collapse** requiring intervention of the South African National Defence Force (SADF).
- **School children** kept out of schooling.
- **Audit results** showed a year-on-year decline for four year's straight with the Auditor General noting a refusal to deal with issues raised, non-compliance with supply chain management laws and a persistent lack of consequence management.
- Systematic **outsourcing of service delivery** to irregularly appointed project management units, involving hundreds of millions of rands.
- Municipal services in **state of collapse** requiring intervention of SANDF in certain cases.





# Timeline of key events

<b>20 April 2018</b>	<b>President Ramaphosa leads delegation to intervene in the NW province</b>
25 April 2018	Cabinet invokes section 100(1)(b) for the North West Department of Health
30 April 2018	IMTT established and embarks on extensive engagements with stakeholders in the province
9 May 2018	Cabinet invokes section 100(1) for the entire province
21 May 2018	Agreements reached with organised labour for staff to return to work
23 May 2018	Premier Mahumapelo resigns. Hon. W. Nelson acts as Premier
23 May 2018	Cabinet specifies interventions for 10 provincial departments
7 June 2018	IMTT briefs the provincial leadership in Mahikeng
14 June 2018	IMTT briefs National Council of Provinces (NCOP)
22 June 2018	Premier Job Mokgoro is sworn in
28 June 2018	MOU signed between the national and province
10 July 2018	Administrators appointed and start process of setting up office in Mahikeng
15 – 19 Oct. 2018	NCOP undertakes site visit to North West
31 October 2018	NCOP approves intervention, allowing it to continue beyond 180 days
6 December 2018	Premier of North West reshuffles his Executive Council
6 February 2019	IMTT presents progress report to the NCOP
8 May 2019	National and Provincial general elections – ANC get 61,87%
26 March 2020	National lockdown begins



# Provincial departments\* placed under intervention

Section 100(1)b	Section 100(1)a
Office of the Premier	Finance
Health	Local Government & Human Settlements
Public Works and Roads	Social Development
Education and Sports Development	Rural, Environment and Agricultural Development
Community Safety and Transport Management	Tourism

\*Note: This list reflects the departments as configured in the fifth administration





# OVERVIEW OF PROGRESS



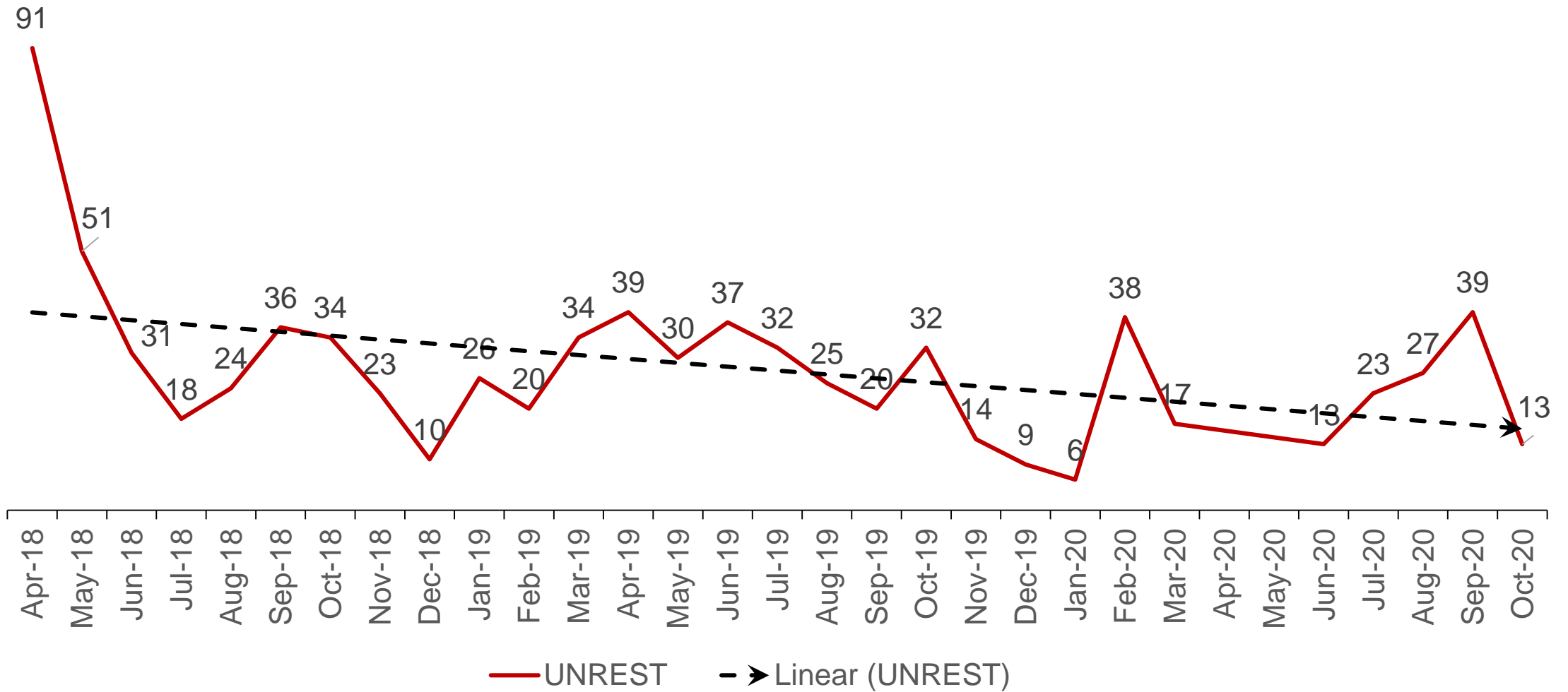
# Addressing community and labour unrest

- SAPS reports ongoing **downward trend** in unrest incidents since the intervention.
- **Labour peace** has been achieved and maintained through ongoing engagements with union leadership and workers on efforts to address issues of concern (notwithstanding current issues related to the employment of Community Health Workers).
- SANDF intervened to address urgent **service delivery** failures in municipalities.
- **Water crisis** identified as major issue and is being addressed through multi pronged strategy.
- **Successful national and provincial elections** in May 2019, as well as the Mamusa Local Government by-election in January 2020, indicates confidence in democratic processes.
- **November 2020 by-elections** conducted with no incidents in the province.





# Unrest incidents in NW from April 2018 to Oct 2020



Source: South African Police Service



# Progress in improving service delivery

- **Improved alignment of planning** between departments to deliver on service delivery priorities, with Premier's State of the Province Address action list forming the focus of government service delivery.
- Capacity for service delivery has been built through **filling key management posts**.
- **Moratoria on recruitment of staff lifted**; fit-for-purpose departmental structures approved.
- **Functions previously centralised** in the Premier's Office have been **transferred back** to their original departments (North West Development Corporation and Community Development Workers (in progress)).
- Termination of wasteful and poorly managed **outsourcing contracts** and empowerment of officials to do the work they were employed for.



# Key improvements in service delivery departments

- Ten-year maintenance and refurbishment **plan for hospitals** has been completed and key services have been restored.
- **Medicine availability** in health facilities has improved through an intensive effort to address the myriad challenges that have crippled the provincial medicine supply system.
- **109 road projects** have been implemented through a provincial roads recovery plan. The road infrastructure projects have to date created 9 035 job opportunities.
- Improved **financial management** & oversight of school infrastructure projects implemented.
- Province recorded **improvement of 5.7%** in National Senior Certificate Exam results in 2019.
- **Scholar transport contracts** were set aside and preparation for new contracts is underway. This will result in significant savings.
- **In-sourcing of ICT** using SITA and maximum utilisation of ICT personnel employed in province.





# Restoring financial controls and governance

- **Audit results for 2019/20** show a turnaround after five years of decline and stagnation (Unqualified audits increase from 4 to 7, including the Office of the Premier.)
- Province reports decrease in annual **irregular expenditure** to R3,484bn (R4,72bn 2018/19).
- **Section 100(1)(b) departments** show reduction in audit findings and areas of qualification.
- **Capacity building** across departments to strengthen supply chain management.
- **Irregular project management** units and outsourcing arrangements have been terminated. Processes are underway to recover losses to the State.
- **Provincial departments reconfigured** to align with national norms.
- **Capacity** has increased at the North West NPA to address a backlog of cases related to misappropriation of public funds.

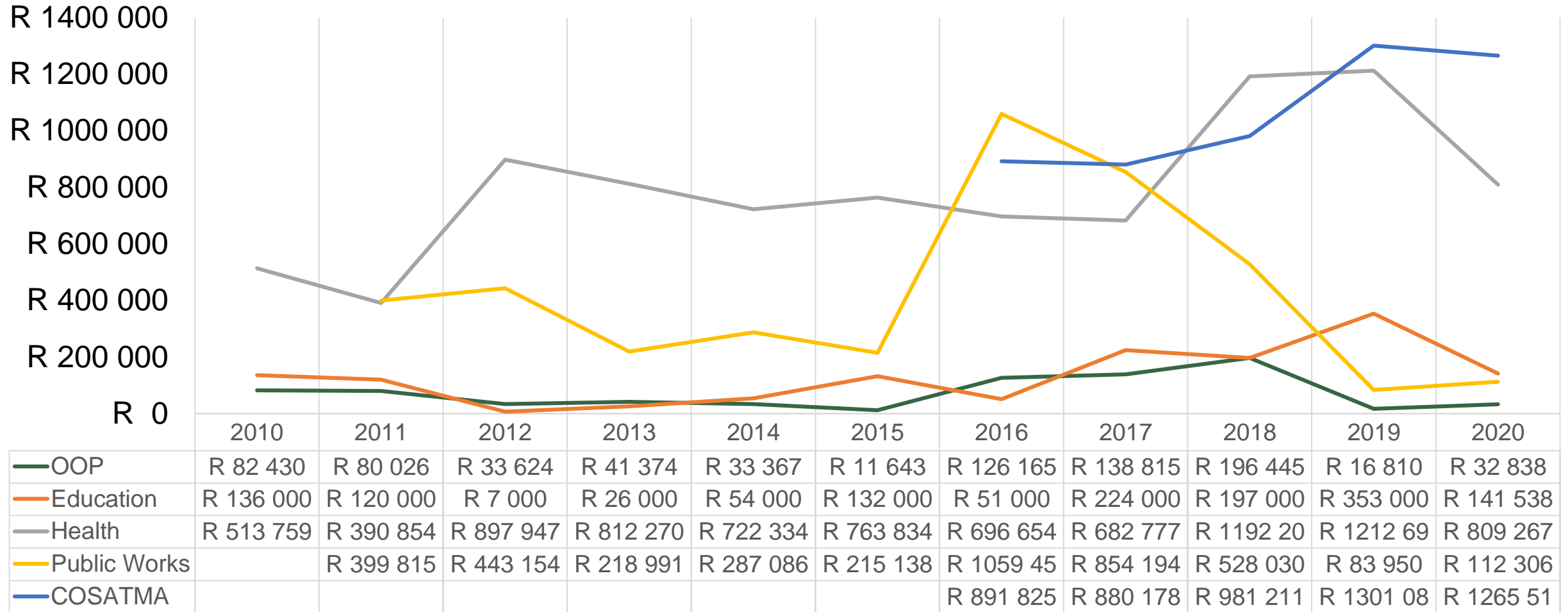


# 2019/20 Audit Results

	2015/16	2016/17	2017/18	2018/19	2019/20
Office of the Premier	Q	Q	Q	Q	U
Health	Q	Q	Q	Q	Q
Public Works and Roads	Q	Q	Q	Q	Q
Community Safety and Transport Management	Q	Q	Q	Q	Q
Education	U	U	U	U	U
Provincial Treasury	U (C)	U (C)	U (C)	U (C)	U(C)
Economic Development, Environment, Conservation and Tourism	U	U	U	U	U
	U(Tourism)	U(Tourism)	U(Tourism)	Q(Tourism)	
Cogta	Q	Q	Q	Q	U
Human Settlements					D
Social Development	U	U	Q	Q	U
Agriculture and Rural Development	U	Q	Q	Q	Q
Art, Culture Sports and Recreation	U	U	Q	U	U
<b>TOTAL</b>	<b>U7 Q5</b>	<b>U6 Q6</b>	<b>U4 Q8</b>	<b>U = 4 Q = 8</b>	<b>U = 7 Q = 4 D = 1</b>



# Irregular expenditure trends in section 100(1)(b) deps (R'000s)





# Consequence management

**Forty-eight** (48) senior managers faced/are facing disciplinary processes initiated by intervention teams, related to financial misconduct, fraud and corruption, dereliction of duty and related.

**The breakdown of these current cases is as follows:**

- Office of the Premier (two – one dismissed)
- Department of Health (17 – HOD dismissed)
- Department of Public Works and Roads (nine – CD Roads dismissed, Director Legal Services resigned)
- Department of Community Safety and Transport Management (four)
- Department of Education (six – one dismissed, Chief Director Infrastructure resigned)
- Department of Agriculture and Rural Development (10 - CFO, Director SCM and eight Bid Evaluation Committee Members, (Director: SCM resigned.))

**The conclusion of forensic investigations by National Treasury and the SIU are expected to result in more officials facing disciplinary processes.**



# Criminal investigations related to public funds

NPA and DPCI are **pursuing 51 criminal cases** related to public funds in the North West:

- **20** cases enrolled for trial - (cases dating back to 2010).
- **2** cases awaiting decision from National Prosecuting Authority (NPA).
- **20** cases are under investigation by the Directorate of Priority Crimes Investigation (DPCI) (2 new cases opened this month related to learner transport and SA Express).
- **9** cases have been finalised
- Investigations under **five Presidential Proclamations** are currently being undertaken by the Special Investigating Unit in the province.
- Capacity at **North West Serious Commercial Crimes Unit of the NPA** has now been increased from 3 prosecutors to 11 prosecutors (five on contract) to clear the case backlog.



# Criminal investigations related to public funds

- **Special Investigating Unit** is issued with six proclamation by the President in order to investigate five state institutions in the North West.
- **Achieved outcomes to-date include:**
  - Criminal referral made to the NPA = **13**
  - Disciplinary referral made to the state institutions = **13**
  - Systemic Recommendation made = **3**
  - Number of Civil matter Instituted in the Special Tribunal = **12**
  - Value of matters instituted in the Special Tribunal = **R448 614 731.44**





# Outstanding issues raised in legacy report of NCOP's 5th parliament

- The legacy report of the fifth parliament on the North West intervention contained **a number of issues for follow up by sixth parliament.** These related to specific issues affecting departments under intervention.
- **Progress reporting on each of these issues** is provided in a detailed narrative report that will be made available on request.



# **TRIGGERS, PROGRESS AND OUTSTANDING PRIORITIES FOR DEPARTMENTAL INTERVENTIONS**





# Office of the Premier - s100(1)(b)

## Reasons for intervention

- Failure to provide leadership resulting in a generalised breakdown in governance, accountability and labour relations.
- Non-compliance to prescripts and entrenchment of a culture of impunity due to lack of accountability and consequence management.
- An inability or unwillingness to address audit findings by the Auditor General (AG).
- Office of the Premier delivering services falling within the mandates of other departments.
- Outsourcing of core functions.

## Progress

- NW Coordinating Committee established, led by Office of the Premier to guide on transversal issues.
- Improved controls and governance resulting in unqualified audit.
- Various functions, which had been centralised in Office of the Premier in fifth administration, returned depts.
- Investigation and termination of irregular contracts and project management unit
- Rebuilding internal capacity for managing ICT in the province and systems stabilized. ICT governance has been restored through establishment of Provincial ICT steering committee.
- Massive reduction of irregular expenditure.

## Outstanding Priorities

- Appointment of Director General.
- Completion of ICT strategy.
- Establishment of effective provincial labour relations framework.
- Transfer of Community Development Workers to Cogta.
- Finalisation of Provincial Macro Organisation of Government process.
- Finalisation of priority disciplinary cases.



# NW Department of Health - s100(1)(b)

## Reasons for intervening

- Collapse of governance structures, Supply Chain Management (SCM) and financial controls, resulting in high levels of accruals and failure to manage contracts.
- Labour unrest due to dysfunctional performance management system, non-resolution of grievances and bonus payments.
- Fraud, corruption and dereliction of duty by senior officials.
- High vacancy rates, especially at management level.
- Collapse of services at hospitals and clinics, requiring the intervention of the SANDF.
- Emergency services under-resourced and under-capacitated.

## Selected progress and achievements

- New financial management systems implemented, SCM contracts reviewed and disciplinary processes commenced – two senior managers including HOD dismissed, four lower level officials dismissed.
- The labour environment stabilized through agreements organised labour, and the re-establishment of the Provincial Bargaining Chamber.
- Key management vacancies filled and over 5000 permanent appointments made. Appointed 11 senior managers of which three were NWDoH officials who were promoted.
- A ten-year maintenance and refurbishment plan for hospitals is being implemented.
- 147 EMS vehicles (ambulances, patient transport, response and forensic vehicles) deployed since intervention to insource EMS services.

## Outstanding priorities

- Appointment of the new Head of Department.
- Correcting the budget baseline for the Department to prevent on-going problem of accruals.
- Stabilisation of pharmaceutical section.



# NW Department of Education - s100(1)(b)

## Reasons for intervening

- Non compliance with the legislative and regulatory frameworks of government.
- Infrastructure school built programme was fraught with irregularities and abuse of Treasury Regulations Section 16A6 to appoint contractors , large sums of funds lost.
- Supply chain management challenges incl irregular awarding of huge contracts without going through procurement processes.
- Human resource management challenges including irregular appointment of inappropriately qualified personnel.
- Impasse with labour on the implementation of the approved organizational structure.

## Progress and achievements

- Matric results increased to 86.6% in 2019 (up 5.7% from 2018.)
- Filled vacant posts of principals, Deputy principals and head of departments
- 12 procurement related investigations completed.
- Irregular expenditure is reduced by R1,2 billion, awaiting condonation by the relevant authority.
- New business processes for financial management and invoice tracking system are adopted.
- New bid committees established.
- Built technical specialists appointed to improve management of school construction projects.
- Impasse on organizational structure has been addressed and the structure is being implemented.

## Outstanding priorities

- Appoint an audit firm to investigate the remaining irregular and wasteful expenditure.
- Implementation of the structure for the district development model
- Implementation of consequence management on investigated cases.
- Appoint four (5) senior managers and capacitate risk, internal control and supply chain management units.
- Recruit infrastructure engineers.
- Improve infrastructure, planning and performance.
- Strengthen financial and human resource management.
- 





# NW Community Safety and Transport Management - s100(1)(b)

## Reasons for intervening

- Lack of internal controls and systems.
- Poor implementation of supply chain processes and financial management.
- Lack of proper compliance and governance monitoring.
- Several problematic contracts causing high levels of irregular expenditure (e.g. scholar transport, airport management companies and North West Transport Investments (NTI)).

## Selected progress and achievements

- Revised all SCM policies. Developed new contract management system.
- Established a new bid adjudication committee and introduced project specific evaluation committees.
- Risk management unit enhanced (the best performing unit with full compliance in all areas.)
- Implemented Post Audit Action Plans, trained staff to monitor compliance & detect possible IUF's.
- Conducted several investigations on irregular contracts, set aside learner transport contract, cancelled SA Express contract and opted out of irregular security contract.
- Intervened to stop liquidation of provincial transport company – Northwest Transport Investments.

## Outstanding priorities

- Key contracts that were cancelled due to irregularities/illegalities need to be concluded (under close supervision- before section 100(1)b ends).
- Outstanding investigations and consequence management on concluded investigations.
- Finalise/regularise irregular expenditure.
- Continue with stabilisation of NTI and improve liquidity after overturn of liquidation.
- Finalise fit-for-purpose organisational structure.
- Clear repeat AGSA negative findings.



# NW Department of Public Works and Roads - s100(1)(b)

## Reasons for intervening

- The department reduced the scope of its mandate over time and deviated from its role as custodian of the asset management plan.
- Interference in procurement of services for unfunded mandates.
- Ineffective financial management.
- The maintenance budget for roads was consumed by unfunded mandates emanating from the Premier's Office which aggravated backlogs in road maintenance.
- The department lacked technical expertise in the built environment.

## Progress and achievements

- Unblocked construction projects
- R1,3bn for road projects in 19/20.
- 109 road projects implemented under Roads Recovery Plan, creating 9 035 jobs.
- Graders and TLBs procured for the first time in three years.
- Co-ops; brick plants; community contractor and road maintenance programmes resuscitated.
- Criminal cases opened for crimes including fraud, and intimidation.
- 62 752 job opportunities created through the EPWP programme, 61 local contractors and 40 SMME's in road maintenance projects (R 220million.)
- 285 positions advertised and 99 positions have been filled to date.
- Reviewed & improved financial governance structures & controls.

## Outstanding priorities

- Finalize the organizational review process.
- Filling of critical vacancies.
- Finalization of Ayamah and Open Waters forensic investigations.
- Finalise Infrastructure Delivery Management System (IDMS) protocols on building infrastructure for all departments.
- Finalise the assessment of all Mega Projects.
- Office Space and Multi-Tenancy Office Project for the provincial government.
- Sale of redundant properties.
- Implementation of Information Management Systems.



# NW Provincial Treasury - s100(1)(a)

## Reasons for intervening

- Major weaknesses in supply chain management (SCM) and in the monitoring and support of municipal finance management.
- Financial controls in the finance cluster had collapsed due to historically accumulated unauthorised expenditure, irregular expenditure and accruals. This was largely due to non-compliance with SCM laws and regulations.
- The Provincial Treasury itself achieved a clean audit, though demonstrated weaknesses in its fiscal oversight role.

## Progress and achievements

- SCM framework for provincial departments and entities reviewed and adopted.
- Provincial Treasury SCM Unit Organizational Structure approved and of key personnel in progress.
- Completed competency assessment for approximately 720 SCM officials for both the MFMA and PFMA and individual competency gaps identified.
- NT assisted the PT to finalise a Contract Management Framework for the Province.

## Outstanding priorities

- Condonation of irregular expenditure.
- Implementing the contract management project for municipalities.
- Undertake skills audit and upskilling of municipal Budget and Treasury Office and Provincial Treasury's MFM unit.
- Municipal intervention – invocation and implementation of s139 of MFMA.
- Develop implementation plan for SCM capacity building support.
- Finalise forensic investigations and recover the state funds.



# NW Cooperative Governance and Traditional Affairs - s100(1)(a)

## Reasons for intervening

- Failure to approve and finalise the organizational structure.
- 20 out of 22 municipalities obtained disclaimers or qualified audit opinions in 2016-17.
- 12 municipalities were dysfunctional, requiring urgent intervention.
- Poor financial management.
- Inadequate implementation of audit improvement plans and weak municipal support by the department.
- Water and sanitation support functions were weak.

## Progress

- Provincial department achieved clean audit indicating improvements in governance and financial management.
- Situation at municipalities remains matter of concern.
- Water and sanitation challenges continue to negatively impact the province.

## Outstanding priorities

- Fit-for-purpose organisational structure.
- Migrate Community Development Workers from Office of Premier to Cogta.
- Review and implement s154 municipal support plans issued in July 2018.



# NW Department of Human Settlements - s100(1)(a)

## Reasons for intervening

- The department did not meet its targets in line with the approved business plan.
- There has been frequent changes of incumbency to the Head of Department post, impacting on management stability.
- Poor audit outcomes due to irregular expenditure.
- Lack of technical capacity.

## Progress and achievements

- The Human Settlements Development Grant Business Plan for 2019\2020 completed, approved and implemented.
- The department achieved its actual targets on delivery of services sites and units build during period under review.
- Title Deeds Restoration Grant business plan developed and implemented.
- Multi-Year Human Settlements Development Plan and Projects Readiness Matrix developed.

## Outstanding priorities

- Establishment of new departmental structures (effectively non-existent).
- End reliance on outsourced Project Management Unit.
- Transfer of North West Housing Corporation houses to beneficiaries.
- Completion of blocked projects.





# NW Department of Social Development - s100(1)(a)

## Reasons for intervening

- Non compliance with SCM processes.
- Lack of internal controls and audit findings not actioned by management.
- Non-compliance with Occupational Health and Safety Act.
- Collapse of services due to break down in labour relations.

## Progress and achievements

- Sufficient progress has been made on the ministerial directives to warrant issuing a close out report. The national department will continue to provide support on the challenges regarding infrastructure that face the provincial department.

## Outstanding priorities

- Appointment of HOD.



# NW Department of Agriculture and Rural Development - s100(1)(a)

## Reasons for intervening

- Structural weaknesses in the department that included inadequate business planning and execution of programmes and projects.
- Lack of alignment between strategy capacity and capabilities.
- Challenges in the use of an implementing agent: Agridelight resulting in problems with project implementation.

## Progress and achievements

- The use PMUs in the DARD was halted. There is noticeable improvement in DARD implementing projects by itself.
- Forensic audit into Agridelight matter.
- Forensic audit into the Comprehensive Agricultural Support Programme conditional grants.
- Transfer of assets to beneficiaries completed.
- New organisational structure approved.
- The engineering capacity within DARD strengthened.

## Outstanding priorities

- Appointment of HOD.
- Incomplete agro processing projects.
- Investigation and consequences management into the prior year irregular expenditure of R1 bil.
- Processing and court challenges of the Close Out Report from the Agridelight PMU, which has in turn submitted additional invoices amounting to over R30 million.



# NW Department of Tourism - s100(1)(a)

## Reasons for intervening

- Conflation of powers between the administration and political leadership.
- Assessment of oversight processes between the Department and the North West Tourism Board.
- Improving financial management, contract management.
- Enhancement of governance arrangements.

## Progress and achievements

- Tourism function transferred from the abolished North West Department of Tourism to the North West Department of Economic Development, Environment, Conservation and Tourism (DEDET) with effect from 28 May 2019.
- NW Parks Board and the NW Tourism Board have been merged in line with the recommendations from national department.

## Outstanding priorities

- The national Department of Tourism is to discontinue the section 100(1)a intervention but continue to support the DEDET in its additional tourism function, including areas which are not fully completed.





# **RISKS AND MITIGATION**



# Risks and mitigations

- **Vacant Heads of Department** (DG and the HODs for Health, DSD and DARD). The recruitment process is managed by the DPSA and Office of the Premier. Target date is end of February 2021. The contracts of four other HODs will have expired by April 2021. Filling these will require oversight by IMTT.
- The **risk of regression** in departments currently under section 100(1)(b) requires mitigation through issuing targeted directives and close monitoring when the administrators withdraw.
- Continued **instability** in municipalities undermines service delivery in the province. This needs to be addressed through close collaboration between provincial and national COGTA. Gains made towards establishing **District Development Model** in province will be leveraged.





# Risks and mitigations

- The **Provincial Department of Human Settlements** lacks the institutional capacity to manage the full portfolio of housing programmes and projects. This has led to over reliance on the outsourced Project Management Unit.
- **Climate of hostility** towards the intervention and campaigns to discredit and intimidate administrators have intensified as the intervention stays longer. Political intervention has improved the situation, but this remains a threat.
- Slow progress in **disciplinary processes** is identified as a risk. Officials facing charges have employed delaying tactics to frustrate disciplinary hearings. Consideration is being given for a special dispensation for disciplinary cases during an intervention.
- Slow progress in **criminal cases** poses a risk to the intervention. Efforts have been made to improve coordination between law enforcement agencies and increase capacity.



# **CONCLUSION AND RECOMMENDATIONS**





# Conclusion

- Although challenges remain, **sufficient progress** has been made to consider scaling back the section 100(1)(b) interventions:
  - Community and labour stability has been restored and maintained
  - Improved audit results and declining irregular expenditure reflect gains to address governance and financial management challenges
  - Key service delivery departments have been put on stable footing and performance is improving
- **Directives and close monitoring** and support required to ensure achievement of outstanding priorities in section 100(1)(b) deps and challenges in the deps of Cogta and Human Settlements.
- **Vacant posts** of Director General and Heads of Department in Health, Social Development and Agriculture and Rural Development will be filled by Feb 2021 and intervention will be scaled down.
- **Full capacitation** of departments at senior levels is underway to ensure that the administration leaves a stable senior management leadership in place.



# Recommendations to NCOP

It is recommended that the NCOP:

- Notes the **progress made** towards **restoring stability** and good governance in the North West Province and the positive results of the 2019/20 audit;
- Takes note of the **intention of Cabinet** to scale back the interventions under section 100(1)(b) at the end of the 2020/21 financial year.
- **Engage stakeholders**, including AGSA, provincial leadership, labour and civil society to inform its own recommendations to National Executive in terms of section 100(2)(c).





**THANK YOU | SIYABONGA**

