



KWAZULU-NATAL PROVINCE

COOPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS
REPUBLIC OF SOUTH AFRICA



NCOP PRESENTATION ON STATE OF GOVERNANCE AND FINANCE AT MPOFANA MUNICIPALITY

28 October 2020

GROWING KWAZULU-NATAL TOGETHER



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1. INTRODUCTION

- There are currently 9 municipalities under intervention in terms of Section 139 of the Constitution in KwaZulu/Natal namely UMzinyathi DM, UThukela DM, Msunduzi LM Mpofana LM, Richmond LM, Inkosi Langalibalele LM, Mtubatuba LM and Abaqulusi LM. These municipalities have been under intervention for a considerable length of time but due to various ‘perpetual’ challenges the Provincial Executive Council (PEC) resolved on 26 August 2020 to retain all 8 interventions until 31 March 2021
- On the same day, namely the 26th of August 2020, the PEC resolved to place Emadlangeni Municipality under section 139(1) (b) constitutional intervention, making it the 9th intervention municipality in the province.
- Ministerial Representatives have been appointed in all 9 intervention municipalities. The Ministerial Representatives (MRs) have signed performance agreements which are aligned to their terms of reference as approved by the PEC. The MR’s provide monthly progress reports based on the performance indicators and performance agreements, which are monitored by the relevant business units. MRs have also been given strict instructions to ensure that these municipalities are turned around by 31 March 2021, although it is the desire of the PEC that the turn around be achieved sooner.
- Experts in the field of Municipal Finance and Technical support have also been deployed by COGTA to provide support to some of these municipalities.



2. STATE OF POLITICAL LEADERSHIP

Political

Council is made up of nine (9) Councillors whose political affiliation is as follows:

African National Congress (ANC)	7
Democratic alliance (DA)	1
Inkatha Freedom Party (IFP)	1

Mpofana Municipality has a plenary executive system so the Mayor and Speaker fulfil the same functions.

MPAC is made up of 3 Councillors affiliated as follows:

African National Congress (ANC)	2
Inkatha Freedom Party (IFP)	1

PORTFOLIO COMMITTEES 4



3. OPERATION AND ADMINISTRATION

Administration

Mpofana Municipality organizational structure consist of 5 Departments, namely : -

- Office of the Municipal Manager
- Budget and Treasury Office
- Corporate Services
- Infrastructure Development and Maintenance
- Community Services

The Municipality is currently under Section 139 intervention and an Administrator has been appointed.



...3. OPERATION AND ADMINISTRATION

Functionality

- Council is fully functional
- Portfolio Committees are functional
- Audit Committee is **partially functional** -
 - There is no A/C member with risk management background.
 - The audit committee charter was not adopted by the Council.
 - There is no internal audit plan and strategy adopted by the Council.
 - Risk management register was not reviewed and updated regularly.
 - Internal Controls were very weak.
- MPAC is **partially functional**
 - MPAC does meet but reports are not drafted in terms of Section 32 of the MFMA.
 - No consequence management has been implemented emanating from MPAC reports into UIFW expenditure.



...3. OPERATION AND ADMINISTRATION

FUNCTIONALITY OF GOVERNANCE STRUCTURES – COUNCIL

Indicator: Functionality of Council Governance Structures

Council	Functional	All Council structures of Mpofana Municipality are fully functional.
Portfolio Committees	Functional	
MPAC	Partially functional	Elected councillors unable to examine and scrutinise reports and process complex matters

FUNCTIONALITY OF COMMITTEES			
COMMITTEE	JULY	AUGUST	SEPTEMBER
Council Meetings	01 July 2020 (Special); 24 July 2020	12 August 2020, 14 August 2020, 27 August 2020	29 September 2020, 30 September 2020 (special)
Finance Portfolio Committee	13 July 2020	14 August 2020	17 September 2020
Corporate Services Portfolio Committee	14 July 2020	14 August 2020	17 September 2020
Technical Committee	13 July 2020 (Did not sit)	13 August 2020	25 September 2020
Economic Development	14 July 2020	13 August 2020	18 September 2020, 28 September 2020
Municipal Public Accounts Committee (MPAC)	14 July 2020		28 September 2020
Audit Committee	16 July 2020		23 September 2020
LLF		20 August 2020	11 September 2020



...3. OPERATION AND ADMINISTRATION

FILLING OF SENIOR MANAGEMENT POSTS – CURRENT VACANCIES (22 OCTOBER 2020)

Line No	MM	CFO	CORPORATE	TECHNICAL	PLANNING	COMMUNITY
1		Mpofana	Mpofana	Mpofana		Mpofana

Root Causes for ongoing vacancies

- Governance and political instability – Disagreements between internal structures
- Structures outside Council having an influence on the appointment process. Many municipalities have cited delays by external stakeholder structures as the reason for not filling posts.

Support provided to affected Municipalities

- Preparation and assessment of recruitment plans
- Support the shortlisting and interview process
- Assessment of appointment reports



...3. OPERATION AND ADMINISTRATION

CONSEQUENCE MANAGEMENT: SECTION 106 REPORTS

- The Forensic Business Unit of KZN COGTA has developed a monitoring tool whereby Section 106 Forensic Reports as well as other investigation reports are monitored on a monthly basis.
- Ministerial Representatives have been tasked to ensure reports are tabled at Council meetings for firm resolutions to be taken on consequence management emanating from forensic reports.
- They will then ensure relevant processes are put in place to ensure compliance with the recommendations contained in forensic reports.



4. INTERVENTION

SUMMARY REASONS FOR INTERVENTIONS

MUNICIPALITY AND INTERVENTION TYPE	DATE	SUMMARY REASONS FOR INTERVENTION BY PILLAR				
		Pillar 1 Putting People First	Pillar 2 Delivering Basic Services	Pillar 3 Good Governance	Pillar 4 Sound Financial Management	Pillar 5 Building Institutional Capabilities
Mpofana - 139(1)(b)	Dec 2017	N/A	Failure to Spend Infrastructure Grants including Stopping of funds by NT	Oversight Structures Poorly functional Lack of Consequence Management	Poor Cash Flow SCM Challenges Poor Audit Outcomes Maladministration Ballooning Eskom Debt	Failure to appoint senior management



...4. INTERVENTIONS

PROGRESS MADE ON CONSTITUTIONAL INTERVENTION

MUNICIPALITY AND INTERVENTION TYPE	DATE	REASONS FOR INTERVENTION	PROGRESS TO DATE
Mpofana - 139(1)(b)	Dec 2017	Failure to spend infrastructure grants including stopping of funds by National Treasury	<ul style="list-style-type: none"> MIG allocation of R12m was 100% spent as at 30 June 2020. Current expenditure as at 30 September 2020 is 29% which is above the norm of 25% INEP grant was 100% spent as at 30 June 2020
		Oversight structures poorly functional and lack of consequence management	<ul style="list-style-type: none"> Council and portfolio committees are fully functional. MPAC does meet but reports are not drafted in terms of Section 32 of the MFMA. No consequence management has been implemented emanating from MPAC reports into UIFW expenditure.
		Poor Cash Flow, SCM Challenges, Poor Audit Outcomes, Maladministration and Ballooning Eskom Debt	<ul style="list-style-type: none"> The financial position of the municipality has deteriorated, resulting in the Eskom debt spiralling to R204m. A disclaimed audit opinion was issued by the AG for the 2018/19 FY. The Municipal Budget is Unfunded as per determination by Provincial Treasury. Covid 19 has also had a major impact on revenue collection.
		Failure to appoint senior management	<ul style="list-style-type: none"> The MM has been appointed, but not the CFO and other senior managers. Not much improvement made.
		<ul style="list-style-type: none"> ✓ MSCOA implementation where the migration from Venus to Sage Evolution must be finalised in order that credible monthly and annual financial statements can be produced. The Finance Business unit to assist in this matter. ✓ Eskom debt must be addressed in order that an acceptable repayment plan be negotiated with Eskom. Finance Business unit to assist with this matter. ✓ The MR must ensure that the implementation of the section 106 investigation findings are finalised by December 2020. ✓ A suitably qualified CFO must be appointed by November 2020. 	



...4. INTERVENTIONS

SUMMARY INDICATORS PER MUNICIPALITY

MUNICIPALITY AND INTERVENTION TYPE	START DATE	KEY INDICATORS					
		Audit Outcome (2018/19)	Budget (20/21)	Senior Management Vacancies & Year of Vacancy	MIG Exp. (30 June 2020)	Sec 106 Investigation	Consequence Management
Mpofana 139(1)(b)	Dec 2017	Disclaimer	Unfunded	DCS (Dec 2018) DTS (Jan 2018) CFO (June 2016)	100%	Investigation completed and Matter of implicated officials referred to Hawks by the municipality	Matter referred to SAPS



...4. INTERVENTIONS

DETAILED INDICATORS PER MUNICIPALITY - MPOFANA

Governance & Political Stability	Sound Financial Management	Basic Service Delivery	Performance Management
<ul style="list-style-type: none"> - MM post filled. - Currently the municipality has no CFO and post was re-advertised. Successful applicant due to start on 1 November 2020 - The post of Executive Manager Technical Services is due to be filled on 1 November 2020 by successful candidate. Executive Manager Corporate and Community Services has been re-advertised due to the fact that only one application was received.. - Council and its Committees are fully functional. Continues on next slide..... 	<ul style="list-style-type: none"> - Disclaimer audit opinion from the AG for 2018/2019 FY - An Audit Action Plan has been approved, and 90% of AG matters have been resolved. - Eskom debt R197m, last paid in April 2020. The municipality will probably have its assets attached by Eskom shortly. - The municipality remains in severe financial distress. - The MSCOA implementation where the migration from Venus to Sage Evolution has improved statements are possible from Sage. - Section 71 reports are provided. - The municipality has lost an amount of R8 742 380 revenue for the period March- May 2020 due to Covid 19 impact. 	<ul style="list-style-type: none"> - 12m of MIG allocation is 100 % spent A Service Delivery War Room has been established to deal with all service delivery issues impacting this municipality. - R 745 000.00 was spent in terms of the Stability grant (Covid 19 grant) . The balance is R61 000 	<ul style="list-style-type: none"> - Reviewed PMS Framework and Policy has been adopted by Council on 26 June 2020. - Quarterly performance reports have now been submitted to Cogta. - The skills audit for staff has been captured at 100%

...4. INTERVENTIONS

DETAILED INDICATORS PER MUNICIPALITY – MPOFANA

Governance & Political Stability	Sound Financial Management	Basic Service Delivery	Performance Management
<ul style="list-style-type: none"> – Implementation of Sec 106 findings & recommendations are receiving attention with assistance of Cogta Forensic section. Fleet contract has been settled out of court and cancelled. – The Hawks have reported that no prosecution can be instituted against the former MM. This matter will however be further investigated by management. 	<ul style="list-style-type: none"> – No investigations have been done with regard to cumulative UIFW expenditure amounting to approximately R115 452 791m and COGTA is supporting the municipality to deal with the UIFW – MPAC will table UIFW report on 16 October 2020 – Other Creditors is R189m. Creditor days – 603 days. Creditors is ... excluding ESKOM – Debtors – R143m.. – Serious cash flow challenges exist within the municipality. 	<ul style="list-style-type: none"> – See previous slide 	<ul style="list-style-type: none"> – See previous slide

5. Political In-fighting

- The Council is now stable and meetings are held regularly
- Troika meets weekly
- There are no reported political infighting occurring presently

6. OPERATIONAL CONSTRAINTS

PROJECT MANAGEMENT

- The Project Management Unit (PMU) has been recorded as partially functional, however MIG allocation of R12m was 100% spent
- INEP grant was 100% spent
- Human Settlements is a challenge

ELECTRICITY

- Most of the residents are using electricity illegally and also the ageing of electricity infrastructure. The report has been compiled by private consulting engineer provided by Cogta. The report shows that we have ageing infrastructure which will require substantial amount to get it repaired or fixed. The Municipality embarked on disconnection of illegal connections whilst considering fixing the ageing infrastructure.
- The installation of smart meters is in progress.

WATER ISSUES

- Deep rural areas remain with water challenges (Ward 4).
- A number of static tanks have been distributed by Umgungundlovu District.
- The main challenges of access roads is being addressed.

6. OPERATIONAL CONSTRAINTS

REFUSE COLLECTION / LANDFILL SITE

- Waste collection is satisfactory. There are however many illegal dumping areas which are costly to council.

STREET CLEANING

- Street cleaning is regular however informal traders are a challenge but enforcement teams have been established.

CEMETERIES

- The formal cemetery site is running out of space.
- Identification of three (3) alternative sites has commenced.
- Funding for this purpose remains a challenge

7. SERVICE DELIVERY

KEY DEPARTMENTAL CHALLENGES:

Lack of Human Resources

Lack of Equipment

Ageing Infrastructure

Financial constraints

OTHER ISSUES

Yellow Plant

Fleet Contract

PROTESTS

There have been no recent (Apr to Aug) protest action at Mpofana.



8. RECOMMENDATION

It is hereby recommended that the report on the state of Mpofana Municipality be noted.



THANK YOU

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