

**SPEECH BY MEC FOR COGTA HONOURABLE X.E NQATHA ON THE  
OCCASION OF THE NCOP LOCAL GOVERNMENT WEEK; 9 SEPTEMBER 2020**

Theme: *“Ensuring Capable and Financially Sound Municipalities”*

Honourable Chairperson of the NCOP  
Honourable President of the Republic of South Africa  
Honourable Ministers and Deputy Ministers  
Honourable Members of the NCOP  
Honourable MECs from all the provinces  
Honourable Councillors  
Government Officials

Greetings to everyone who is joining this important programme on various virtual platforms. As the Eastern Cape Provincial Government we wish to express our profound gratitude for participating in this NCOP Local Government Week under a telling theme ***“Ensuring Capable and Financially Sound Municipalities”***

The Local Government Week asserts an important message that emerged out of the SONA delivered by the President of the Republic, that of **renewal and growth**. It is therefore important that we take this core message to heart, allow it to guide us in actively changing the situation in the local government for it to function better and serve the people. Karl Marx in his writings made an important observation about changing the world, he said ***“Philosophers have hitherto interpreted the world in various forms; the point is however to change it”***

This period requires that we change how we do things and be of the better service to the people. It is our firm commitment to professionalise the public service for it to reflect the values and ethos enshrined in our constitution and the noble goals of the National Development Plan. We should build ethical and capable state that is not only seen to be ethical but act in an ethical manner

Honourable Chairperson, the Auditor General of South Africa, Mr Kimi Makwethu on the 1<sup>st</sup> of July 2020 released the Municipal Audits Results for the 2018/19 financial year under the theme “**Not much to go around, Yet not the right hands at the till**”. The AG report painted a very bad picture about the financial management in the municipalities. It signalled how some politicians and officials act with disdain with public resources with no due respect for the rule of law and existing accountability mechanism.

The AG reported indicated that 8 out 39 municipalities in the Eastern Cape received a disclaimer audit opinion and that only one municipality received clean audit. The situation necessitated prompt response from government. I convened a Special MuniMec with all the Eastern Cape Municipalities on the 8<sup>th</sup> of July 2020 to discuss the audit outcomes and agree on audit improvement plans. The meeting was also attended by the Office of the Auditor General and Provincial Treasury.

The Senqu Local Municipality is the only municipality in the province that received the clean audit. The leadership of Senqu LM shared their best practises with the rest of the municipalities including the importance of coherent political and administrative leadership to create conducive environment for good governance and efficient service to the people. The stable political environment and senior management echelon was the major contributor to their success including proper organisational planning that include projects in the preparation of annual financial statements from the beginning of the year, strong control environment that detect weaknesses on time and have preventative measure in place and taking corrective decisions.

In our meeting amongst other things we agreed on concrete plans to improve the audit outcomes and to act on the limitations that were identified by the audit.

- All financial positions in the municipalities should be filled with people who have the necessary minimum requirements on finance units such as SCM so that municipalities do not rely on consultants in performing their function.
- Enhance revenue management and revenue collection by linking profiles of each rate payer with the indigent registers to enable the municipality to understand the customer affordability in ensuring that municipalities do not have unrealistic projected high revenues that causes unfunded budgets.
- Councillors to be in the forefront of revenue collection campaigns in their respective municipalities.
- Ensure the implementation of cost containment measures by each municipality and report on the implementation to the council and to the MEC for Cooperative Government.
- All municipalities with negative audit outcomes to have pledge agreements with the MEC on the implementation of Audit Action Plans (AIP) and improvement of the audit, COGTA and Treasury to jointly monitor the implementation and assist municipalities in improving the audit. We have already signed the pledge agreements with municipalities.
- We agreed on the programme to strengthen MPAC's to be able to deal with all cases of financial misconduct and be in the forefront on overseeing the implementation of the Audit Improvement Plans.
- We committed to ensure that Audit committees to ensure that councils implement the committee recommendations and those of internal audit and should report to the MEC non-compliances with the implementation of its recommendations.
- All municipalities should have their procurement plans prepared and adopted by council prior the commencement of each financial year and the report on the implementation of those plans be made available on a

monthly basis, this will prevent underspending on grants and having grant funds returned to Treasury due to no spending.

- Strict measures be taken against officials transgressing on SCM regulations. The last audit showed a huge increase in non-compliance with SCM regulations and that was the major contributor to the bad audit outcomes.
- Disciplinary boards of all municipalities should be effective and have cases of misconduct attended to and a report to MEC for cooperative government on quarterly basis on the number of cases each municipality has resolved.
- Most municipalities have huge ESKOM debt that are unable to pay, Provincial and National Government need to intervene and find a possible solution on the matter, other huge debt in some municipalities include but not limited to Pension funds; Auditor General; Water Boards and SARS.

Honourable Chairperson, it our considered view that these set of interventions will contribute positively in changing the situation around in the Local Government. Ours is to ensure that all necessary interventions are enacted for this sphere to deliver to the needs and aspirations of the people.

As we take this task forward, let us be reminded of the wise words of Amilcar Cabral when asserted that ***“Always bear in mind that the people are not fighting for ideas, for the things in anyone’s head. They are fighting to win material benefits, to live better and in peace, to see their lives go forward, to guarantee the future of their children”***

I thank you!