



**Western Cape
Government**

Provincial Treasury

BETTER TOGETHER.

CORPORATE GOVERNANCE FEEDBACK – CRO/CAE FORA AND MGRO

Chief Financial Officers Forum

BR Vink

13 June 2013

Agenda

1. CRO Forum
2. CAE Forum
3. MGR&O Feedback

Chief Risk Officer (CRO) Forum

CRO Feedback

Meeting held 30 May 2013 Franschoek

Key areas covered

- Stellenbosch Pilot on level 5 MGRO criteria
- Management of risks in SCM environment
- IT risk management
- Fraud risk management
- Continuation of the IMFO Commission issues raised in Somerset

- **Afternoon Commission**
 - Developing transversal IT risk register
 - Internal audit performing IT audits – challenges (Cobit required)

Chief Audit Executive (CAE) Forum

Chief Audit Executive Forum Feedback

Meeting held 31 May 2013 Franschoek

Key areas covered

- Position paper by Witzenberg on S165 of the MFMA
- Presentation by the AG on the auditing of Performance Information
- Circular into gifts declaration to NT of R350 and above discussed
- Continuation of the IMFO Commission issues raised in Somerset

Audit Committee Chairs (ACC) Forum

Audit Committee Chairs Forum

- Establishment approved at MM forum held April
 - Cost to municipalities (agreed between munie and member)
- Biannual meetings
- Chaired by the DDG Governance and Asset Management
- First meeting end of July 2013
 - Approval TOR
 - Circular 65
 - Presentation Swartland Municipality Audit committee ito review of AFS

MGR&O Feedback

MGR&O Strategy - Overview

- To promote good governance by driving a single minded focus on clean governance.
- A collaborative effort required by municipalities, Provincial Treasury(PT) and Department of Local Government (DLG).
- PT to provide a self assessment tool to municipalities – MGR&O GAP tool.
- Municipalities to continue to perform self assessments (MGR&O GAP tool) to guide strategies and plans to achieve clean governance.
- Municipal Manager and his management team to continue to take ownership and accountability of the process.
- PT and DLG to validate municipal self assessment (MGAP) and to continuously monitor and support municipalities.
- Focused PT and DLG support to municipalities.
- Communicate and report to relevant stakeholders and role-players.

MGR&O Feedback and progress - February Engagement

● MGR&O engagement:

- Held in February 2013 with all 30 municipalities – Municipal Managers (MM) and their executive managers, Provincial Treasury (PT) delegation and Department of Local Government (DLG) delegation attended.
- Focused on audit readiness and the attainment of clean governance.
- Constructive discussion between the role-players regarding the shortcomings, actions and support required.

● Municipalities response:

- Municipalities were well prepared and demonstrated their commitment to the MGRO objective.
- Detailed MGAPs were presented which addressed the past audit findings and the attainment of clean audit status.
- Municipalities have made good progress in institutionalising monitoring, evaluating and reporting in terms of the MGR&O process.

● Provincial Treasury and Local Governments response:

- PT and DLG presented their view regarding areas of risk to the municipalities.
- PT and DLG committed to support municipalities.

Transversal Findings

Focus Area	Findings
Predetermined Objectives	<ul style="list-style-type: none"> ● Non Compliance with laws and regulations ● Target indicators not suitably developed.
Supply Chain Management	<ul style="list-style-type: none"> ● Demand management planning not to an acceptable level to impact efficiencies within SCM. ● Non compliance to laws and regulations – SCM Regulation 44 and 45
Asset Management	<ul style="list-style-type: none"> ● Lack of maintaining records of asset movement between directorates. ● No internal monitoring mechanisms or systems in place to ensure that assets are safeguarded and used appropriately.
Budget Management	<ul style="list-style-type: none"> ● Lack of accurate completion of schedules according to NT requirements. ● Lack of long term financial plans.
Cash Management	<ul style="list-style-type: none"> ● Performance of bank reconciliation process – compilation and review of bank reconciliations and clearing of suspense accounts.
IT Controls	<ul style="list-style-type: none"> ● Lack of IT controls; security access, user access and IT service continuity controls.
Assurance Functions	<ul style="list-style-type: none"> ● Risk management policy, strategies and implementation plans not in place or annually reviewed. ● Lack of capacity with risk management function. ● Risk management committees not established. ● Audit methodologies not documented.
Budget and Treasury Office Capacitation	<ul style="list-style-type: none"> ● BTO officials not compliant to Municipal Regulations on Minimum Competency however; majority of officials are attending relevant training. ● Implementation of financial management internship programme - lack of rotation plans, portfolio of evidence, etc.
GRAP Compliant AFS	<ul style="list-style-type: none"> ● Misstatements and material corrections. ● Non compliance with GRAP reporting framework – GRAP 12, 16,17,19 & 25

PT Transversal Support in response to issues

Predetermined Objectives (PDO)

- Training on PDO's will be provided in the 2013/14 financial year. The training covers the legislative environment, systems and processes, setting of key performance areas, indicators and targets, reporting and auditing of performance information.
- Provide support for municipalities via the PDO forum.

Asset Management (AM)

- Conducting Asset Management Assessment at dedicated municipalities.
- Support and assistance via the quarterly SCM forum meetings on asset management best practice guidelines and latest legislative requirements.
- Support and assistance via the Provincial Treasury's SCM Helpdesk Function.

Supply Chain Management (SCM)

- Special interventions at dedicated municipalities to assist in crucial SCM decision making processes.
- Special SCM training intervention sessions at dedicated municipalities.
- Conducting SCM virtuous cycle assessments at dedicated municipalities.
- Conducting SCM Policy Assessment of selected municipalities.
- Assisting municipalities in doing a comparative analysis with regard to people in service of the state, and thereby addressing non-compliance to SCM Regulation 44.
- Support via the PT SCM helpdesk Function.
- Support and assistance via SCM forum.
- SCM support and assistance rendered to certain municipalities via LGTAS.

Revenue Management

- Municipalities will be assisted with the development of long term financial plans and policies to ensure municipalities plan to stay financially sustainable and financially viable in the future.
- Municipalities will also be assisted with revenue management initiatives and effective credit control.

PT Transversal Support in response to issues

Expenditure Management

- Municipalities will also be assisted with the development of budget related policies and the implementation thereof where absent.
- Continue to assist municipalities with the management of their financial systems requirements to accurately report on outstanding debtors.

Information Technology (IT) Controls

- PT will assist on the functionality of the financial system.

Cash Management

- Support will be provided in term of PT circular 10/2013 as well as the USB-ED training initiative-cash management.
- On-going support will be provided through the in year monitoring process by advising the municipality in terms of cash flow, external borrowings and investment management.

Assurance Functions

- Perform risk management and internal audit QAR readiness reviews.
- Develop and issue guidance on MGRO findings.
- Chief Risk Officer and Chief Audit Executive for a
- Establishment of the Audit Committee Chair Forum.
- Provide support in the implementation of combined assurance.

PT Transversal Support in response to issues

Budget and Treasury Office (BTO) Capacitation

- Monitoring and support of financial management internship programme.
- Issue BTO structures guideline.
- Monitoring and support of municipal BTO training plans and compliance with minimum competency regulations.

Delegations and compliance management

- Assess and provide recommendations on municipal delegations in line with NT guidelines.
- Provide training on NT delegations framework.
- Development of an integrated compliance reporting framework.

GRAP compliant AFS

- Monitor the implementation of the corrective action on the audit findings.
- Monitor progress on compliance with GRAP standards.
- Roll out training on GRAP Standards and SOPs.
- Monitor HELP desk to address accounting queries raised by municipalities.
- Continue to provide a platform via the accounting forum for the sharing of best practices and knowledge.

MGRO Strategy - Engagements

- 2 co-ordinated engagements in September and February respectively. These engagements will focus on:

September - “Strategic”

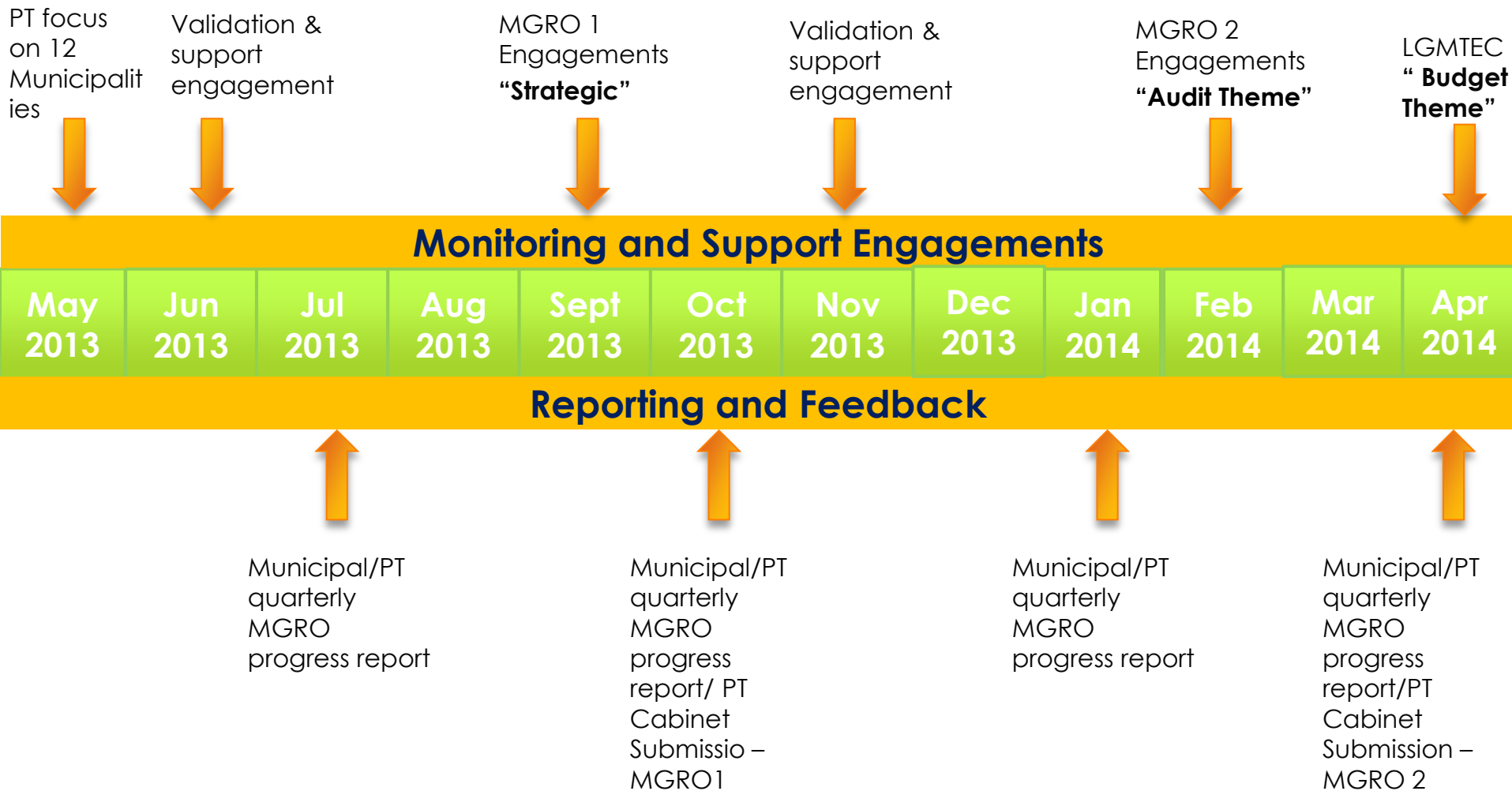
- Strategic discussion between the MMs and their executive management teams, PT executive management, DLG executive management and the Minister Finance, Economic Development and Tourism on a district level.
- Determining the strategic focus of MGR&O for the coming year.
- Stock take in terms of current position of municipalities and where DLG and PT are required to assist.
- Revised MGAPs aligned to MGR&O strategic focus.

February – “Clean audit theme”

- Municipal engagement between the MMs and their executive management team, PT delegation, DLG delegation focusing on audit readiness and clean governance.
- Report back from municipalities and PT in terms of MGAPs.
- Constructive discussion between the stakeholders regarding the shortcomings, action and support required.
- Revised MGAPs

- 2 PT validation engagements and support rendered where required.
 - PT delegation to validate MGAP and render support where required.

Key Milestones & Timeframes going forward



Commitments to Clean Audit

2012/13	2013/14	2014/15
PT SHORT TERM FOCUS	PT MEDIUM TERM FOCUS	PT LONG TERM FOCUS
City of Cape Town	Matzikama	Swellendam
West Coast District	Cederberg	Overberg District
Swartland	Bergrivier	
Cape Winelands District	Saldanha Bay	
George	Theewaterskloof	
Mosselbay	Overstrand	
Cape Agulhas	Eden District	
Witzenberg	Kannaland	
Drakenstein	Hessequa	
Stellenbosch	Oudtshoorn	
Langeberg	Bitou	
Breede Valley	Knysna	
	Central Karoo District	
	Laingsburg	
	Prins Albert	
	Beaufort West	
12	16	2

MGRO 1 “Strategic” Engagement

- The MGR&O 1 strategic engagements will take place in September 2013 as follows

District / Municipalities	Date
Eden District	17 September 2013
Central Karoo District & Hessequa Municipality	18 September 2013
Overberg District	19 September 2013
Cape Winelands District	25 September 2013
West Coast District	26 September 2013
City of Cape Town	20 September 2013

- This engagement will be attended by all Municipal Managers, executive officials from PT and DLG, and Minister Winde.
- The engagement will focus on:
 - commitments made by the MM's in September in 2012 versus progress made thus far.
 - Current status and required support needed.
 - MGR&O focus areas

Thank you