



**Western Cape  
Government**

Provincial Treasury

**BETTER TOGETHER.**

# FINANCIAL GOVERNANCE

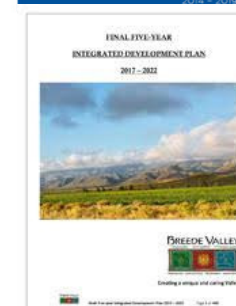
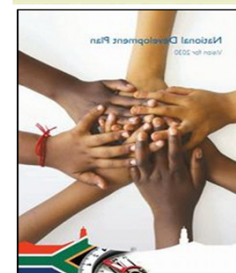
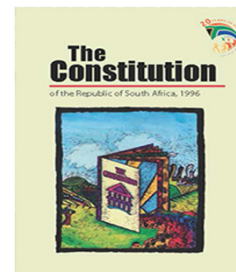
CIGFARO Conference

Golden Valley Casino Lodge, Worcester

M Van Niekerk

# THE OBJECTIVE OF GOVERNANCE

- **Achieving national, provincial and local government developmental goals** – “By 2030, we seek to eliminate poverty and reduce inequality. We seek a country where all its citizens have the capabilities to grasp the ever broadening opportunities available.” (National Development Plan, 2011) “To realise an open-opportunity society for all, so that residents of the Province can use their freedom to live lives they value”. (Provincial Strategic Plan 2014-19)
- **Always act in the public interest** – Restoring public trust
- Resources are being applied in such a manner, that service delivery will be achieved; **equitably, economically, effectively and efficiently in an agreed ethical environment.**



## WCG Policy Principles

- Constitutionalism
- Rule of Law
- Evidence Based
- Partnerships
- Whole of society approach
- Citizen centric
- Public Value

# FINANCIAL GOVERNANCE

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**Good Financial Governance is defined as:**

- **Transparent, legitimate and development-orientated state action in the area of public finance** both on the revenue and expenditure side. Good financial governance implies that the country has **effective and accountable state institutions and financial administrations based on rule of law** and that it has **efficient audit institutions and parliamentary and civil society control mechanisms and institutions**
- It is **indispensable condition for economic as well as social and environmentally sustainable development**
- It enables **effective resource mobilisation, sound fiscal management, the effective, efficient and economic use of resource and transparent and accountable government**
- **The MFMA and its related Regulations prescribe the minimum financial governance requirements**

**Given the above there are two key areas of focus:**

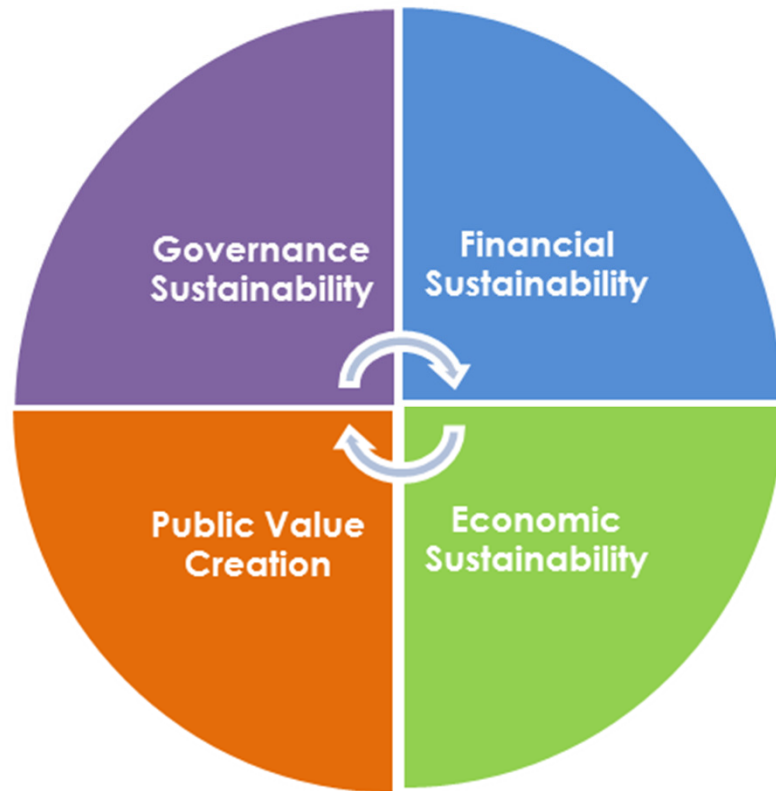
- **Providing stewardship of organisational assets and ensuring that the organisation conducts itself in accordance with relevant legal and regulatory requirements**
- **Assisting the organisation to develop strategy, obtain resources, and deliver its strategic objectives sustainably.**

# PROVINCIAL STRATEGIC PLAN 2014 – 2019

## Our Provincial Strategic Goals



# SUSTAINABILITY MODEL: DEVELOPMENTAL LOCAL GOVERNMENT



The objects of Local Government as defined in section 152 of the Constitution of the Republic of South Africa, 1996 are as follows;

“(1)(a) to **provide democratic and accountable government** for local communities;

(b) to ensure the **provision of services to communities in a sustainable manner**;

(c) to **promote local economic development**;

d) to **promote a safe and healthy environment**; and

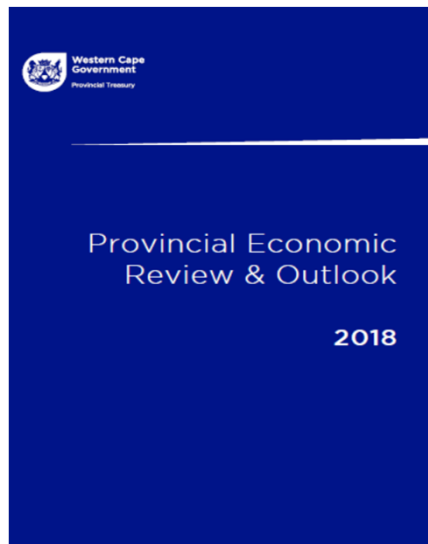
(e) to **encourage the involvement of communities and community organisations** in the matters of local government.

(2) A municipality **must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1).**”(South African Government 1996, s152, ss1-2)

- 152 of the Constitution of South Africa
- Part B of Schedule 4 and Part B of Schedule 5 of the Constitution of South Africa

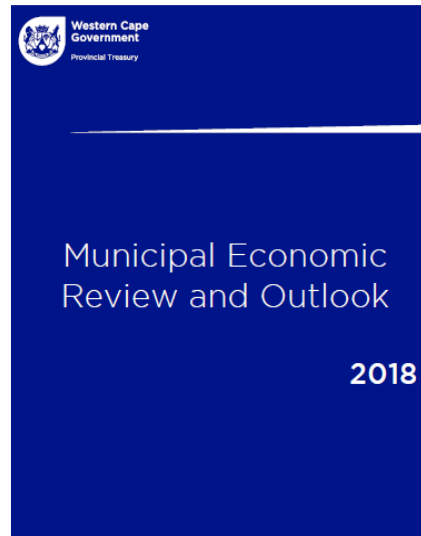
# Economic Intelligence

## Province



Global, national, provincial and regional economic review and outlook  
Sectoral and industries developments  
Labour market dynamics  
Socio-economic conditions

## Metro & District Municipalities

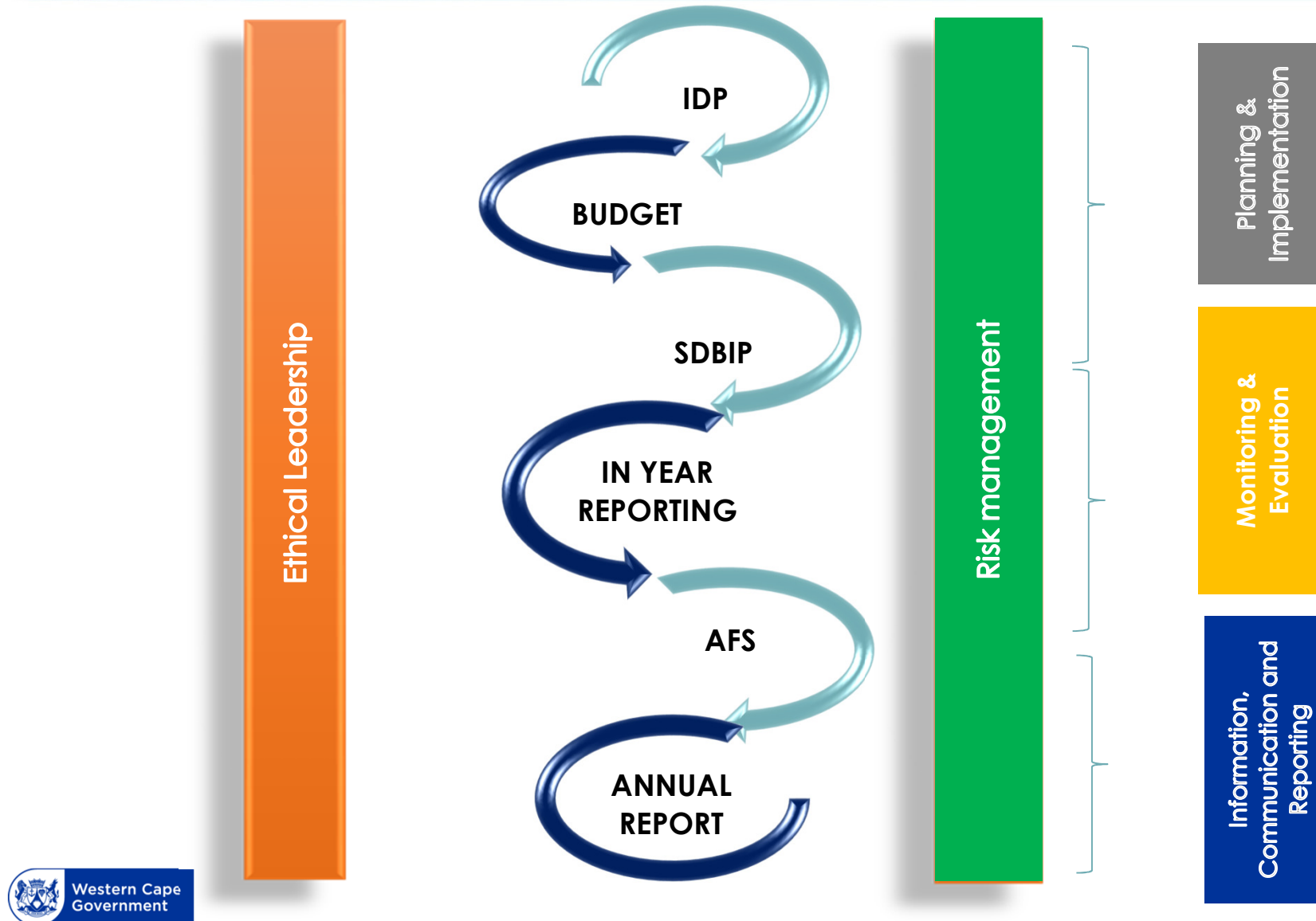


## Municipalities

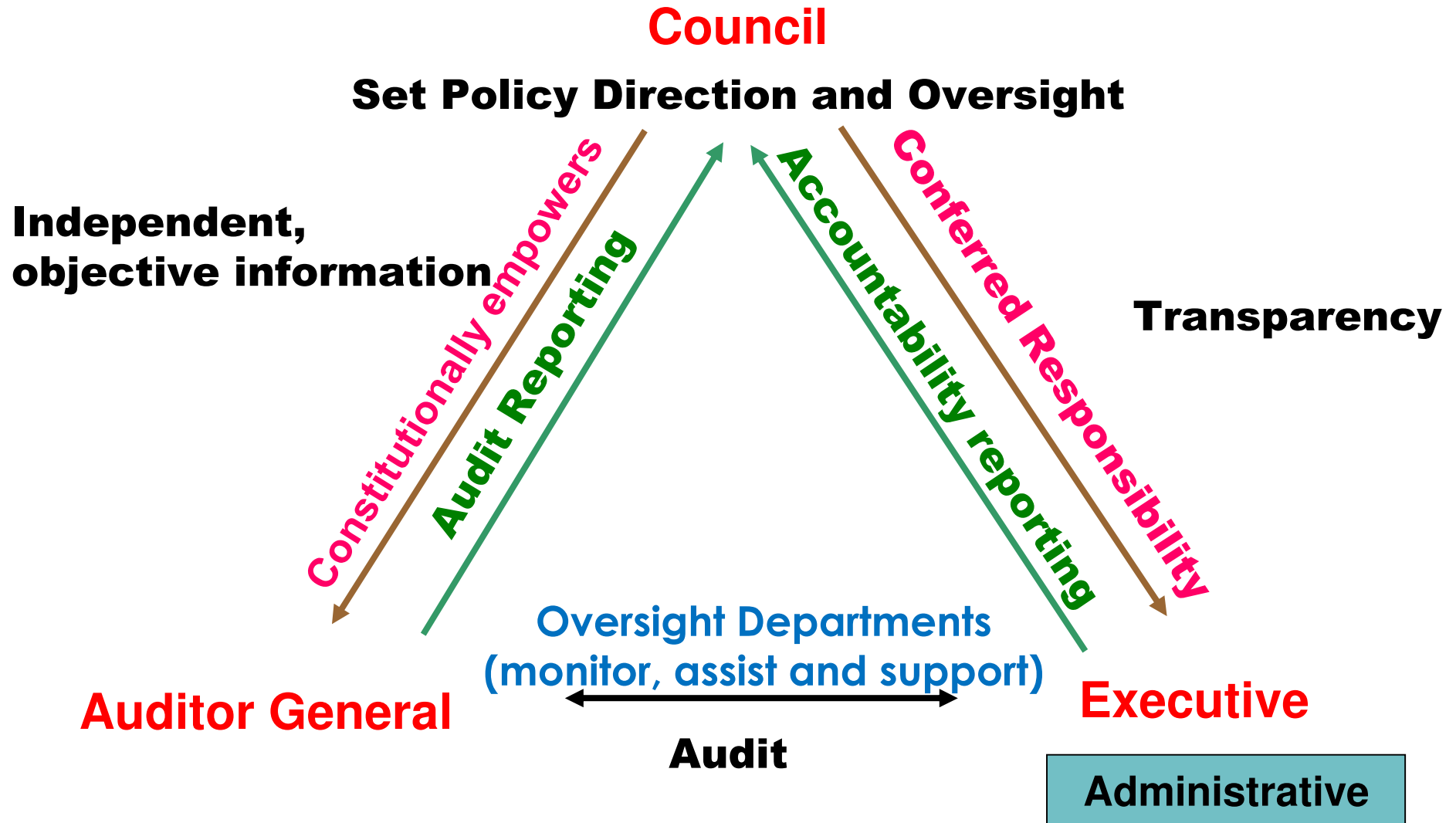


Demographics  
Education and Health  
Poverty  
Basic Service Delivery  
Safety and Security  
Economy  
Infrastructure Development

# Systemic Cycle of Good Financial Governance

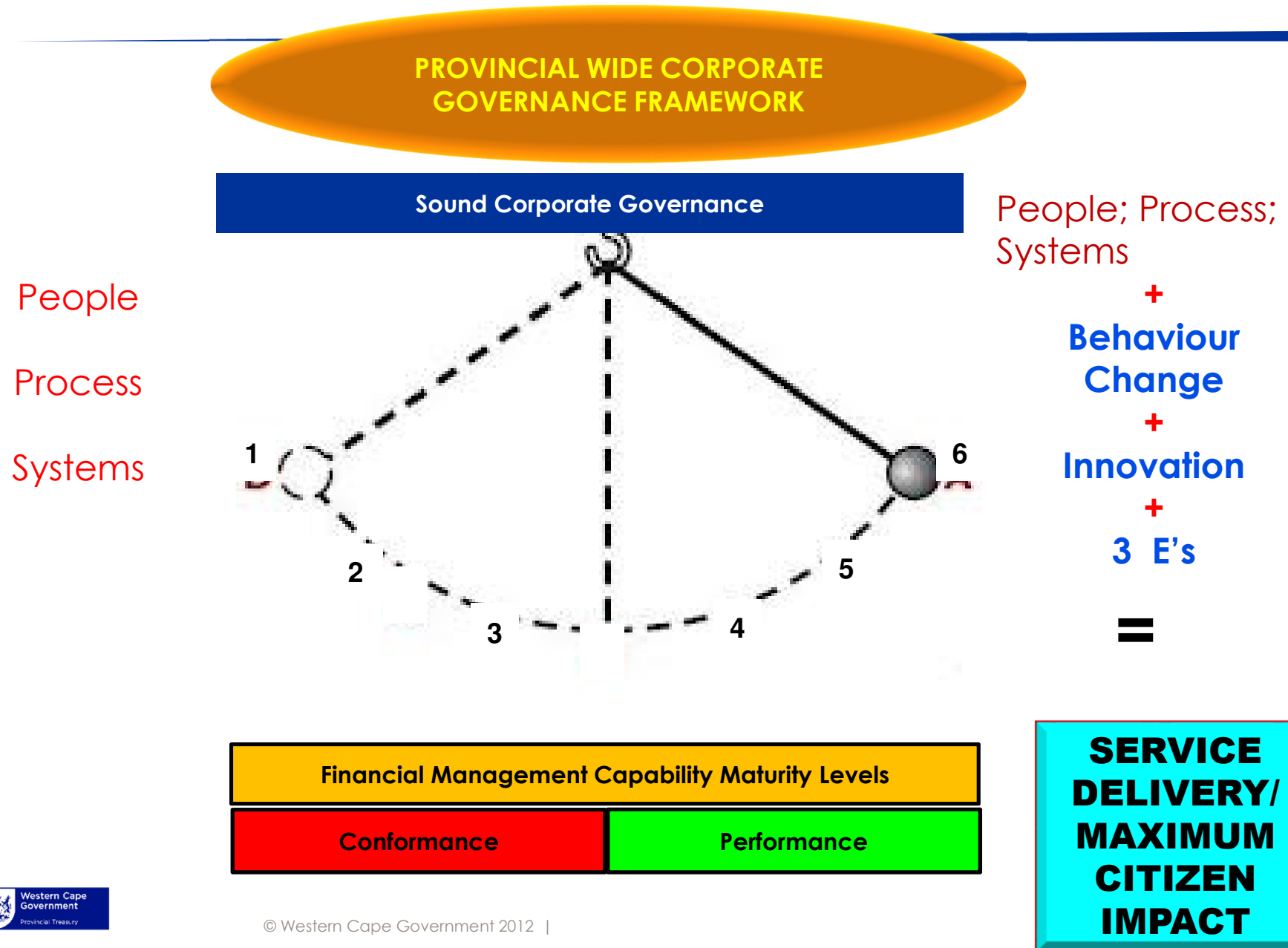


# Accountability Relationships





# FROM CONFORMANCE TO PERFORMANCE

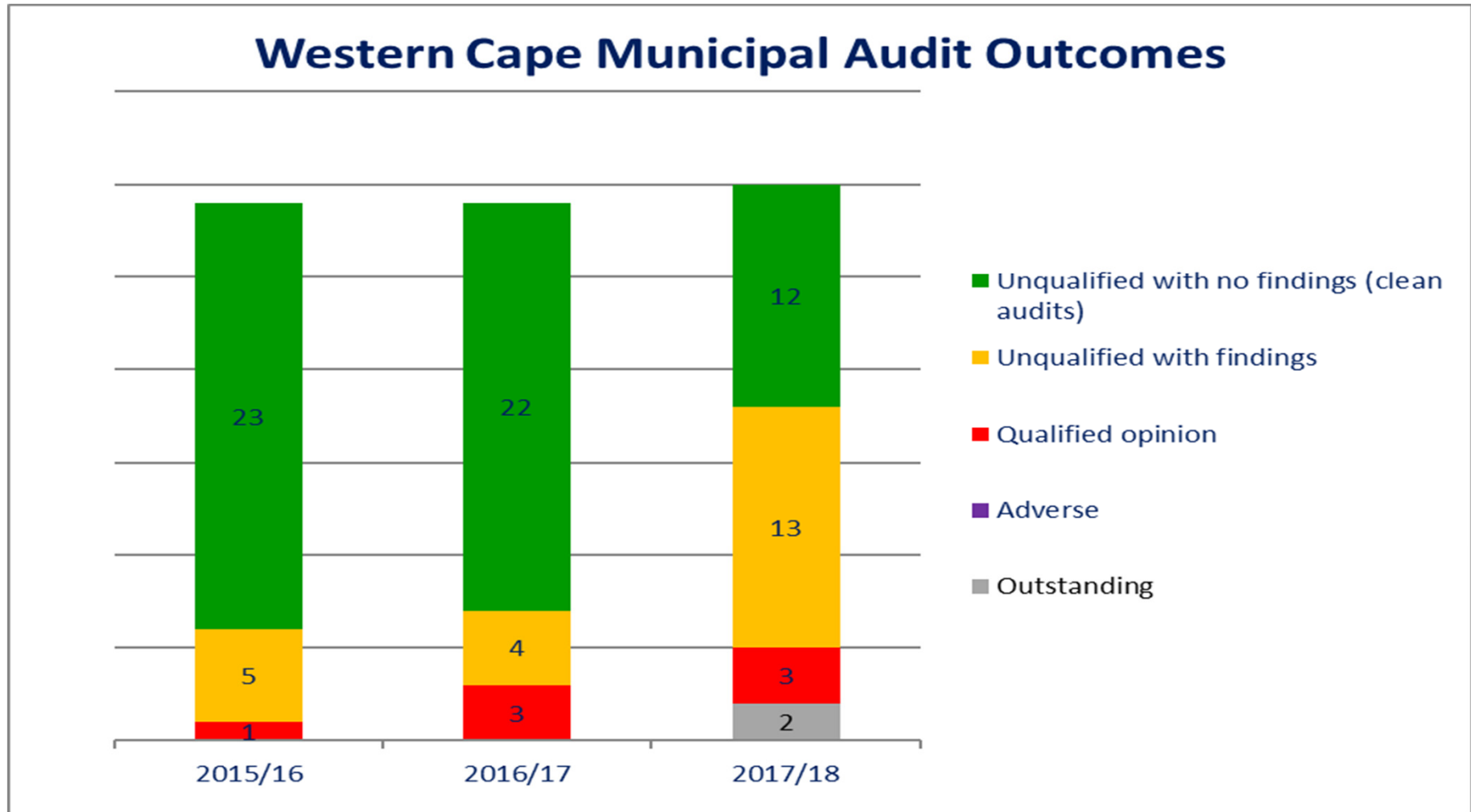


# The Status of Financial Governance



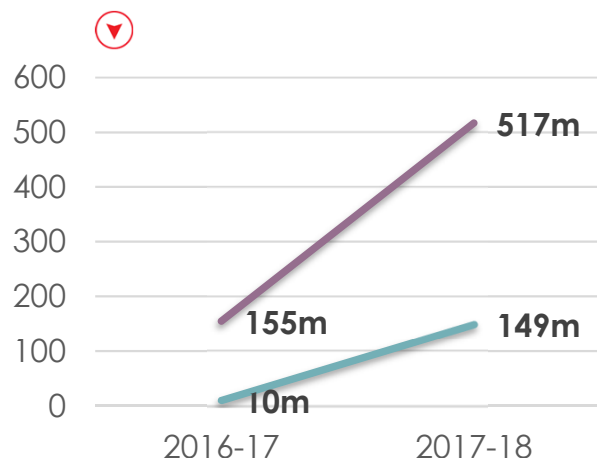
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# OVERVIEW OF MUNICIPAL AUDIT OUTCOMES



# AGSA OUTCOMES: IRREGULAR EXPENDITURE 2017/18

Irregular expenditure increased from R165 million to **R666 million (404% increase)**



20% (R104 million) of the R517 million represents non-compliance in 2016-17.

22% (R149 million) of the irregular expenditure was payments/ expenses in previous years only uncovered and disclosed for the first time in 2017-18

## Nature

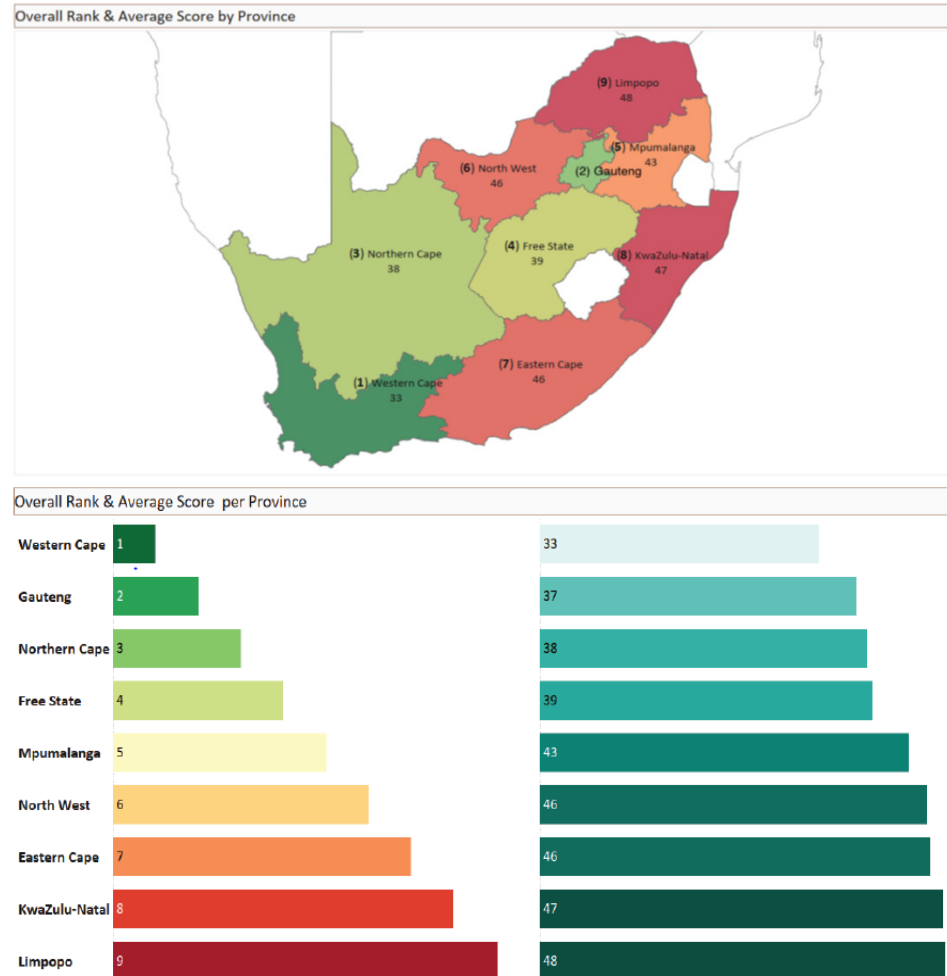
- 98% of occurrences caused by non-compliance with SCM legislation
- Main areas of non-compliance within SCM that caused irregular expenditure:
  - Procurement without competitive bidding or quotation process (20%)
  - Non-compliance with procurement process requirements (50%)
  - Non-compliance with legislation on contract management (30%)

# TRANSVERSAL GOVERNANCE CHALLENGES

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- **Accountability failures** within the Political and Administrative Leadership structures
- **Ineffective Consequence Management** - leadership's inaction, or inconsistent action, creates a culture of 'no consequences'
- **Internal control deficiencies** (Lack of implementation and monitoring of controls)
- **Ineffective utilisation of assurance providers** to improve the design and implementation of internal controls
- **Lack of appropriate financial governance skills**
- Progressive **MFMA reform agenda vs the municipal capacity to implement**
  - mSCOA, SCM reforms, etc
- **Lack of Financial Governance Skills**
- Lack of **independent dispute resolution process** i.t.o external audit

# GOOD GOVERNANCE AFRICA



Scores: 1 is best worst, 9 is worst.



- Research findings by Good Governance Africa places **Mossel Bay** in the **top spot** as the **best performing municipality** in the **country**.
- Two (2) of the top three municipalities, **Mossel Bay** and **Swartland**, are from the **Western Cape**.
- Of the top 20 top performers, the majority (60%) are in the **Western Cape**.
- The study has proven **the correlation** between **good governance practices** and **poverty reduction, service delivery** and **administrative financial soundness** as per the Auditor General's assessment that focuses particularly on audit outcomes.

# The Way Forward



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# Key Drivers

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**Key drivers** identified to ensure sound financial governance practices and optimal service delivery to communities are:

- **Governance**
  - **Ethical and Effective Leadership** – Strategic Policy Direction and Oversight
  - **Integrated thinking and reporting** - linking performance to governance thereby improving value – citizen impact
- **Integrated capacity development** to develop and empower a corps of competent and committed high-performance employees
- **Data and systems enablement** - creating operational efficiency and enabling informed decision and problem identification and resolution



# Intended Outcomes

**Ethical and Effective Leadership (Political and Administrative)**



- Steers and Sets Strategic Direction
- Enables a culture of accountability and ethical behaviour
- Effective system of internal control

**Integrated Reporting and Thinking**



Increased understanding of performance and value creation at leadership level and employee level to improve decision making and value – maximum citizen impact

**Data and Systems Enablement**



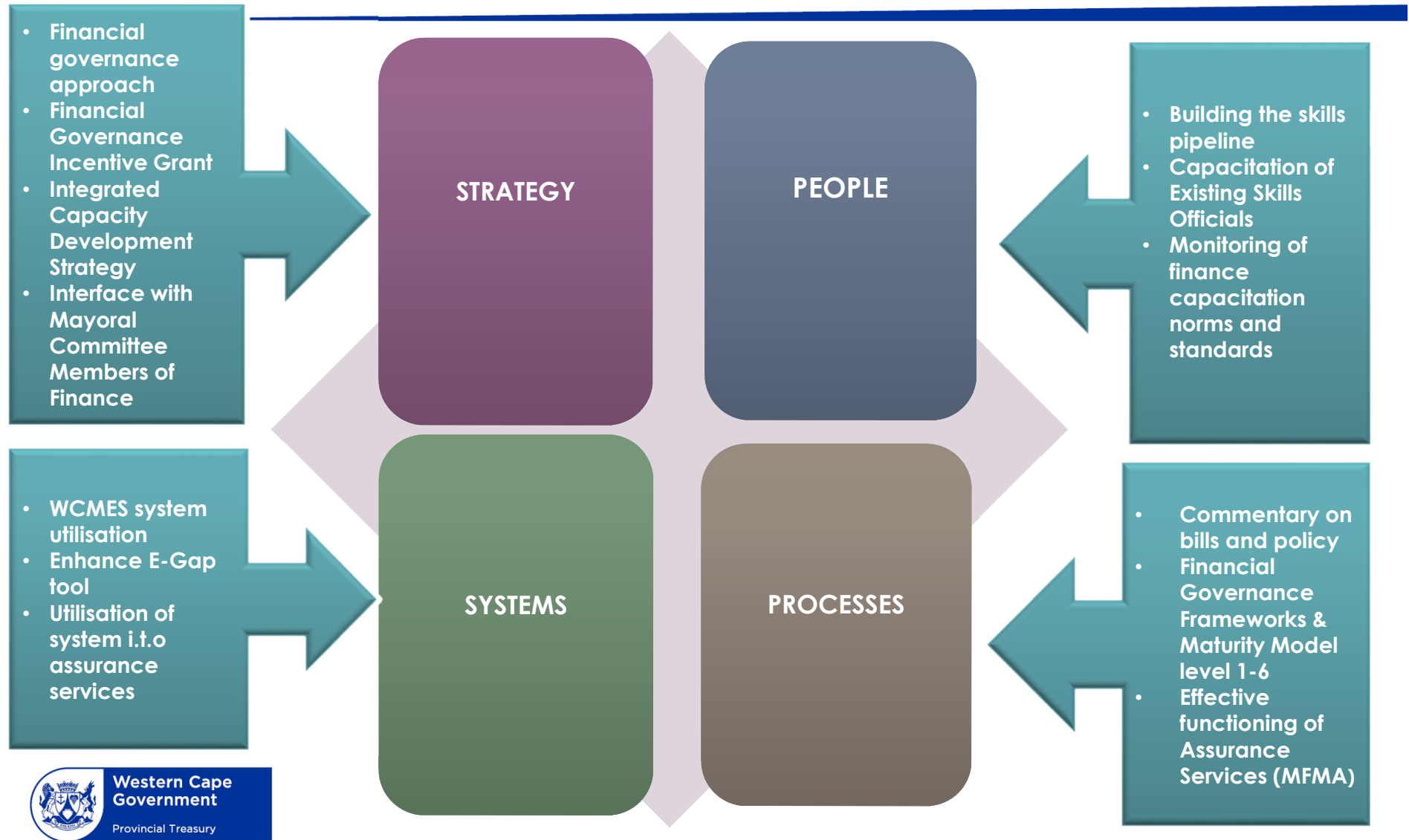
- Creating operational efficiency and enabling informed decision making and problem identification and resolution
- Enabling compliance

**Integrated Capacity Development**



- Developing and empowering a corps of competent and committed high-performance employees
- Holistic developmental approach

# OVERVIEW OF FINANCIAL GOVERNANCE STRATEGY



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Thank you

# Contact Us



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