

Improving Local Government Financial Accountability key note speech by – Cllr Thabo Manyoni

On behalf of the National Leadership of SALGA, I would like to thank the organisers of this conference for their thoughtfulness, and for ensuring that SALGA takes part in this event today.

Our fundamental principles of democracy are that government is responsible to the people. It is essential for government to account for the money it raises and spends. This is a Principle of Financial Accountability which necessitates complete, accurate, and timely reporting for all resources allocated to all spheres of government and agencies including expenditure on staff, programmes, schemes and projects.

Accountability and transparency are indispensable pillars of good governance. They compel government to focus on outcomes and impacts rather than outputs. The state is further compelled to develop result-oriented strategies, monitor and report performance. Through public accountability and transparency, government can achieve harmony between public policy, implementation and resource use.

It is generally accepted principle that those responsible for the conduct of public activities and the handling of public funds should be held fully accountable for;

1. Ensuring that the public funds are safeguarded and properly accounted for,
2. Conducting all activities in accordance with the applicable law, regulations and standards
3. 'Delivering services' in an economic, efficient and effective manner and
4. Strengthening service delivery performance, by establishing and seeking to achieve targets and meeting community expectations and outcomes.

For public confidence and trust in government to improve, it is necessary not only to correct poor accountability, but also to remove all the practices that lead to public perceptions of an unaccountable government.

Accountability "requires us to disclose fully and truthfully our performance to those who are entitled to know."

This definition can further be deconstructed in four ways as follows;

Firstly it says, 'requires to disclose' – disclosure is not a matter of choice but a matter of obligation. Disclosure also means to publish in some form either by a verbal statement or by a written document.

Just acting in a responsible manner is not enough. Preferably, the disclosure of actions taken must be published in a method able to be scrutinised by others.

Secondly it says, 'fully and truthfully', meaning partial disclosure is not enough. Partial disclosure may lead those who are entitled to make judgements on performance to arrive at the wrong conclusion because they were not fully informed. Truthfully means that disclosure must be based on facts, not impression. That also means that facts stated in disclosure reports must be backed by evidence and must be verifiable in some way.

Third, 'performance' in this context it means the results of actions taken or what was achieved must be described. Simply disclosing actions taken is not indicative at all of actual progress achieved towards an actual outcome or impact.

Finally, 'to those who are entitled to know' means those who employ or in some instances elect you, those who place trust in you, those on whose behalf you take actions that may affect their lives.

So it is not necessarily everyone that you need to disclose to, but only those to whom you owe a duty as you execute your actions. For governments and for councillors that clearly means disclosure to the people that placed them into power.

South Africa though still in its infantile stage of democracy must be applauded for some of the huge reforms it has made. We are, without a doubt a functioning state; all spheres of government are operational and are playing their role towards the ultimate goal of developing an effective developmental state. The country has a well-established Local Government financial legislation, which through entities like the National Treasury and the Auditor General is constantly being monitored through annual budgets, in-year reporting mechanisms and end of financial year Audits.

We have all the systems required in place! So then what is this missing ingredient that will ensure that local government is financially accountable to the people?

One area SALGA has identified which would serve as a solution to the improvement of financial accountability, is the enhancement of council's ability to provide oversight in the municipalities that they govern. Legislation mandates of councillors to oversee the financial performance of their respective municipalities. Council is vested with the responsibility to oversee the performance of their respective municipality, as required by the constitution, the Municipal Finance Management Act and Municipal Systems Act.

However, not much has been done in equipping and capacitating our respective councillors to make use of all the structures available to them such as for example, the Audit Committees. Councillors usually do not have the right acumen to monitor, through in-year reports, the annual budgets they have approved. The required Audit Action Plan which addresses the issues raised by the Auditor General in his Audit Report is usually not adhered to, hence the persistent and repetitive audit issues that are raised year in year out. The Annual Report which ultimately provides, and gives council an oversight role of ensuring that its administration is held accountable for its performance, as aligned to the Integrated Development Plans (IDP's), is usually not understood and interrogated thoroughly.

To further strengthen this oversight role a clear separation of roles between council and administration needs to be continuously promoted. Council oversees the work of administration and administration is responsible for the day-to-day operations of a municipality. This separation becomes meaningless if the council does not have the necessary skills to oversee the daily operations of the municipality. This lack of necessary skills has ultimately isolated council from its administration and from the oversight committees that should be supporting it.

The Auditor General in its 2011/2012 MFMA Audit Outcomes highlighted the *"Slow Response by the Political Leadership in Addressing the Root Causes of Poor Audit Outcomes"* as one of the main root causes not being addressed. 213 of the 278 municipalities, 76 per cent of our municipalities, have in common this root cause for poor audit outcomes. The percentage increased from 57 percent prior year by 19 per cent, indicating a regression and the dire need to urgently address the lack of oversight by our councillors in our municipalities.

Capacitating our councillors and enhancing their oversight role is long overdue. SALGA has realised that over and above the conventional inception of 5 year term Councillor Induction Programmes (CIP's), other regular in-depth capacity building programmes which focus on financial oversight are necessary. SALGA would like to thank APAC and all other key stakeholders who have taken it upon themselves to further capacitate councillors in their oversight roles. This capacity building needs to be continuous until we

can be satisfied that all councillors can play their oversight role with certainty and confidence.

Municipal Public Accounts Committee (MPAC's) are additional structures that have been recently established and will play a role in assisting council to hold its administration and municipal entities to account, and to ensure the efficient and effective use of municipal resources. MPAC's will also complement Audit Committees as oversight structures that support council. Innovation also needs to be applied in this support; for example the "One Pager Oversight Calendar for Councillors" developed by SALGA because ultimately the function of overseeing involves council knowing who does what? how? and by when?

Yes all our legislative and administrative systems are in place but if we can invest all our collective resources towards building a well capacitated council in municipalities, we will go a long way in addressing the challenges of lack of financial accountability in our municipalities. In closing let me thank APAC once more for affording SALGA the opportunity to give insight into this conference; SALGA's standpoint on the matter is that strong leadership with well entrenched governance ethos, will lead to a financially accountable Local Government. Accountability and transparency are the building blocks to restoring faith in local government and we are hopeful that this critical sphere of government will with time become a model of an open and accountable government.