

Department of Cooperative Governance 2018/19 Annual Report; with Minister and Deputy Minister

Cooperative Governance and Traditional Affairs

25 February 2020

Chairperson: Mr B Hadebe (ANC) (Acting)

Meeting Summary

Annual Reports 2018/2019

The Department of Cooperative Governance and Traditional Affairs reported that overall, 15 of its 18 targets had been achieved in the 2018/19 financial year. Compared to the performance targets from previous financial years, this was a slight improvement. However, the Department had received a disclaimer audit opinion. Six recurring findings had emerged -- not addressing root causes; lack of adequate record keeping, poor internal control processes and supervision; Community Work Programme (CWP) leadership instability; lack of attention or expertise in the finance department; no indication of corrective actions; and a lack of a sense of urgency in implementing recommendations.

Members expressed their frustration and disappointment over the poor state of the Department, and the ineffectiveness of the CWP. Issues related to corruption had been uncovered and were highlighted in the discussion. Had those involved in fraud and corruption had to face the consequences? What was the Department's plan to recover losses, such as those at Sekhukhune District Municipality? What was it doing about the service delivery crisis at Msinga District Municipality? What were the circumstances under which the previous Director General had left?

A considerable amount of discussion revolved around the CWP programme. Members commented on their frustrations in trying to obtain information about it. Irregular and wasteful expenditure had been incurred through money being paid to dead people and unqualified government employees. They asserted that the non-profit organisations (NPOs) that were supposed to implement the programme were abusing the system in order to be profit-making organisations. They also questioned the types of work generated under the programme in relation to working conditions and wages.

Members said that it was unacceptable for a department to receive two consecutive disclaimers from the Auditor-General, and suggested that the Committee should be getting a monthly progress report from the Department, as well as a concrete time frame for a turnaround strategy. The Chairperson agreed that a monthly progress report was needed from the Department.

Meeting report

COGTA 2018/19 Annual Report

Mr Themba Fosi, Acting Director General (ADG): Department of Cooperative Governance and Traditional Affairs (COGTA), presented COGTA's 2018/19 annual report. The purpose of the presentation was to provide Members with the performance and audit findings of the report, to address the negative audit opinions and challenges, and to give recommendations for the two areas. Overall, 15 out of 18 targets had been achieved in the 2018/19 financial year. Compared to the performance targets from previous financial years, this was a slight improvement.

Mr Fosi focused on the following programmes, and identified the causes of exposed issues.

Programme 1: Administration

The under-performance was due to the lack of capacity to conduct evaluation. It was suggested that the Management Performance Assessment Tool (MPAT) standards be integrated into the post-audit action plan for the 2019/20 financial year.

Programme 2:

This programme scored 0 because of delays in the procurement processes of the funders, the Commonwealth Local Government Forum (CLGF), and it was recommended to implement it through the operational plan for the 2019/20 financial year.

Programme 3: Institutional Development

It was commented that the Technical Indicator Description (TID) reported only on functional ward committees, so it was not clear where information came from. This had been adjusted and tabled in Parliament in June 2019.

Programme 6: Community Work Programme

241960 work opportunities had been created. The deviation was that 8 163 Community Work Programme (CWP) participants did not receive any training in quarter two -- their training started only in quarter three.

On the Auditor-General's (AG's) findings, the Department had received a disclaimer audit opinion. Six recurring findings had emerged:

- Not addressing root causes;
- Lack of adequate record keeping, internal control processes and supervision;
- CWP leadership instability;
- Lack of attention or expertise in the finance Department;
- No indication of corrective actions
- Lack of a sense of urgency in implementing recommendations;

Mr Fosi also briefed the Committee on the internal analysis done within the Department. It had adopted a non-payment policy for non-compliance by non-profit organisations (NPOs), suspended two NPOs pending investigation, as well as having processed one NPO suspension. The Department had also taken action against its former DG, six employees had been subjected to disciplinary processes, and the chief financial officer (CFO) and Acting Director would appear before the Public Service Coordinating Bargaining Council (PSCBC) in March/April. For consequence management, the Department had appointed a team of attorneys for forensic investigations, a turnaround team and a remodelling team.

Lastly, he described the Department's five-point strategy embracing finance and procurement, site, systems, strategy and collective leadership and management. Monitoring of implementation plans were also outlined.

Discussion

The Chairperson commented that wasteful expenditure should not be allowed.

Mr I Groenewald (FF Plus) asked if it was time to look at a "real time" auditing system. He commented that the Department had performance contracts signed by senior managers, and asked if those that had been involved in corruption and fraud had not signed the contracts. If not, what action had the Department taken for them to face consequences? He also enquired about the advanced payments that had been made to nine contractors, and asked the Department to provide the Committee with a copy of those contracts so that they could see the work and responsibilities that these contractors had performed.

Mr M Hoosen (DA) commented that it would be difficult for Members to perform oversight, since there was no positive news in the report. Despite the reassurance given by the Acting Director General, he had highlighted the priority status of consequence management for this Department. He asked if the Minister could give a few examples of what she had in mind to turn the Department around so that Members could also plan on which areas they needed to perform their oversight function. The Community Work Programme had been a headache for a long time. The last time this issue was brought up, the Department officials had been evasive on the subject. Till now, there had been no formal response from the Department. Since the AG's letter revealed about R600 000 of the programme's budget had been paid to dead people, it could be possible that further millions had been paid to government employees' accounts. He wanted to know how the Department planned to recoup the money and what the Minister planned to do with those involved in this case. He commented on the 241 960 work opportunities generated by the CWP programme in the report, but said he was unconvinced whether that figure reflected reality.

Mr Hoosen also asked about the cost-benefit analysis for the CWP programme that Members had requested, as they still had not received a copy of that. Furthermore, he was not convinced if the re-modelling of the CWP would contribute to any longer term objectives in order to get municipalities to provide better service delivery, given the circumstances where municipalities in the country were falling apart. He asked for more details on the cost-benefit analysis so that Members could interrogate and analyse the situation. He personally knew people who were in the CWP programme and were getting paid, but did nothing.

Mr C Brink (DA) commented that the presentation was misleading, with its claims being unsubstantiated. The Auditor-General's findings showed that there was not sufficient evidence to justify the claims that had been made in the presentation. He wanted to know the circumstance under which the previous Director-General had left. Given the state of the Department, he believed it had been necessary. He asked the Department to confirm the statement that six employees had been fired in connection with payments to wrong entities, but no disciplinary action had been taken against them. In light of that, he enquired about the progress in recouping some of the irregular expenditure from the previous financial year. The Acting DG had mentioned proper performance management was in place -- did that imply that there had been no proper performance management in place before?

Ms G Opperman (DA) enquired how much of R104 million from the Sekhukhune district municipality had been recouped. She asked what the process was being implemented on recouping the R6.3 million incurred through dishonest conduct in the CWP programme, by paying to non-qualified government employees.

Ms H Mkhalihi (EFF) told the Committee about a Standing Committee on Public Accounts (SCOPA) meeting about municipalities, which she had attended this morning. At the meeting, Members had not accepted reports produced by officials because they believed those reports to be untrue. Usually it was the Minister that said the Department was moving in the right direction, but the outcomes witnessed by Members indicated otherwise. She reminded officials that some municipalities had received disclaimers for 10 years. The

recommendation from the morning's SCOPA meeting was that Committee Members needed to attend to municipalities. She also reminded Department officials that Members were on the ground, and possessed first-hand experience of service delivery. She asked them to steer clear of fooling them in presentations.

Ms Mkhalihi questioned the merits of the slide which said 100 municipalities supported having functional ward committees, and said that this was a falsehood. Members all knew there was a crisis going on in municipalities nationwide, because they knew about service delivery on the ground. She urged the Department to have the political will to change everything and to provide a clear direction. She further suggested that the Minister needed to come to this Committee alone, without her Department staff, to account for what needed to be done within the Department.

She referred to the former Ethekweni mayor's court case in KwaZulu-Natal (KZN), and the assassination of people from the finance department who had been privy to certain information. She said that this was the state of a South Africa's municipality, and asked how many more municipalities were like this. She commented on the lack of coordination to address accountability between mayors and councils in South Africa despite the Auditor-General's report, which indicated a lack of accountability -- a message that had been communicated to key members of the municipalities.

She described her frustrating struggle to get the necessary information on the CPW, and asked the Minister why NPOs were used in those programmes. Who owned those NPOs? How long it would take for a turnaround strategy? She suggested the Minister should liaise with the National Prosecuting Authority (NPA) and police to arrest those who were involved in corruption and looting.

Mr K Ceza (EFF) asked the Department whether it could develop the capacity to run its own affairs instead of relying on consultants. It should accept the fact that the CWP was a failed programme, and recognise the need to re-vitalise it. He recommended that it should rethink the definition of work in the country, and ask themselves about the work opportunities that had been created through CWP in terms of wages, working conditions, and on whether it was making any changes to peoples' lives. He proposed the Department should get a model that spoke to the insourcing of those workers, instead of leaving them to do nothing.

Mr B Luthli (IFP) commented that the general impression in which the presentation had conveyed was distressing. Although the suggested implementations in place seem to suggest that things would get better, he advised the Department to accept the challenges first. He expressed his appreciation that the Department wanted to make a change. He also asked Members to perform their oversight functions according to the Department's suggested turnaround strategy.

He said he wanted to understand some points on local governments' performance. To what extent did their functions reflect the state of the Department? How far was COGTA mandated to intervene, and what interventions was it mandated to carry out? He did not think the Expanded Public Works Programme (EPWP), should be scrapped, since it could benefit to the poorest of the poor. He reminded Members that the issue was not with the programme itself, but the mismanagement of the programme. Scrapping it would be insensitive towards the need of the poor, and he recommended the Department should identify the problems and solve them.

Ms M Tlou (ANC) welcomed the Department delegation team, headed by the Minister and Deputy Ministers. She cautioned against Members talking about negative matters without having a concrete plan of action to address them. Since an implementation plan had been provided, The Committee needed to hold the Department accountable according to these plans. She wanted the system to have accountability and commitment, as well as to operate effectively in the interests of the people. On the issue of NPOs, she suggested the Minister should liaise with Department of Labour in order to provide better administration. On the CWP, she wanted clarity on what happens after the period of work was finished. She questioned why the Department did not send these workers to receive relevant occupational training and obtain certificates so that it would be easier for them to find jobs, and suggested the Minister should discuss this with the Minister of Higher Education. She commented on the importance of separating subjects such as accounting, which had nothing to do with maths, so that maths could be removed as a requirement for the admission of accounting students, so that more people could be qualified for accounting. She commented on the failing state of the Department, arguing that it was because of the lack of training for its employees.

Ms P Xaba-Ntshaba (ANC) expressed her confidence in the Acting Director-General, as he was not new to the Department. Although the presentation had been good, the issues mentioned had been raised by Members many times. For instance, the mayor of Msinga local municipality had said his officials would go to Ward Six to deal with a toilet issue, but this had not made sense because the local community had not been provided with clean water -- how did one fix a toilet if there was no water? She said that the pipes were there, but there was no water supply. She warned the Department that she would not stop bringing up this issue until water was provided to all households in that area. She questioned the effectiveness of the district model launched by the President. Given the magnitude of the looting of state money and the lack of consequence management, she suggested districts be given a budget as well, because they were at the ground level which dealt with first-hand service delivery. This budget should be provided so at least some service delivery could happen before all the money was stolen.

Minister's response

Dr Nkosazana Dlamini-Zuma, Minister of Cooperative Governance and Traditional Affairs, agreed with the Members that implementing a "real time" audit system would be a good idea. In her view, this was a system that the whole government should adopt. At the moment, her Department did not use such an audit system.

What concerned her the most was the Community Work Programme (CWP), since it received a lot of government funding. It needed to be remodelled because non-profit organisations were beginning to take advantage of the government, and turn their organisations into profit-making businesses. The Minister recounted a recent site inspection at a village where she had been told by CWP workers that their work was to clean the graveyard. She had been bewildered by the response, as there were no graveyards in the vicinity and that she was

convinced the background to the programme was sketchy. She also recounted a recent anecdote about a soap factory that had been funded by the CWP. She was shocked to learn that this factory could make only 32 bars of soap in a week. Initially she had given the factory the benefit of the doubt, thinking it could be because the size of the bars was huge, and was waiting for further report. Four months later, she still had not received any report on that matter. She felt the need to remodel the CWP completely, removing some leadership and replacing it with a more dynamic team.

She assured the Committee that the previous Director-General had not received a golden handshake. The Minister had simply wanted him out, so she had taken the decision to shorten his five-year contract to two years. As for the whereabouts of the DG, the Minister said he had left the public service, but still was working in the government.

On recouping lost money and consequence management, the Minister said that it would take time because there were standard procedures that had to be followed. When such issues arose, the Department first had to remove them from their positions before anything else could happen. However, she assured the Committee that they would face the consequence. The Department needed first to recoup the money, then those involved in corruption and fraud would be arrested.

On the municipalities' current state, the Minister commented that not only everyone in COGTA, but also Members of the Committee, must work together to solve the municipalities' issues. She described the some issues as omelettes where the egg white and yolk needed to be unscrambled, and this would require a collaborative effort. In terms of Section 139(7) of the Constitution, national government only had power to intervene in a local municipal issue if the provincial government had failed to attend to it. She reminded Members that it had become popular in politics to blame COGTA, but they should not forget that some of those issues should be solved by the provincial COGTAs, as this was within their mandates.

The Minister said she had thought of using the School of Governance to assist the Department with training, but they did not have materials and experience to offer.

She commented that why Department was using NPOs was a question under review by the Department as well.

Dr Dlamini-Zuma said she thought one budget for a district was a good idea. When the Department talked about a district, it referred to a geographical space and not about administration. At the moment, the Departments of Water Affairs, Human Settlement and Social Development all had their own budgets. Her Department's responsibility was to check what they were doing in a particular district with the provided budget.

The short training programmes were designed to enable those who underwent the training to be practical. Certification for a subject such as accounting should be obtained at tertiary education, not at those short-term courses. She used an example to illustrate the expected outcome of the training. In rural areas, people keep goats to communicate with ancestors. What this short programme could do was to teach them that keeping goats could be commercialised for profit.

The Minister recounted a recent conversation with a construction company employer. She had asked why he preferred employing people from outside the country instead of locals. The employer had said it was because South Africans did not have the skills, such as tiling, putting in ceilings, painting, etc. These skills were not easy skills that one could easily learn on the job. Mozambicans and Zimbabweans had gone through this training process, and that was why they were hired in the construction sector. Through the short programme training, these skills could be learnt. The Department had intended the CWP to provide this sort of training, but this outcome had unfortunately not been achieved.

Regarding the consultants that her Department had hired, she responded that there was a huge skills gap in finance, engineering and other professions in some municipalities. The Department had hired this team of consultants to assist wherever there was incapacity in municipalities, in order to perform the required functions.

Regarding the Ward 6 issue reported by the Member, the Minister promised that this issue would be attended to so that the local community would have water.

Acting Director-General's response

Mr Fozi said most issues had been covered by the Minister, so he had very few left to respond to.

On the nine contract workers' advance payments, he informed Members that because of the Department's poor record keeping, those nine contract workers had been hired to clear suspense accounts.

The cost-benefit analysis for the CWP would be measured against what the Department aimed to achieve, and how it planned to move forward.

On the management system, he commented that the Department would work within the current framework of the set targets on what was achieved against what was expected. He admitted that there were flaws as well as loopholes which could be abused by opportunists.

On the Department's decision to employ consultants, he explained that the Department did not have the capacity to increase the compensation budget in order to build capacity. The Department had therefore decided to employ these consultants on a contractual basis.

He fully agreed with Member's concerns on the definition of work opportunities and the forms of work opportunities generated by the CWP.

He that he would also follow up on the Ward 6 issue, and the Department would follow up on the Sekhukhune district municipality issue.

Mr Brink and Ms Opperman enquired about the performance agreement question that they had asked earlier.

Mr Fozi replied that all senior managers, as well as middle management staff, had signed the agreements. The agreements were based on targets set in the performance documents. The Department assessed its employees based on whether they were able to demonstrate what was expected of them to perform.

The Department responded on the payment of R3.6 million in performance bonuses, saying this was in line with what was practised in the private sector, and the bonuses were directly commensurate to the work performance. The overall percentage amounted to less than 1.5%.

The Chairperson commented that the Department had given a clear performance plan. He appreciated the Minister's commitment to address COGTA's weaknesses. He asked Members to perform to their oversight function in accordance with the plan provided in the presentation.

Two Members said that it was unacceptable for a department to have received two consecutive disclaimers in the Auditor-General's reports. They suggested that the Committee should be getting a monthly progress report from the Department, as well as a concrete time frame for a turnaround strategy.

The Chairperson agreed that a monthly progress report was needed from the Department.

The meeting was adjourned.