

Impact of Internal Controls on Governance in Msunduzi Municipality

June 2021

Dedication

This report is dedicated to George Lebelo, the Msunduzi Champion, who tragically passed away in October 2020.

Thanks for all the work you put in and your willingness to assist. You will always be fondly remembered.

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Introduction

The 2021 State of Cities Report's focus on governance is well-timed, as many local authorities throughout the country are battling to achieve clean audits, ensure procurement processes do not incur fruitless and wasteful expenditure, deliver on their mandate, and curb the rising scourge of corruption. This case study examines the impact of a lack of internal controls on governance within the Msunduzi Municipality and seeks to understand some of the key causal factors.

This reflection on Msunduzi Municipality affords the opportunity to experience a council and its administration grappling with fundamental internal governance issues and expecting that their current efforts will yield positive results. This struggle goes back at least 10 years, which creates a further layer of complexity and history. At the core of the story are management problems with municipal processes and procedures, staffing and political oversight. However, the story is also an account of how the management and politicians of Msunduzi, both new and old, are determined to find a way out of their current predicament of being under administration. The municipality had little hesitation in choosing the focus of their case study: to shine a spotlight on the reasons for Msunduzi's current predicament, the implications and what needs to be done to emerge from this difficulty. As part of the reflection, a broader community of stakeholders were able to contribute insights, reflections, and recommendations to the internal control narrative.

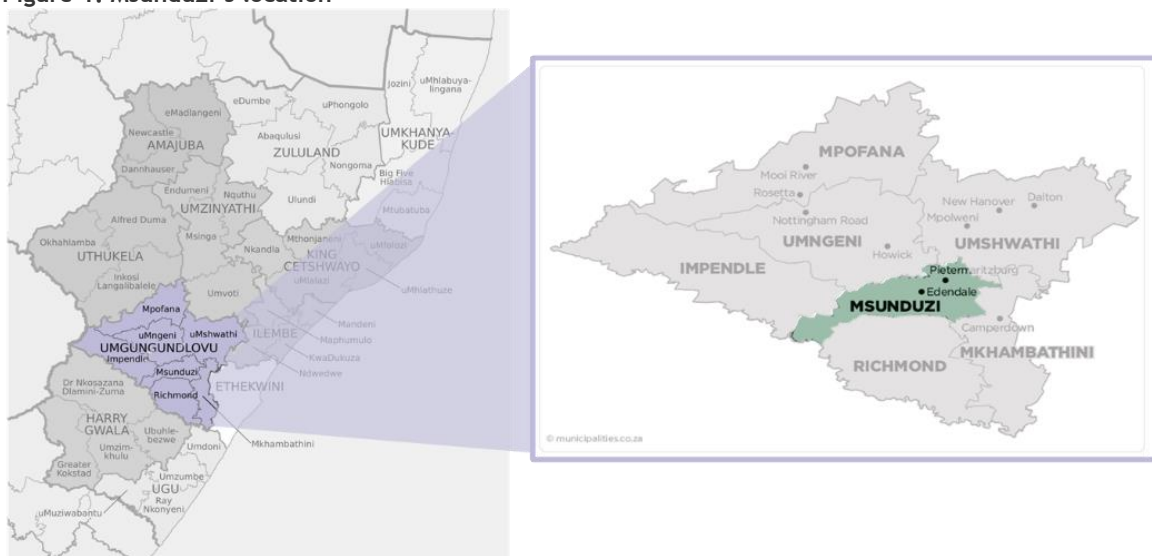
The Msunduzi Municipality story is framed around internal controls and fits comfortably into the governance themes of political-administrative interface and capability of the State. The other themes include cooperative governance and public integrity. This case study contributes to the overall governance picture emerging from the other major cities in the country and highlights some of the major governance issues hampering local government development.

A Municipal Overview

Technical Considerations

Msunduzi Municipality lies roughly 78 kilometres west from the coast, in the uMgungundlovu District in the province of KwaZulu-Natal. It is the province's capital and second largest city. Located in the 'heart' of the province, the city is an anchor in the Msunduzi–eThekweni economic development corridor and part of the Strategic Integrated Projects (SIP) 2: Durban to Free State corridor, making it important and relevant not only to its citizens, but also to the wider district and provincial community and country. Therefore, the failures or successes experienced by Msunduzi have much wider ramifications.

Figure 1: Msunduzi's location

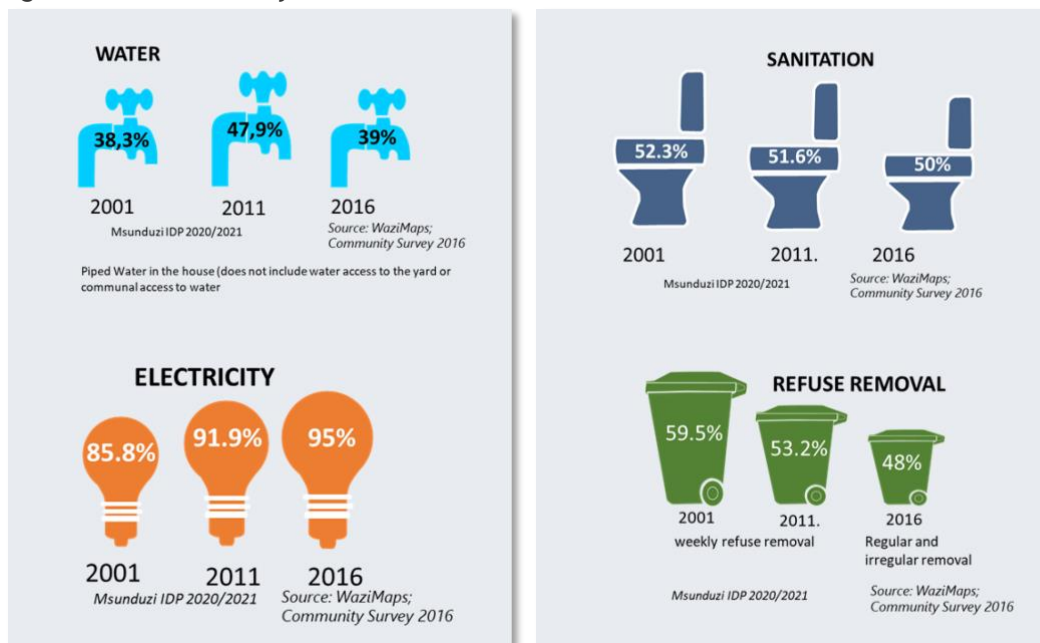


Like other cities in South Africa, Msunduzi's population has grown, as people migrate from rural to urban areas. Between 2011 and 2016, its population increased from 552 801 to 682 000, and the number of

households from 164 625 to 181 584 (Msunduzi Municipality, 2020a). The municipality projects that the population will increase by 1.1%, to reach 702 865 by 2021 (ibid). The growing population will undoubtedly put more pressure on the municipality in the years to come.

Msunduzi is the main economic hub, contributing 67.1% to the district's gross domestic product (GDP), 7.4% to the province's GDP and 1.19% to national GDP. The city faces a similar challenge to other cities in the country: a high unemployment rate (22.27%) and declining business confidence, when economic growth and jobs are sorely required in order to contribute to the rates base. In 2016, the municipality's economic growth rate was just 1.36%, and without a healthy revenue stream, the municipality will find it more and more difficult to provide and maintain services.

Figure 2: Service delivery trends



More households have access to electricity than any other service, increasing from 85.8% in 2001 to 95% in 2016. During the same period, water, sanitation and refuse removal services declined. Between 2001 and 2011, “houses receiving piped water inside their dwelling” increased from 38.3% to 47.9% (Msunduzi Municipality, 2020a: 136), but according to the 2016 Stats SA Community Survey, 39% of people had access to water in their dwelling. This increases to 92% if households with access to water on site are included. According to the municipality’s five-year scorecard, 3284 households still have no access to electricity, 6138 households need access to water, 657 households require access to basic sanitation, and 38 749 households are still waiting for a refuse removal service (Msunduzi Municipality, 2020a). Although the service delivery levels appear relatively high, maintenance within all areas of infrastructure and operations seems to be lacking, due to ineffective maintenance plans, inadequate budgets and the lack of resources. This makes maintaining the productivity of services difficult.

Msunduzi is still in financial distress, despite receiving a slightly improved audit rating in 2018/19 compared to 2017/18, as a result in part of the plan put in place to address issues raised by the Auditor-General of South Africa (AGSA). In 2018/19, “more emphasis was placed on month end discipline in terms of financial management” (Msunduzi Municipality, 2020b: 5).

Total revenue (excluding capital transfers and contributions) is R6.1-billion, while the operating budget is R5.5-billion (Msunduzi Municipality, 2020a). During the first half of 2020, the collection rate dropped from 90% to 73% due to the negative impact of COVID-19 and fraudulent activity.¹

Objectives and priorities of the municipality

The municipality has developed a Long-Term Financial Plan (LTFP) to tackle the challenges it faces, and its latest Integrated Development Plan (IDP), which was approved in June 2020, prioritises the following strategic outcomes (ibid: 244):

¹ Response from interviews

- Plan 1: Build a strong institutional and financial base and sustainability,
- Plan 2: Improve quality living environments through basic access to water, sanitation, electricity, waste management, roads, and disaster management,
- Plan 3: Provide a safe, healthy, and secure environment (environmental health and public safety),
- Plan 4: Create an environment for economic growth and development, to enhance the Municipal contribution to job creation and sustainable livelihoods through a Local Economic Development Plan,
- Plan 5: Build a cohesive system of governance that translates deepening democracy into a meaningful sense of public participation, and
- Plan 6: Ensure integrated, sustainable spatial planning and development.

Plan 1 addresses governance issues because achieving all the plans depends on local government getting governance right.

Governance Overview

Since the birth of democratic local government, significant governance and service delivery changes have taken place. In 2000, various municipal areas (Pietermaritzburg, Msunduzi, Ashburton, Vulindlela, Claridge and Bishopstowe) were amalgamated to form the Msunduzi Municipality, in order to enable previously disadvantaged areas to be better represented within a well-established and resourced organisation. “The first five years of the newly established democratic council of Msunduzi was fraught with challenges”, as the newly assigned powers and functions of the municipality and the district authority of Umgungundlovu still needed to be properly defined (City Insight, 2014: 6).

For the past decade, the municipality has been lobbying for metropolitan status in order to mitigate these issues and, perhaps more importantly, to have more control over planning, as all functions would rest with the municipality and not be split between the municipality and the district council. In 2019, the MEC for Economic Development, Tourism and Environmental Affairs commented that “The provincial government is ‘nursing’ hopes that the Msunduzi municipality will be out of administration and on the path to metro status within the next three years”.² Clearly, the municipality and provincial government continue to see Msunduzi as a metropolitan area, not a secondary or intermediary city.

From 2005, the municipality was preoccupied with integrating systems, policies and procedures, resources, and developing strategic plans for the municipality as a whole and for individual sectors. These demands created significant challenges, with effective financial management being the biggest one. From 2008, problems started to surface and, in 2010, the municipality was “placed under administration after descending into ‘turmoil’, with its mayor and municipal manager stripped of their executive powers”.³ The financial crisis had been “brought about by, among others, poor financial controls, corruption among senior staff and failure to prepare proper books of accounts” (ibid: 7). It had a knock-on effect on the ability of the municipality to perform its tasks effectively and resulted in the loss of several skilled staff.

The municipality never fully recovered from the impact of the 2010 crisis that resulted in a high turnover of senior staff, including the municipal manager’s position. Underlying issues that were not addressed seem to have conspired to drive the municipality back in the direction of crisis, and internal control issues multiplied. This could in part be because the administrator appointed in 2010 focused on financial issues, not the broader governance issues.

² *The Mercury*, 27 April 2019

³ *IOL*. Msunduzi placed under administration, 11 March 2010. <https://www.iol.co.za/news/politics/msunduzi-placed-under-administration-476063>

Human resources

Human resources are a major governance challenge at the municipality because of the high turnover in leadership, high vacancy rates and time taken to fill vacant positions. Taken together, these factors resulted in a seriously unstable work environment, which meant that the municipality was unable to do its job effectively and created the opportunity for individuals to take advantage of the situation.

High leadership turnover

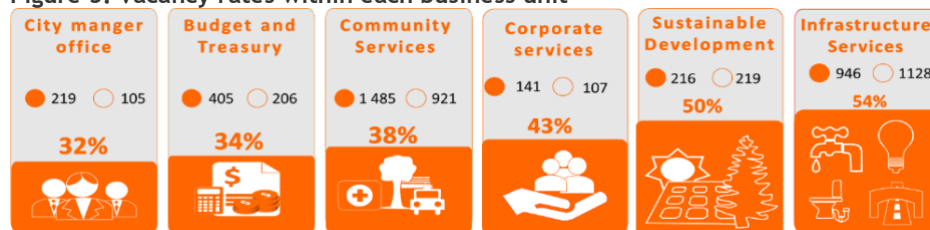
Between 2010 and 2020, a new municipal manager was appointed on average every 1.2 years. Eight municipal managers were appointed, either permanently or in an acting capacity, after the previous incumbents were suspended or had their contract terminated. These changes were extremely destabilising, creating anxiety within the organisation, while the new incumbents were not given sufficient time to acclimatise. This pattern began before 2010: between 2000 and 2010, Msunduzi had three different mayors and four different city managers (City Insight, 2014).

Exceptionally high staff vacancy rates

Figure 3 shows the staff vacancy rates that range from 32% to 54% across the different business units. This porous nature of the administration made addressing service delivery issues difficult and created gaps that were exploited by officials seeking to engage in corrupt practices. Coupled with this, the level of oversight diminished due to problems at the political level:⁴

Various officials in the municipality capitalised on that [infighting among political parties] used that to their own advantages in that to perform or not to perform or to outsmart one another. What does that mean? Also, issues of corruption come in.

Figure 3: Vacancy rates within each business unit

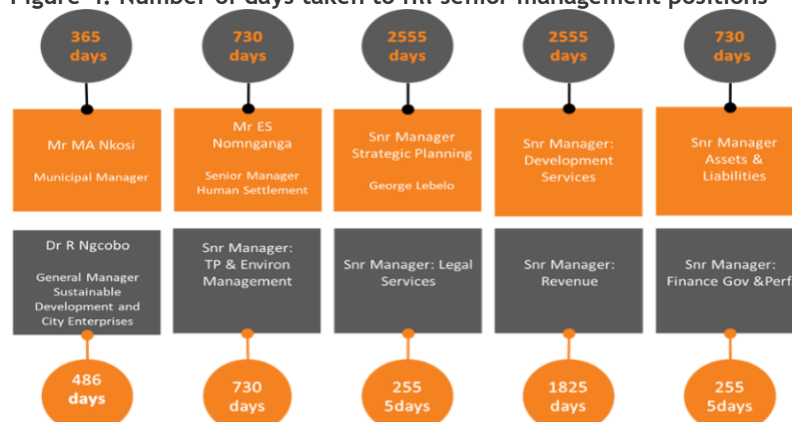


Source: Final internal audit report, governance and control environment review: Report number A1-2081/19, October 2019

The length of time taken to fill senior manager positions

The shortest time taken to fill a senior manager position was 225 days (or eight months) and the longest was 2555 days or seven years (Figure 4). This is a long time for positions to remain unfilled or occupied by individuals in an acting capacity. Why filling these positions took so long is unclear, but political and administrative instability may be a contributing factor.

Figure 4: Number of days taken to fill senior management positions



Source: Mduzuzi: Final Internal Audit Report: Governance and Control Environment Review, Report Number A1-2081/19, October 2019

⁴ Response from interviewees

Risks and mitigation strategies

Msunduzi Municipality's 2020/21 IDP identifies five top risks: political and administration stability, fatalities of municipal officials and politicians, and fraud and corruption (Figure 5) but contains no mitigation strategies for these risks. Instead it assumes that the situation will resolve itself once people remember what the role of the municipality is, although the municipality adopted an anti-fraud and corruption policy in 2018, and the National Prosecuting Authority is investigating and proceeding with several fraud and corruption cases (Msunduzi Municipality 2020a: 276).

Figure 4: Risk identification

RISK	ROOT CAUSE	MITIGATION STRATEGIES	PROGRESS TO DATE	RESPONSIBILITY
Political & administration instability collapsing control environment	Political fights, political interference in administration	No mitigating measures as these risks can be mitigated with maturity thinking in understanding the existence of a municipality as per the constitution		
Fatalities of municipal officials & office bearers & councillors	Turmoil within administration			
Fraud & Corruption	Office Bearers & Councillors fearing losing jobs & wanting to benefit before the end to their term			

Source: Msunduzi Municipality (2020a: 273)

Lack of internal controls

Like previous reports, the Final Audit Report on Governance submitted to council in October 2019 (Msunduzi Municipality, 2019) identified a lack of internal controls, which had been breached in many ways and for a long time. Being placed under administration, along with COVID-19-related issues, has sharpened the focus on resolving issues at the municipality.

Sentiments are mixed about the progress made to address concerns raised in the 2019 Audit Report and by the AGSA's findings. For opposition parties, the situation in Msunduzi worsened during Mayor Mzimkhulu Thebolla's "first year in office, which they said was marked with poor service delivery, lack of concrete action and complacency",⁵ whereas a week later, the mayor reported that:⁶

70% of the 2018/2019 qualification findings have been addressed and the aim now is to get a positive outcome when the auditor-general assesses the books for 2019/2020, which ended in June.

The filling of critical vacancies, especially those in management, has helped improve the city's space and restored the culture of accountability and work ethic [...] While acknowledging that more work still needs to be done in terms of waste management [...] there has been some noticeable improvement [especially in the CBD].

Nevertheless, according to the latest annual report, the municipality appears to have made some progress.

⁵ Ntuli N. 2020. Mayor took Msunduzi 'from a bad to worse position', *The Witness*, 3 September 2020.

⁶ Ntuli N. 2020. Msunduzi Mayor Mzimkhulu Thebolla presents progress report: 'Pietermaritzburg is cleaner', *The Witness*, 9 September 2020.

The Msunduzi Governance Story

The new leadership⁷ seems determined to address the many challenges and issues that resulted in Msunduzi being put under administration for a second time in 2019.⁸ Its focus is on tackling a set of interrelated issues, not only the financial issues, which was what happened in 2010. The 2010/11 intervention may have resulted in the municipality achieving a clean audit in 2014/15 but did not address the other governance⁹ challenges. The municipality's 2015 City Development Strategy (CDS) notes that "the financial crisis considerably affected municipal governance from which Msunduzi is having some difficulty recovering" (Msunduzi Municipality, 2015: 11).

In hindsight, ignoring or not paying enough attention to broader issues during the first administrative review failed the municipality. Therefore, the second administrative review is by necessity focused on a much broader set of governance issues related to the lack of internal controls.¹⁰ The turnaround strategy is based on four pillars (Msunduzi Municipality, 2020a: 24):

1. Finance and Governance
2. Service Delivery Model and Performance Management
3. Organisational Reconfiguration and Capacity Building
4. Combating Fraud, Corruption and Misconduct

Weak, ineffective or lack of internal controls lie at the heart of many of the municipality's challenges, and are aggravated by the loss of skills, ongoing changes in leadership and unfilled vacancies. Therefore, it is no wonder that the municipality wanted to shine the spotlight on governance in order to deepen the introspection and gain additional perspectives on the challenges. The new leadership has wasted no time in filling senior management positions as a matter of urgency, and has recognised that an important control measure to address is the lack of consequence management, which permeates all levels of the municipality.

The governance story is framed around the topic of internal controls and is shaped by inputs from interviewees, supported by the internal audit assessments, the IDP 2020/2021 review and the AGSA 2018/19 Report. The lack of internal controls in so many areas both influences and affects the effective functioning of the municipality. Interviews¹¹ with senior management, the mayor and the ministerial representative provided the basis for looking at the governance story, which is examined through two perspectives:

- (i) The political-administrative interface, or the relationship between the council and the administration, which both suffer from the lack of controls and other high-risk issues.
- (ii) The lack of internal controls as a window to a complex web of interrelated tangible and nontangible issues that, if not brought under control, could lead to fraud and corruption becoming entrenched and extremely difficult to reverse.

Perspective 1: Political-administrative Interface

The issue of controls affected not only the administration but also the council and the dynamics between the council and the administration. Msunduzi's council was weak and had become destabilised (Msunduzi Municipality, 2019: 15):

Councillors should take the lead in inculcating a culture of taking municipal business seriously in order to ensure that it permeates across the municipality. Effective follow-up on resolutions should be principal in the deliberations of Council.

⁷ The mayor was elected in August 2019 and the city manager was appointed in February 2020.

⁸ Singh K. Msunduzi municipality in KZN placed under administration, *News24*, 9 April 2019. <https://www.news24.com/news24/southafrica/news/msunduzi-municipality-in-kzn-placed-under-administration-20190409/> Accessed 02 September 2020.

⁹ Governance includes all of the processes and practices of administering the municipality. It relates to how rules and regulations, norms and standards and activities are organised, managed, regulated and held accountable.

¹⁰ Internal controls are the systems, policies, procedures and regulations created to improve operational efficiencies, safeguard the municipality's integrity and its assets, promote accountability and prevent fraudulent activity and behaviour.

¹¹ The only issue brought up in the interviews but not discussed in detail here is the effect of COVID-19 on revenue collection. This is because it is not an internal control issue but an anomalous situation that is out of the municipality's control.

In April 2019, the MEC for COGTA cited reasons for placing the municipality under administration that included irregular expenditure and that “[s]ome councillors were deliberately undermining the work of the municipality by failing to attend critical meetings, collapsing the quorum, and thus rendering the city dysfunctional”.¹² The attendance of councillors needed to be monitored and enforced, as the lack of quorums at council meetings meant that decisions could not be taken, thereby slowing down or halting service delivery. Clearly the council’s actions and inactions had a negative impact on an already underperforming administration. The lack of political oversight and leadership – among other things – led to an administration that became ineffective and dysfunctional. As one respondent said:

We were aware as management that things are not right but instead of doing something about it, we stood there in our corners and did nothing and we were not transparent to even our own employees so that they are aware of what is happening within the municipality.

The MEC also strongly criticised both councillors and management of the municipality for failing to discharge their duties:¹³

In the instance of councillors, the MEC found that the councillors had failed to carry out their oversight role on officials, especially senior managers, allowing senior officials to get away with irregular expenditure and failing to investigate allegations of malfeasance and maladministration.

In addition to the council either condoning or turning a blind eye to irregular expenditure, or not showing up to meetings to address these issues, municipal officials did not effectively manage the budget or deliberately ignored financial limits of their departments.¹⁴ Both senior and junior officials had gone “rogue”.¹⁵

The city is under attack from rogue staff threatening its senior management and possibly sabotaging its electricity infrastructure in what is suspected to be part of a pushback campaign. [...] The threats are suspected to be related to disciplinary action that the municipality has instituted, or in other cases threatened to institute, against senior officials who have been accused of misconduct.

Lastly, the political-administrative relationship resulted either in possible colluding between the two arms of local government, or in one arm’s actions negatively affecting the other arm. For example, the council took an extremely long time to confirm appointments of senior positions, which contributed to the administration not being able to do its job properly. Council meetings also had very long agendas, due to the inappropriate allocation of roles and responsibilities to committees, and inadequately drafted reports were presented to council, which made taking decisions difficult (AGSA, 2020).

Whether collusion occurred between some in council and some in the administration, or each arm acted independently, the ultimate outcome was intervention by provincial government. Both arms of government had become weak and dysfunctional, and the municipality would continue to decline unless appropriate actions were taken decisively.

One of the ministerial representative’s responsibilities was to ensure that council meetings took place and had a quorum, so that decisions could be taken a timely manner. This has been achieved and the council is currently functioning as it should.

Perspective 2: More Complex than Internal Controls

Focusing on fixing the lack of internal controls is too narrow a view and does not deal with some of the causes or perceived causes that gave rise to the lack of internal controls and, conversely, dismisses the broader impact of the lack of internal controls. The first administrative review focused on the lack of financial controls, which affected municipality governance, but several issues related to and associated with internal controls were also raised. Part of the complexity arises because of the many relationships between issues, i.e. one-to-one, one-to-many, many-to-many and many-to-one relationships, while one issue can have a direct and indirect impact or be both cause and effect. This complexity is reflected in the different scenarios that are described below.

¹² *Capital Newspapers*, Province’s scathing report on Msunduzi, 10 April 2019. <https://capitalnewspapers.co.za/55785/provinces-scathing-report-msunduzi/>

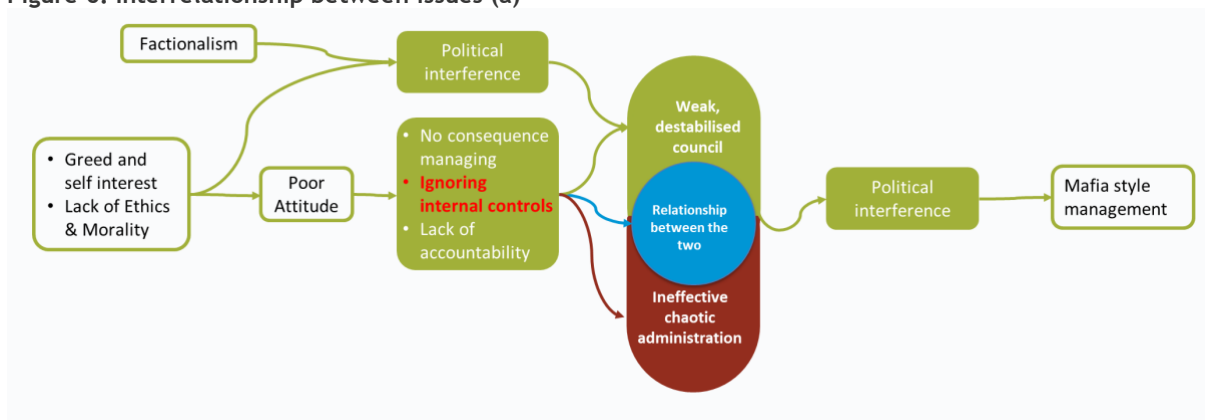
¹³ *Capital Newspapers*, Province’s scathing report on Msunduzi, 10 April 2019. <https://capitalnewspapers.co.za/55785/provinces-scathing-report-msunduzi/>

¹⁴ Ntuli N. Msunduzi is captured, *The Witness*, 24 June 2019. <https://www.news24.com/witness/news/msunduzi-is-captured-20190623>

¹⁵ Ntuli N. Rogue City staff run riot, *The Witness*, 27 September 2019. <https://www.news24.com/news24/southafrica/news/rogue-city-staff-run-riot-20190926/> Accessed 02 September 2020.

Figure 6 shows how greed and self-interest, and a lack of ethics and morality not only are a cause of political interference but also lead to a poor attitude, all of which result in a weak council and administration that are also more susceptible to political interference.

Figure 6: Interrelationship between issues (a)



Political interference

Factionalism influences political interference and contributes to weakening and destabilising the council, which in turn affects the relationship between the council and the administration. As one interviewee noted:

You've read in the newspaper that at certain quarters the ruling party themselves also felt that there was some sort of a political interference within the municipality. [...] Politicians want to interfere on administrative issues - when a person is politically deployed, that person will expect to return favours to his deployees.

However, the way in which local government is structured and operates makes it very difficult to avoid political interference, while the lack of political will created the space and opportunity for political interference to flourish.¹⁶

Poor attitude

Although the story is about internal controls, systems and procedures, disregarding the rule of law sits at an individual. Greed and self-interest seem to be a growing motivation for people entering local government, and the lack of ethics and morality engenders a poor attitude in the workplace. Interviewees felt that more and more officials and politicians are in local government for the wrong reasons, being there to serve their own interests or the interests of a select few, not the interests of local government or the citizens of Msunduzi Municipality.

A poor attitude creates the conditions for not following through on consequence management, which together with the lack of accountability and the destruction of internal controls renders the municipality impotent in ensuring good governance.

- **Consequence management is virtually nonexistent** in the municipality, and the “lack of consequences is emboldening people to behave more that way”.¹⁷ Interviewee after interviewee highlighted examples of gross disregard for the rule of law, accountability or respect for and adhering to internal controls. As one interviewee commented, “Given the high vacancy rates and the many individuals acting in positions for such long periods of time, it is not clear exactly what will hold people accountable”.
- **Internal controls are ignored** because of the lack of consequence management, which means that internal controls have little to no effect and have resulted in the weakening of government structures. “The auditor-general attributes the regression in the 2018/2019 fiscal year to lapses in governance and failures in basic internal controls”.¹⁸ This affects both the council’s ability to perform an effective oversight role and the administration’s ability to effectively deliver services.

¹⁶ Responses from interviewees

¹⁷ Response from interviewee

¹⁸ *Business Day*, 20 November 2019. “Auditor-general bemoans national and provincial audit outcomes”, <https://www.timeslive.co.za/news/south-africa/2019-11-20-auditor-general-bemoans-national-and-provincial-audit-outcomes/> Accessed 01 September 2020.

As one interviewee expressed, “even our internal controls, they simply just collapsed in front of us”.

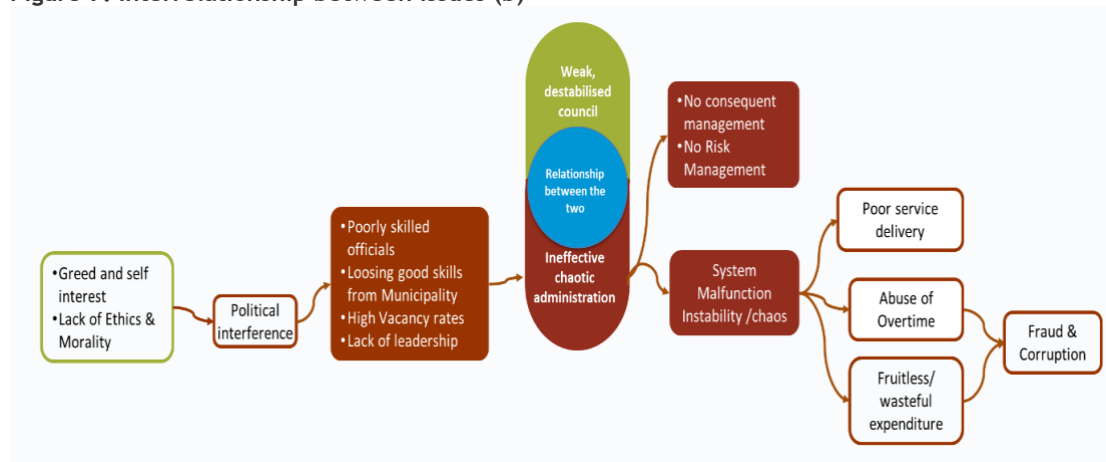
- **A lack of accountability** has contributed to the current low morale in the municipality. The lack of accountability, with some officials and councillors seemingly getting away “with doing just about anything”,¹⁹ does not lend itself to creating a positive environment within the municipality. Emboldened by the lack of oversight and consequence management, numerous officials do not hold themselves accountable and will not be held accountable by senior management or through any other municipal structure. The lack of accountability has encouraged more and more officials and politicians to ignore the rule of law and to operate for their own selfish interests, not necessarily in the best interests of the municipality and citizens of the municipality.

As the council becomes weaker and the administration becomes more ineffective, the danger is that it creates a more fertile ground for further political interference, which can “lead to a mafia style management”.

Effective change management and hiring the right people for the job can turn around poor attitudes. As one interviewee commented, “I think change management is also very critical, especially [...] we have been through a lot as the administration”.

Figure 7 shows how political interference also affects several HR issues, as it leads to poorly skilled officials being appointed, good skilled people leaving, high vacancy rates and a lack of leadership. The result is a weak and destabilised council and an ineffective, chaotic and dysfunctional administration, which leads to poor service delivery, abuse of overtime and fruitless/wasteful expenditure, and ends in fraud and corruption.

Figure 7: Interrelationship between issues (b)



Appointment of poorly skilled officials with limited experience

Within the administration, people without the requisite and appropriate qualifications and experience are appointed. Many interviewees felt that poorly skilled or inexperienced officials were appointed due to political interference, where individuals with political clout or connections within local government or other spheres were able to get jobs:

Recruitment: it should be fair process, and that we recruit people properly qualified with proper experience. [...] When we appoint people in leadership, we don't hire people that have skills and intellect to be able to meet the administration of the municipality because in any way we look for people that are cadres of the movement, not necessarily ensuring that we bring the best in the municipality.²⁰

The loss of good skills from the municipality

Suitably competent politicians who enter local government are soon deployed to other spheres of government, leaving a vacuum at local government level. In addition, some competent and hardworking officials are side-lined, ostracised, or pushed out of the administration, when they highlight or expose corrupt practices. This means that even when the right people are appointed, they might not last because sinister forces want them removed, as reported: “the threats are suspected to be related to

¹⁹ Responses from interviewees

²⁰ Response from interviewee

disciplinary action that the municipality has instituted, or in other cases threatened to institute, against senior officials who have been accused of misconduct”.²¹

High vacancy rates

The October 2019 Audit Report on Governance and interviewees highlighted Msunduzi Municipality's high vacancy rates, which will have a serious impact on service delivery. No organisation can operate effectively with so few staff: “How do we expect to provide services with higher vacancies in the municipality?”²² In 2017/18, vacancy rates in Msunduzi ranged from 32%–54%, compared to 13.66% and 18.49% respectively in Buffalo City and Ekurhuleni.²³ The reason given for not filling positions was insufficient money in the budget, as “to fill the Staff Establishment/Structure to full capacity, the Municipality needs approximately R500 million per annum” (Msunduzi Municipality, 2020a: 131). If this is the case, other strategies need to be employed to ensure that there are enough people to do the job. What appears to be missing is clarity around which positions are critical and so which positions get funded. The consequences and impact of high vacancy rates are that officials assume acting positions for long periods of time: “since 2010 when we went under administration the first time I was moved to the acting head of performance. 10 years later I'm still acting in the post”. This leads to poor morale and incumbents being uncomfortable taking decisions because their positions are not permanent.

Lack of leadership

Leadership is one of the oldest and biggest challenges that has been discussed for as long as democratic local government has been in existence in the country, yet still seems to be lacking.

- **Political leadership.** In Msunduzi, many interviewees felt that the lack of political leadership was a major stumbling block to turning the municipality around. As mentioned earlier, politicians who are good leaders are soon redeployed to other spheres of government, leaving local government with leadership gaps and having to find or nurture new leaders. This places an uneven burden on local government and yet, ironically, leadership is always cited as one of the most important issues for steering local government effectively.
- **Administrative leadership.** Good leaders in the administration are often targeted and victimised by individuals with ulterior motives from both inside and outside the municipality. In many instances, these officials resign in order to avoid threats to themselves and their families or as a consequence of ongoing pressure and harassment. Some officials who expose corruption find themselves facing accusations that lead their suspension, which has a severe impact on their morale and an unintended consequence of their peers doubting them and not wanting to be seen working with them.

The continuing cycle of losing leaders at political and administrative level maintains a constant level of instability within the organisation, which negatively affects service delivery.

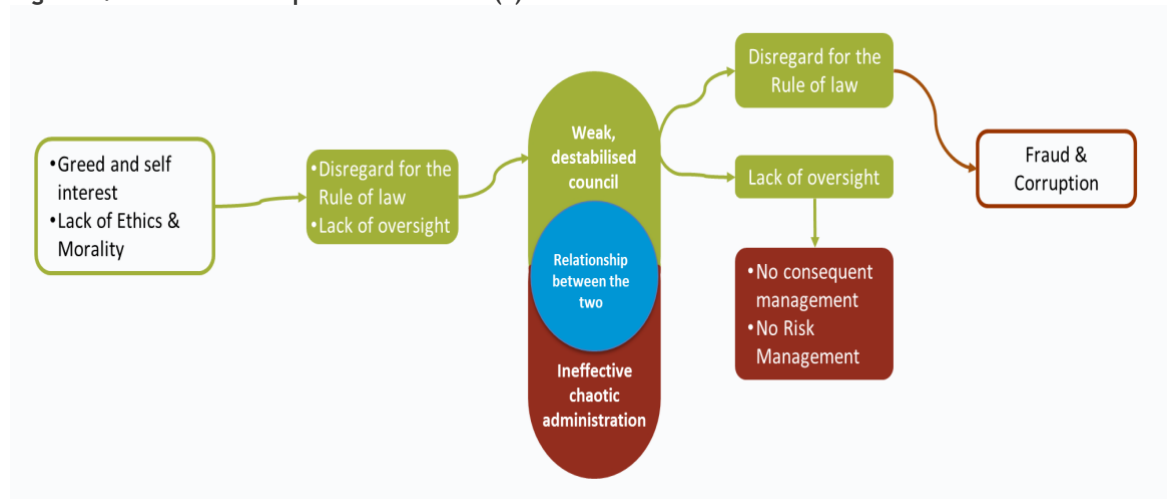
Figure 8 shows how greed and self-interest leads to a disregard for the rule of law and a lack of oversight, which along with other issues disrupts the council.

²¹ Ntuli N. Rogue City staff run riot, *The Witness*, 27 September 2019. <https://www.news24.com/news24/southafrica/news/rogue-city-staff-run-riot-20190926/> Accessed 02 September 2020.

²² Response from interviewee

²³ <https://municipalities.co.za>

Figure 8: Interrelationship between issues (c)



Fraud and corruption

In Msunduzi, a weak, destabilised council was unable to provide proper oversight of an ineffective and chaotic administration, which resulted in no consequence or risk management. Officials, including junior officials, took advantage of the situation to exploit the opportunity for financial and other gain. This disregard of the rule of law has opened the door to fraud and corruption.

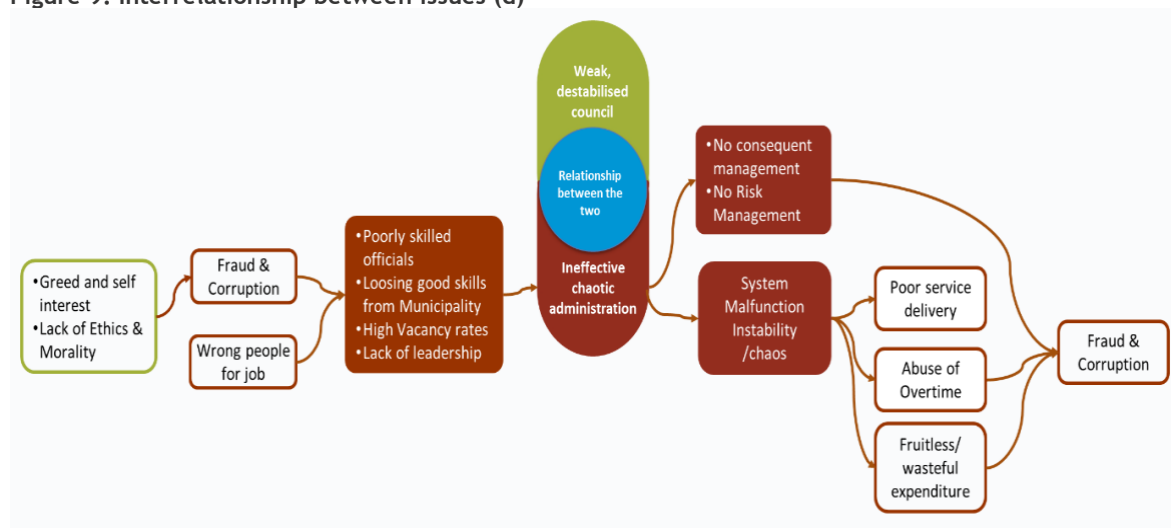
The fraud taking place in the municipality was reinforced by political interference and the lack of political oversight, as well as people deployed into positions having to return the favour to those who put them in those positions.

You know, [...] it does affect efficiency and because when a person is politically deployed, that person will expect to return favours to his deployees. So, it's maybe the national government or the parliamentarians can look into legislation and try to prevent these sort of political deployments, especially the section 57 managers.²⁴

An extreme consequence of this disregard for the law is that people have lost their lives: “people have been killed for trying to expose corruption, for preventing people from laying their hands on the municipality purse.”²⁵ As a result, few people want to speak out about fraud and corruption.

Figure 9 illustrates how greed and self-interest lead to corruption, which affects HR issues and revenue collection. The interviews and media and audit reports reveal theft of electricity through collusion between municipal officials and members of the public.

Figure 9: Interrelationship between issues (d)



²⁴ Response from interviewee

²⁵ Response from interviewee

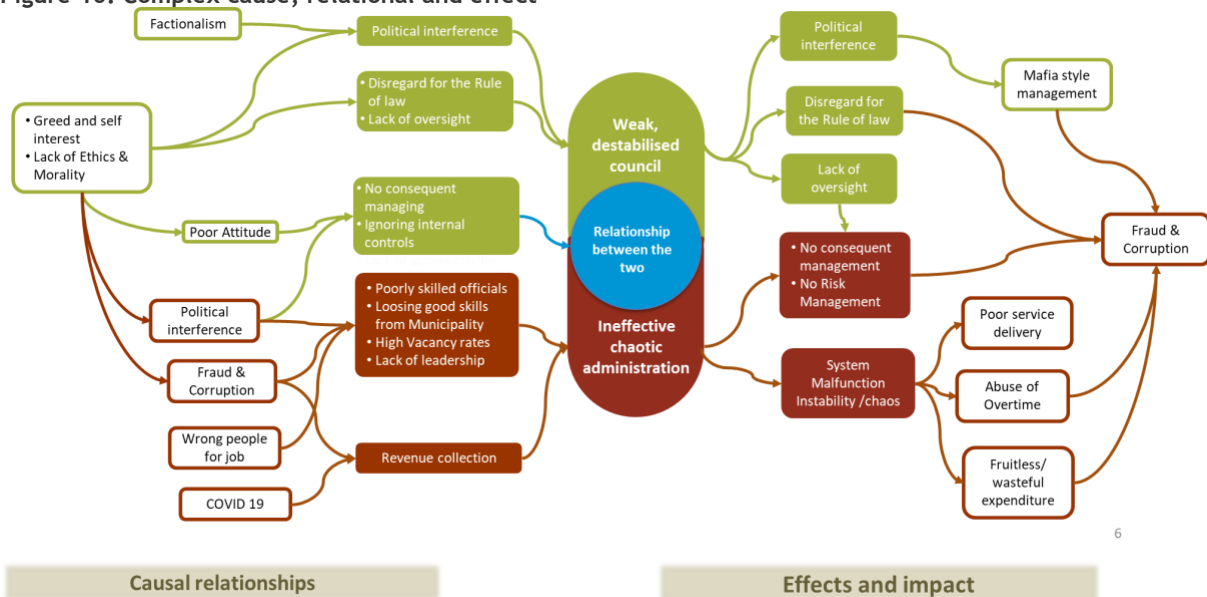
Hiring the wrong people

Greed and self-interest must be dealt with at the source, not after individuals have entered local government. This means getting the right people for the job, which involves not only ensuring that they have the right skills and experience, but also that they have the right ethical and moral compass and are passionate about local government and serving communities. Hiring the right people is only the first step, as even the right people may face other pressures and influences after being appointed that render them impotent. For instance, they may find themselves having to be accountable to individuals (not to the municipality) or under so much pressure that they are tainted and/or leave the organisation. In some cases, officials just take a back seat to stay out of trouble, rather than do their job effectively. Therefore, getting the right people for the job needs to be understood in the context of the difficulties and complexities that exist within local government.

For politicians, being elected (not appointed) does not ensure ethical behaviour, which can only be truly addressed once they are in the organisation or within party political structures. Another concern was the level of competence of politicians to make decisions on important issues. Some politicians have low education levels, do not understand their role and commitment to local government, and are unable to understand the details and depth of certain technical issues. For instance, some councillors don't even read the council agendas. This affects the functioning of the administration, which becomes ineffective and chaotic, resulting in a further lapse in consequence and risk management, and system malfunction and instability. The outcome in part has been poor service delivery, abuse of overtime and fruitless and wasteful expenditure, and has opened the door to fraud and corruption.

Figure 10 captures the collective set of issues raised by the interviews, supported by various governance and strategic documents, the provincial intervention and media reports. The issues are interrelated and complex, and play out in a cyclical manner: the impact of one issue is to weaken the municipality, which then creates fertile ground for the same issue to take hold even further.

Figure 10: Complex cause, relational and effect



In 2014, national government introduced the back-to-basics strategy aimed at revitalising local government, which would have included the need for internal controls to operate as intended. However, the lack of improvement (and in many cases the further decline) in local government's performance suggests the strategy was not (and is not) successfully implemented. Like similar previous and subsequent strategies, it appears to have become a tick-box exercise. As one respondent said, "we need to simply implement the objects of local government – that is what we are employed to do". The back-to-basics strategy is a simple concept that is particularly useful when so many things are not going well for a long time. However, if municipalities cannot implement a simple concept such as the back-to-basics strategy, how will more sophisticated strategies be successful?

A tale of compounding negative consequences

Some interviewees pointed out the unintended consequences of certain things happening in the municipality that affect significantly financial and human resources (morale) and service delivery. For example, the impacts of high vacancy rates are (i) the municipality does not have enough people to carry out its work, leading to a growing backlog in service delivery, and (ii) many positions, especially at supervisory, managerial and senior managerial level, are filled by members of staff acting in those positions.

Officials who are acting in their positions do not see themselves as the legitimate manager and so are reluctant to take decisions or to introduce innovations or changes because they might not be rewarded by getting the job when it is advertised. This is especially true in a climate where taking the “wrong” decision could lead to adverse audit findings for which the officials will be held accountable.

You'd have a person that's suspended put on special leave, collects a salary, and somebody then goes to act in that post. That acting in itself creates a lot of instability. You know, COGTA released, uh, a circular saying that a person who is acting in does not need to have a performance agreement.

Officials accused of misconduct are suspended on full pay, often for an exceedingly long period of time due to hearings not being conducted and concluded, as a result of the lack of accountability and consequence management. During this time, the official acting in the suspended official's position receives an acting allowance. Paying the suspended official's salary and the acting official's allowance for an unnecessarily long time adds to the municipality's financial burden.

The acting official may have the potential added stress of having to work with junior staff who are allied to (or sympathise with) the suspended official, leading to tensions within departments with potential reprisals and counter reprisals. Acting managers are generally less inclined to take strong action against junior staff members (who they consider more as a colleague than their junior), while junior staff do not see the acting manager as a legitimate manager and so do not feel accountable to the manager and the instructions of that manager. The result is a lack of accountability by both the manager and the junior staff member, leading to less work being done and even less accountability for the work that is done.

In addition, when officials are asked to act in a managerial position, most of the time their original positions are not filled, creating a vacancy at the level of service delivery that can go unfilled for years. This creates extra workload and places a burden and stress on existing staff. In these situations, morale is often extremely low and leads to apathy in the workplace: “we have been through a lot as the administration. Other people are very hurt, other people are angry, other people are discouraged”.

Recommendations

The recommendations have been crafted from responses received in the interviews as well as observations from the research team. The audit reports also made similar recommendations, but the work required goes beyond just implementing the audit recommendations. Some of the issues are centred more on the how than the what approach or strategy to adopt in order to address or resolve issues. Many conventional approaches may not have the desired impact. For example, putting in place procedures that people can follow does not always mean that fraud or corruption is rooted out.

The recommendations are also not exhaustive but reflect some of the key issues that were raised during the interviews and have been presented to the municipal leadership.

Political-administrative Interface

Tackle the line between officials and politicians and their respective roles

Democratic local government ushered in a different role for local councillors. In the past, councillors were elected as part-time positions, but now councillors are full time and have access to more information about projects and service delivery than before. Over time, councillors have become more involved in service delivery than their mandate demands or warrants. From an administrative point of view, many officials welcomed being relieved from some of the responsibility of interacting with the communities, which also made space for councillors to be more involved service delivery matters and decisions that affect the technical aspects of projects. As one interviewee commented, “I also firmly believe that the way local government is structured, it's very hard to prevent political interference. Politics, politicians and administration – it's very close”.

- The municipality must tackle the line between politicians and officials. Politicians are responsible for setting policy, ensuring oversight, approving recommendations that are not in adherence with policy etc., and should not get involved in operational issues. Similarly, officials perform an operational role and should not try to be politicians because of their status in party political structures, as this severely hampers the role of the council. If the separation of roles and responsibility is not resolved, service delivery will continue to be skewed, slowed down or even rendered non-existent.
- All government spheres should hold strategic discussions about how to enforce and monitor the separation of roles and responsibilities or redefine them in some instances. Clearly defining and adhering to the separation of roles and actions of politicians and officials will not be easy because of the potential vested interests. Therefore, national government must be involved and perhaps take the lead, as the lack of role separation affects most municipalities in the country, not only Msunduzi.
- COGTA should consider appointing an administrator over a 3–5 year period to ensure the longevity of the systems and procedures that are put in place. In addition, municipalities should consider having a deputy city manager position to shadow the municipal manager and keep the institution stable if and when there are changes to the municipal manager position.

Capability of the State

Hire the right people for the job

Over 20 years of democratic local government, more and more systems, procedures and rules governing oversight have been installed, and yet the incidence of fraud and corruption has grown, not declined. In other words, more rules and more oversight have not resulted in people acting appropriately. More positions appear to have been filled with people who are not adequately skilled, do not have the appropriate experience or do not have the right attitude for the job.

- The starting point must be to hire the best people, as all other initiatives rely primarily on getting the right people for the job. Msunduzi and other municipalities need people who have the best interests of the municipality at heart, are passionate about serving and interested in developing communities and societies. If the right people are not hired for the job, the impact of any organisational system implemented or technology introduced will be marginal. In other words, people who intend defrauding the municipality will find a way regardless of the system or the technology.
- The way in which recruitment takes place needs to change, as the use of a single interview and reference check reveals very little about the nature of the person and has clearly not worked thus far. Therefore, given the importance of employing, training, developing and supporting the right people for the job, better recruitment processes need to be designed, developed and deployed.

Improve the skills of employees

In local government, skills development is often handled as a 'tick box exercise', rather than through a meaningful assessment of the needs of employees, with time after time it being a case of who wants to attend training rather than who needs to attend training. In addition, different approaches to skills development could be more effective than the one-track approach of sending people on courses. "And the other thing is we don't have the shadow experience I'm familiar with where a particular person is leaving, and somebody needs to then shadow them to gain that experience."

- Different methodologies should be used to increase the capacity of teams or people or departments. For example, mentoring should be included as mainstream, to reinforce what people have learnt at courses and to ensure that the learning is reinforced in the workplace.
- Being embedded in a department or project can provide a lot more insight into what is (or not) working, allows for corrections to be made 'on the go', and addresses the issue of people 'not having time' to attend courses.
- Other practices that need to be taken more seriously are inductions and change management, which should focus on instilling an ethical culture.
- Peer learning and technical support are also important and necessary options to improve skills and productivity at both individual and departmental level.

Promote forthright and ethical leadership

As mentioned ad nauseum, without strong leadership the municipality will not be able to deliver on its goals and objectives. What is needed is forthright and ethical political and administrative leadership, which must be respected and supported by the national, provincial and local spheres of government. Otherwise, the leaders will be compromised and marginalised, which will result in individuals flouting the rule of law.

This issue can only be tackled if politicians in every sphere of government have a real commitment to respecting the municipal leadership. Although municipal leadership is much more complex than is reflected here, as it is affected by different back stories, history and agendas, it needs to be made simple if there is to be any hope of local government rising above its current malaise.

Be creative in filling vacancies

Msunduzi Municipality will struggle to do its job effectively if the vacancy levels are not addressed. However, it simply does not have the money to fill all the vacancies, and so creative ways need to be found to address the vacancy issue:

- **Re-engineer the organogram.** Assisted by HR professionals, the municipality should rework its structure, with a view to reduce the vacancies in various departments by redefining workflows and workflow tasks. A better resourced municipality will stand a better chance of following internal controls and ensuring adherence to processes and procedures.
- **Change the governance model.** Local government cannot provide all the services, projects, and programmes alone and needs to partner with non-government organisations, the business sector and tertiary institutions and communities to get things done. In most municipalities, this happens in an ad-hoc manner, not in a structured and targeted way. A structured governance model is needed that firmly entrenches other parties in delivering services.
- **Use technology more effectively.** Technology has a role to play in government but is often used as a response to operational expectations rather than as a strategic tool. Technology can help reduce workflow processes, leading to improved turnaround times and less work. This could reduce the number of people required to perform tasks and change the way in which they perform their task, thereby complementing the re-engineering process.
- **Redefine the way in which people work.** Low morale leads to apathy and a lack of consideration and respect for the municipality and especially the communities. If officials work only in silos and are not part of solving problems, they are unlikely to be wholly invested in the job. Re-engineering the way in which people work can ensure that they feel part of the organisation and find purpose in the work that they do. "With the right attitude, among employees, among the politicians, I believe things can be turned around".²⁶
- **Use interns (a win-win).** Many municipalities, including Msunduzi, use interns. Msunduzi should use more interns and give them the opportunity to do more challenging work and take on more responsibility. This will help alleviate the pressures of some of the vacancies within the municipality. Retired professionals could be called upon to assist with the transfer of skills.
- **Groom internal staff for more senior responsibilities.** "I can guarantee you there's lots and lots of, education and experience within the institution. I'm not sure how the legislation sits, but maybe we need to have that policy where if it's not so senior, we do it internally."²⁷

Make standard operating procedures (SOPs) work

Standard operating procedures (SOPs) work if they exist, are up to date and appropriate to modern governance, and have everyone's buy-in. Internal controls are embedded in SOPs, which are clearly not followed properly in Msunduzi. However, before enforcing adherence to SOPs and internal controls, the municipality should ensure that its SOPs are clear and recorded. Many individuals in government are exonerated for misdeeds because of unclear SOPs and internal controls. Furthermore, even when SOPs are recorded, custom and practice may be different across and even within departments, and could be cited as precedent. This is especially relevant for financial, health and safety and protection of assets. For example, if drafting the SOPs for procurement, then

- Define the most efficient process, noting that technology can play a major role in simplifying or shortening processes.

²⁶ Response from interviewee

²⁷ Response from interviewee

- Ensure that everyone is involved in discussing, drafting, and is bound by the SOP.²⁸
- Spell out the consequences for anyone who ignores the SOPs, so that everyone understands the implications.
- Use technology to enforce the change in habit.

Perhaps most importantly, the relevant departments must be allowed to do their job unincumbered where they simply follow the procedures laid down. Political interference and other detracting issues need to be discouraged by all sections of the municipality.

Make more use of technology

As already mentioned, technology can assist both in reducing the personnel required and enforcing SOPs. However, technology can and should be used to make the municipality more effective and efficient in many other areas, which will require the municipality to have a greater IT governance maturity than is currently the case. The IT Audit report (Feb 2020) found that the overall maturity level was no higher than level 2 (out of 5 levels), while strategic alignment and value delivery were found to be level 1 (Figure 11).

An implementable ICT strategy should be considered much more seriously because, done right, it can lead to much greater effectiveness and be a critical part of reducing internal control violations.

Figure 11: IT process maturity level in Msunduzi Municipality

Process Maturity		Strategic Alignment	Risk Management	Performance Management	Resource Management	Value Delivery
	Optimized					
	Managed					
	Defined					
	Repeatable		✓	✓	✓	
	Initial / Ad hoc	✓				✓

Source: Msunduzi Municipality (2020c)

²⁸ Naturally, national legislation and guidelines must be adhered to, but should these be counterproductive, then discussions with national government need to be held.

Annexure

Methodology

Programme exploration and selection

The State of the Cities Report for Msunduzi Municipality kicked off with an introduction from the South African Cities Network (SACN), the research team and Msunduzi municipal champions. The SACN gave a background to the 2021 State of Cities Report and the intention and outcome of the individual city perspectives, and highlighted the focus on governance. From the onset, although the research team wanted to discuss a far broader selection of projects, the Msunduzi champions were clear on the focus of the case study. This was as a result of discussions held within the municipality in the previous six months and the recent appointment of a city manager and ministerial representative from COGTA. The short list of projects and the prioritised project would by necessity focus on current issues looming over Msunduzi Municipality.

Due to the COVID-19 lockdown restrictions, the research team was unable to engage physically with the municipality's senior management to finalise a prioritised project, and so the champions accepted responsibility for this activity. The champions were very comfortable with the spirit of co-creation and the task of getting agreement from senior management on the focus and nature of the project. In addition, the project champions agreed to put together interviews for the shortlisted project. At subsequent meetings, the champions also agreed to set up the virtual meetings or interviews with the relevant interviewees, either at the municipality or at their homes. This was a welcomed outcome given the communication limitations during lockdown. By the end of April 2020, agreement was reached that the project focus would be on internal controls within the municipality.

Project interrogation

The original interview list consisted of 12 people, but not everyone made themselves available for the interviews. The final number of people interviewed was 7, which included officials, the mayor and the ministerial representative. It was particularly useful to get the insight of the ministerial representative who was deployed to municipality to oversee progress in addressing internal control and governance issues, as he is also an external party and so can provide a different perspective to those who work for the municipality.

The interviewees: Earnestness and sincerity

Throughout the interview process, all the respondents showed a level of deep concern and earnestness about the issues and problems in the municipality. Their sincerity suggested a deep interest in wanting to resolve the current malaise and ensure that the proper systems and procedures are put in place to last. All participants demonstrated a personal interest and commitment when speaking about what seems to be wrong with the municipality and what can be done to turn things around. This was encouraging and generated hope that the municipality could be rescued and, ultimately, fulfil the objectives of local government.

Yeah. We exist as a local government to merely fulfil, the requirements under chapter two of the Constitution, Bill of Rights, and the dignity being the most important one that we'll need to make sure that we deliver on services. We ensure that the dignity of the people and Msunduzi are respected at all times.

Some of the respondents pointed out that the goals of serving the public, delivering services, and generating confidence will not be achieved without the ability to resolve problems: "We need to ensure that we meet the basics, we deliver services to our community", and we need "to start working within ourselves. Bring change".

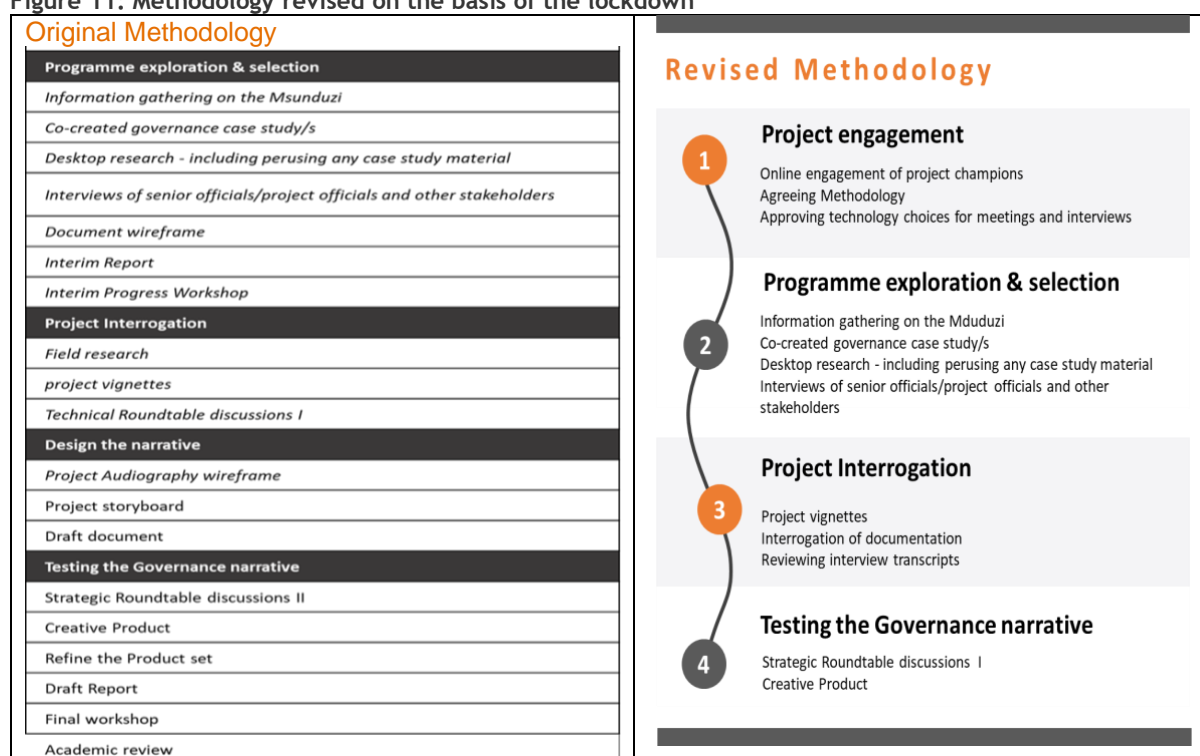
All the respondents were optimistic and hopeful that the situation can be reversed, but would take total commitment by all stakeholders to make that happen. The narrative is a tapestry of these interviews with senior managers in the municipality and political representatives from local and provincial government; and a review of key documents, including the municipality's IDP, annual report 2018/2019, audit reports, the AGSA report on municipalities and media reports.

Figure 11 captures the original methodology and the revised methodology, as proposed by SACN and agreed by the research team and Msunduzi Municipality. Key aspects that differ from previous state of cities reports include:

- Co-creating the project and the narrative.
- Identifying project champions within the municipality to help facilitate the development of the case study for that city.
- Testing the narrative with a broad audience from both within and external to the municipality through at least two roundtables.
- Writing up vignettes extracted from the broader case study.
- Generating a creative product for populist distribution.

One of the biggest changes between the original methodology and the revised methodology was the revision of the roundtables. Only one roundtable was held, as given the difficulties of bringing external and internal people together, it was felt that discussing the narrative with a broader group within the municipality would be more useful. The other major deviation related to the nature of the roundtable. In initial discussions with the municipal champion, an independent workshop was going to be convened, but this was revised to include discussing the case study at a scheduled management meeting and so the time for discussion was reduced and the nature of the engagement changed.

Figure 11: Methodology revised on the basis of the lockdown



Testing the governance narrative

On 25 August 2020, discussions were held to reflect on the narrative that emerged from the initial interviews conducted in May and June 2020. The narrative was generally well received, with little additional input, which may have been because the same issues had been raised in audit reports and were already been addressed by the municipality. It also suggests that none of the issues raised came as a surprise to the senior management team. However, the municipal manager raised three issues: (i) that the narrative looked at internal controls from a governance lens, not focused on the operational issues relating to a lack of internal controls; (ii) that the report emphasised a balanced view of the municipality, its position and the efforts that are underway to right the municipality; (iii) a concern about the notion of political interference, noting that no official had raised the issue of political interference with him. It was also noted that perhaps things had progressed from the time of the interviews and that at the time of workshoping the narrative, changes with respect to political interference had taken place.

A member of the senior management team highlighted the exorbitant cost of filling vacancies. The research team found it easy to sympathise with officials from the municipality because they had

experienced similar issues having been in local government for over 20 years. The extensive financial resources required to fill vacancies will always be a bane for local government. For this reason, it is more imperative to find smart solutions to resolving the problem.

At the time of conducting the interviews, the municipal manager had only been in office for about three months, but has naturally become the key person to see the municipality through these troubling times. Prior to his arrival, the municipality was already working through 2018/2019 audit findings, and many of the issues raised in that report echo the issues raised by the interviewees. Of the 146 issues raised in Finance Administration, HR, Service Delivery, Governance and Budgeting, ICT and SCM, 103 issues have been resolved and 43 are work in progress. All tasks that needed to be addressed have started. According to the mayor, “70% of the 2018/19 qualification findings have been addressed and the aim now is to get a positive outcome when the auditor-general assesses the books for 19/20, which ended in June”.²⁹

Figure 12: Progress made on 2018/19 Audit Report Findings

Total Number of findings	146
Resolved	103
In progress	43
Not started	0
Percentage completed	70.5%

Source: Mduzuzi Municipality; Audit Action Plan 2018– 2019 as at 10 September 2020

In his report to Council, the mayor was also positive about the progress made in governance within council stating that “council and its committees now sit for regular meetings that are not deliberately collapsed by aggrieved ANC councillors”. On filling critical vacancies, the mayor reported that key senior management vacancies had been filled and this has improved the capacity within the organisation. Improvements have been made in other areas, such as waste collection in the city centre. Although this shows significant action on the part of the municipality, much remains to be done. In addition, the more complex underlying issues still need to be worked through, including political interference, ethics and moral behaviour, and attitude to work etc.

²⁹ Ntuli N. 2020. Msunduzi Mayor Mzimkhulu Thebolla presents progress report: ‘Pietermaritzburg is cleaner’, *The Witness*, 9 September 2020.

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