



MSUNDUZI LOCAL MUNICIPALITY



A turnaround approach to overcoming poor internal controls



OVERVIEW

Like many local authorities in South Africa, Msunduzi Local Municipality is struggling to achieve clean audits and deliver on its mandate. The municipality was placed under administration in 2010 and then again in 2019 which has, together with the COVID-19 pandemic, made more apparent the broader governance issue of poor internal controls, aggravated by a loss of skills, poor leadership and unfilled vacancies. This story highlights the efforts of the municipality's new leadership in turning around the challenges of poor internal controls by acknowledging and comprehensively addressing their causes and outcomes.

A history of governance challenges

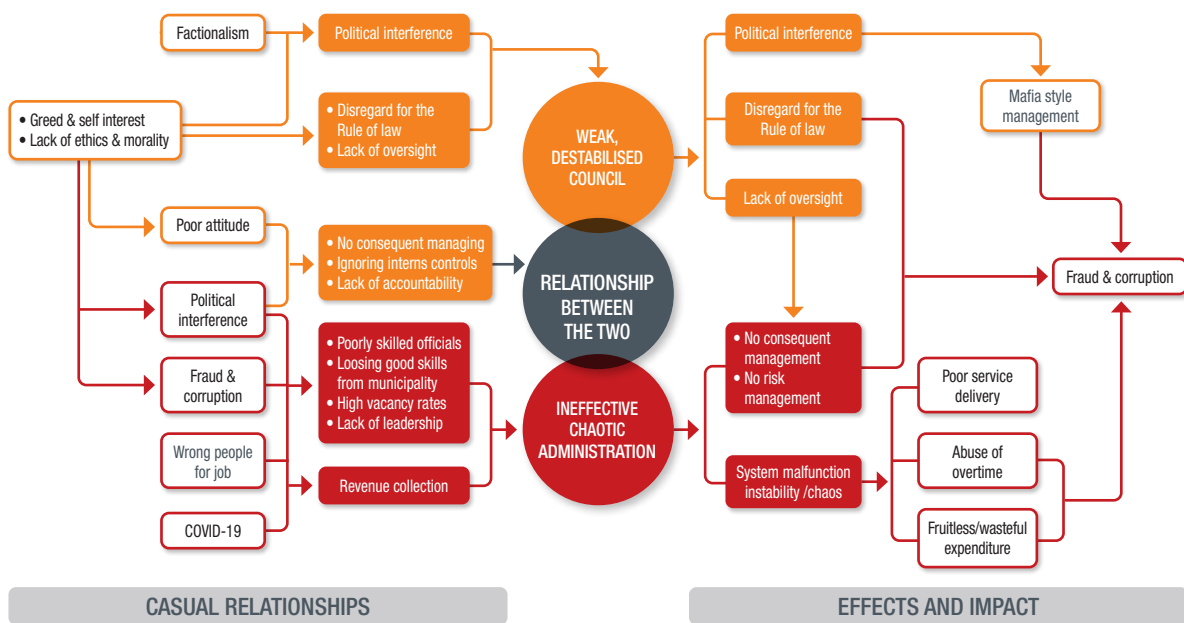
Msunduzi Local Municipality has faced governance challenges since its creation in 2000, when various municipal areas (Pietermaritzburg, Msunduzi, Ashburton, Vulindlela, Claridge and Bishopstowe) were amalgamated. For the first five years, the powers and functions of the municipality and the district authority of uMgungundlovu were not properly defined. The challenge of integrating internal systems, policies, procedures and resources among these various municipalities was further compounded by poor financial controls. This resulted in the municipality being placed under administration in 2010. While this intervention resulted in the municipality achieving a clean audit in 2014/2015, the municipality never fully recovered from the 2010 crisis and experienced a high turnover of senior staff, while internal control issues multiplied. In 2019, the municipality was again placed under administration by the provincial government due to irregular expenditure and a lack of political oversight and leadership.



Towards a turnaround approach to addressing the causes and outcomes of poor internal controls

A new Mayor was elected in 2019 and a new City Manager was appointed in 2020. In spite of the added challenge of the COVID-19 pandemic that has since emerged, this new leadership is determined to address the issues that resulted in Msunduzi being put under administration for a second time in 2019. Its focus is on tackling a set of interrelated issues, rather than limiting its approach to financial issues. Notably, Msunduzi acknowledges that in hindsight, ignoring or not paying enough attention to broader issues during the first administrative review in 2010/2011 failed the municipality, as other governance challenges were not addressed, in particular internal controls related to human resources, financial and information technology management. These controls enable the City's political leadership to ensure that the administration is achieving its objectives through efficient operations, reliable financial reporting, and compliance with laws and regulations. When internal controls are poor, not functional or non-existent, they influence and affect the effective functioning of the municipality. Therefore, the second administrative review is focused on a much broader and complex set of governance issues and relationships that cause and reinforce the lack of internal controls.

COMPLEX CAUSAL RELATIONSHIPS



Msunduzi's turnaround strategy is based on four pillars:

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

Alongside the adoption of this strategy, the new leadership has taken urgent steps to fill 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. Although the city still has a long way to go, the Council is functioning properly and has a quorum at meetings. Critical vacancies have been filled, and 70% of the 2018/2019 audit findings have been addressed.

Strong leadership is important for turning governance around

Weak, ineffective or lack of internal controls lie at the heart of urban governance challenges, and are aggravated by the loss of skills, ongoing changes in leadership and unfilled vacancies. Recognising the existence of these challenges is a crucial first step to overcoming them. They also require a comprehensive response implemented by strong leadership. Without strong leadership, the municipality will not be able to deliver on its goals and objectives. What is needed is political and administrative leadership that is forthright, ethical, respected and supported by the national, provincial and local spheres of government. To achieve this, politicians in every sphere of government must be committed to respecting and supporting good municipal leadership and creating an enabling governance environment for all.

The political-administrative interface must be clearly defined

Although many officials welcome being relieved from some of the responsibility of interacting with communities, councillors have become more involved in service delivery than their mandate warrants. The line between politicians and officials, or the relationship between the council and the administration, needs to be clearly defined: politicians are responsible for setting policy and ensuring oversight – and should not interfere in operational issues. Operations represents the sphere of employed officials who, in turn, should not aspire to be politicians. Hence, improved service delivery depends on a clear separation of roles and responsibilities between these two spheres.

The need to acknowledge and identify how governance issues are interrelated

The issues that result from poor internal controls are numerous, complex and interrelated. They play out in a cyclical manner and involve a complex causal web of interrelated tangible and nontangible issues. As a result of these interactions over time, the Council becomes weak and destabilised, while the administration becomes ineffective, chaotic and dysfunctional. The danger is that it creates fertile ground for internal controls to worsen, leading to fraud and corruption becoming entrenched and extremely difficult to reverse. This means that strategies to overcoming governance challenges cannot be limited to addressing one aspect or another. Instead, they require a comprehensive approach that acknowledges and identifies the role of a broad set of issues and how they interact.



LEARNINGS

Need for functional human resources to improve service delivery

Poor internal controls have an important impact on human resources. In the case of Msunduzi, they resulted in high staff turnover, especially of senior officials, and high staff vacancy rates, coupled with a high number of acting positions, especially at supervisory, managerial and senior managerial level. Such political and administrative instability makes addressing service delivery issues difficult. They also contribute to extra workloads for existing staff, which results in low morale. In a context of limited financial resources, the municipality needs to find creative ways to address this issue. Some solutions may be to redefine workflows and tasks, use technology more strategically and operationally to improve efficiencies and impact, employ interns, or hire retired professionals to assist in skills transfer.

Importance of hiring the right people for the job

In combatting corruption, the starting point must be to hire the right people who are not only technically competent but have the best interests of the municipality at heart and are passionate about serving and developing communities. However, hiring the right people is only the first step, as even the right people may be rendered impotent when faced with other pressures and influences. For instance, they may find themselves accountable to outside individuals (not to the municipality), or under so much pressure that they become tainted by corruption or decide to resign from the position. In some cases, officials choose to take a back seat to stay out of trouble, rather than do their job effectively. Therefore, hiring the right people for the job needs to be understood in the context of the difficulties and complexities that exist within local government. In addition to hiring the right people, it is important to improve the competencies of employees through mentorship, peer learning and change management, and to actively instil an ethical organisational culture.

Importance of strong oversight for overcoming fraud and corruption

In Msunduzi, under the previous leadership, a weak, destabilised Council was unable to provide proper oversight of an ineffective and chaotic administration, which led to a lack of consequence or risk management. This opened up the door to exploitation for financial and other gain, which could be reinforced by political interference or by leadership gaps in the municipality. Going forward, strong and effective political oversight is needed not only to overcome this disregard for the rule of law, but also to create an environment in which officials feel safe to speak up about practices of fraud and corruption.





CONCLUSION

The nine case studies provide insight into how cities have used cooperative governance and the all-of-society approach to achieve their objectives. They demonstrate instances when local governments worked effectively within challenging environments, not only with other spheres of government but also across sectors of society. However, they also highlight some of the barriers within the government environment that need to be overcome before these practices can gain real traction at the project and systemic levels within municipalities.

The reality is that working in the municipal environment is challenging, and each municipality has its own political and operational dynamics. In such an environment – and even more so during the COVID-19 pandemic, which resulted in lockdowns and a shift to virtual and remote work in municipalities and beyond – two factors determine a research project’s success:

- i **Relationships.** The nature and strength of relationships between researchers and municipalities play an important role. Under ‘normal’ conditions, prior to the research process, it is important to obtain the municipality’s support for the project (getting the required permissions at the right levels and building effective relationships between researchers and municipal councillors and officials). Under ‘adverse’ conditions, such as COVID-19, it is essential.
- ii **Adaptability.** The extent to which the research process and data collection methods can be adapted is crucial. Adaptation to the research process and data collection methods needs to be allowed during implementation, provided it does not affect the integrity of the research.

