



**Address by the SALGA President, Cllr Parks Tau, at the CIGFARO Annual Conference, Cape Town**

Theme: *The Challenge of Effective and Ethical Leadership in Municipalities amidst the Challenging Economic Climate*

11 October 2017

Programme Director,  
President of CIGFARO, Dr Krish Kumar,  
Members of the CIGFARO Board and Administrative Leadership,  
Distinguished delegates from various municipalities,  
Colleagues and Friends:

On behalf of the SALGA leadership, I extend fraternal greetings to The Chartered Institute of Government Finance, Audit & Risk Officers (CIGFARO).

We regard this august conference as one of the annual milestones in the calendar of local government. The main theme of this year's conference – *Sustaining service delivery amidst the challenging economic climate* – is very apposite.

This theme resonates with the current public discourse about the auditing profession and the ethics, or lack thereof, of conducting business in general. We clearly have to do more to restore public confidence in the audit profession and in its relationship with government and with society.

I am optimistic that in your discussion and deliberations you will emerge with context-specific and innovative solutions to develop and transform local government. Such solutions are needed given increasing demands placed on the public purse and diminishing resources available to meet those demands.

Program director,

A recent IMF report released over the past week indicates that, fortunately, the world economy is beginning to show some signs of recovery. Of course, one hopes this positive news need local reinforcement by encouraging local government to contribute to move our national economy onto a high economic trajectory.

In particular, the performance of the mining and agricultural sectors offer room for hope. Without a doubt, we do need other sectors in the economy to improve as well so that we move out of the recession and an economic slump.

We have to steer our economic ship to a platform where the GDP growth transcends the current projected 1%. It is only through a growing economy that we can deal with the triple challenges of poverty, unemployment, and inequality. Moreover, a growing economy would provide much needed tax revenues in order to better finance NDP targets and other service delivery imperatives.

As you would appreciate, our underperforming economy has a particular bearing on local government performance. The current fiscal outlook implies less state resources to be shared by the three spheres of government. As a result, this makes allocations to local government even more strained and unequitable.

Dear friends,

As SALGA, we have noted that from year 2000, the LG Equitable Share started at 1% of the total fiscus and grew to the current 5% (9,1% if grant allocations and fuel levy are included) by 2017. Even so, the increase in the allocation transpired during the period of slight economic growth between 2004 and 2008. With the current economic stagnation, it has been said that it will be difficult to see significant growth in LGES.

I am sure you would agree that given these challenges, local government deserves more from the fiscus since it stands at a coalface of service delivery. This is highlighted given the urgency of placing local government at the centre of a changing world and empowering it to play a greater developmental role.

We have argued at both the Presidential Coordinating Council and the Budget Forum that the assumptions made in the White Paper on local government funding must be revisited. As such, the Vertical Formula and the underlying assumptions of the current Equitable Share model must be reviewed and revised.

Programme director,

In this regard, we urge CIGFARO to continue working with SALGA and the FFC to remodel the LGES and make new proposals. As CFOs, Auditors and Risk Officers, you know from experience the challenges facing our municipalities financially and in terms of good governance. Let us make revising the ES formula our collective priority for the next four years.

When the economy is not growing, that goes with attendant socio-economic challenges that are acutely experienced in our municipalities. These manifest in a number of ways but more particularly, through the increasing number of indigents and those unable to pay their municipal bills.

That we are currently servicing three-point-one-million (3, 1) indigents when SASSA has about 18 million grant beneficiaries is a matter of major concern. It is a major

concern since there could, in fact, be more indigent households than those currently registered by municipalities.

Without a revision in the ES, this could drain municipal resources, lead to increased community protests and equally result in social instability.

With regards to debtors, this is another critical element that threatens the viability of the local government sphere. Currently standing at R128, 4-billion and increasing, innovative and radical measures need to be taken to decisively deal with this.

SALGA has made a number of proposals in this regard. I urge you to familiarise yourselves with them, indicate which ones you can execute in your municipalities without delay and engage us where you need our support.

Distinguished guests,

Given the rather dire picture on the state of our economy and finances, we have to be innovative, creative and radical in finding solutions and in managing our limited resources.

Which steps should we prioritise? I believe better accountability, transparency in governance, reduction in wasteful and irregular expenditure should be our imperatives. These will be enhanced in operational conditions of stability, sound management, good governance and visionary ethical leadership.

I am sure you would agree that wastage and corruption will defocus us and undermine our endeavors to get better allocative dispensation for local government. Misuse and mismanagement of public funds undermines our good efforts and the relative better performance we have seen in some municipalities over the past years.

What are some of the initiatives SALGA has taken to prevent and preempt corruption and malfeasance at local government?

First, there is urgent need to improve our Risk Identification, Mitigation and Management systems. Second, as we stated at our previous anti-corruption summit, “municipalities require support in the form of skilled finance persons to ensure that they comply with the legislative requirements.” We need to “cement the culture of ethical behaviour at local government level, thus going beyond legislative compliance”.

Third, SALGA and the Office of the Public Protector recently signed a Memorandum of Understanding (MoU). Both organisations “commit to ensuring an improved municipal cooperation and compliance with the Public Protector’s investigations and remedial action, with a view to ensuring expeditious resolution of service delivery complaints to avert violent and destructive protests”.

Programme director,

SALGA has already met this year with all the Mayors in our Council of Mayors conference, the Speakers in the Council of Speakers conference and the Municipal Managers in the Municipal Manager's Forum.

In all these platforms we have asserted the imperative of good governance, ethical leadership and operational stability and accountability. We have stressed the need to improve the image of local government through sound leadership and better management of stakeholder relations.

Moreover, we have ensured that there is proper internal control in place such as the following:

- Monthly monitoring of fraud risk action plans
- Fraud risk register report in mayoral committee and management meetings
- Disclosure of interest by municipal officials and political office bearers
- Conducting of anti-fraud and awareness workshops.

As people who deal with finances, risk and audit matters, your role in ensuring our collective success in these endeavors cannot be over stated. It is in this light that SALGA and CIGFARO have entered into a Memorandum of Understanding partnership to jointly champion good governance, ethical leadership and all-round improvement in accountability and financial management practices.

Let us endeavour to work together in improving the management and performance of the local government sector.

Why ethical leadership is critical? The philosopher Aldo Leopold said that: "ethical behaviour is doing the right thing when no one else is watching even when doing the wrong thing is legal"

I thank you.