

MPUMALANGA BRANCH INTERNAL AUDIT MPAC TRAINING AND RISK SUMMIT

FINANCIAL INTEGRITY IN LOCAL GOVERNMENT

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INTRODUCTION

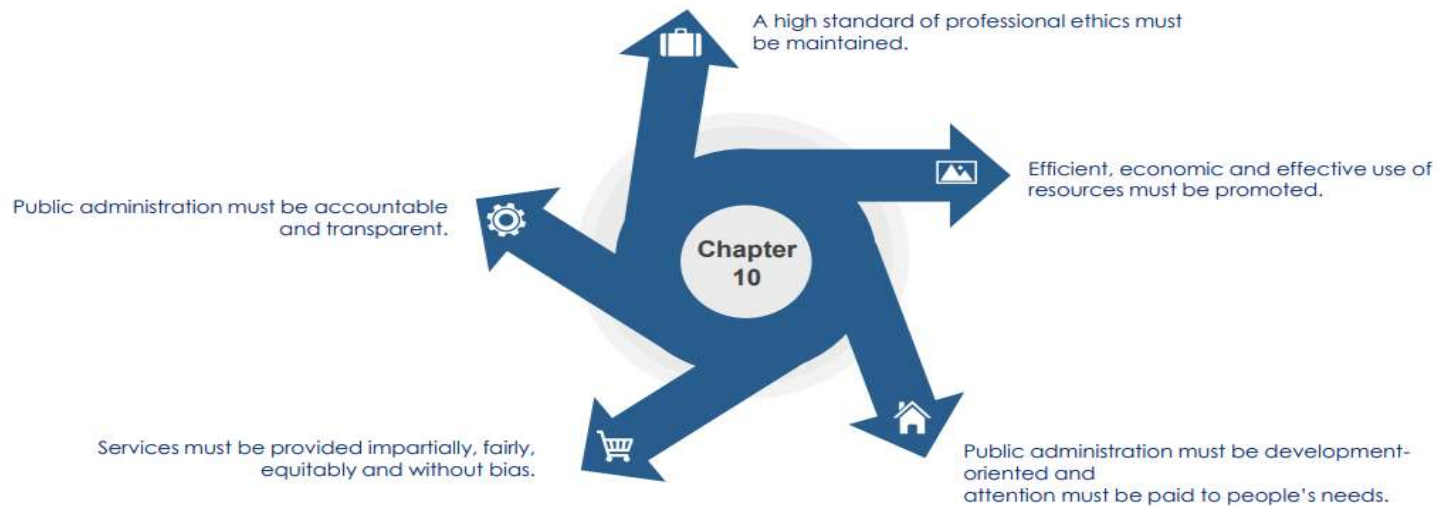
- Local governments play a crucial role in providing services and infrastructure that directly impact our communities' daily lives.
- The effectiveness and trustworthiness of these services depend significantly on how well financial resources are managed.
- The aim of this presentation is to explore why financial integrity is vital for local governments and the challenges faced in maintaining it.

Financial Integrity

- Financial integrity is about ensuring that the financial system operates in a clean, transparent, and accountable way.
- This integrity relies on adherence to ethical standards, transparency, and accountability in financial management.
- Key legislations such as :
 - the Municipal Finance Management Act (MFMA),
 - Public Finance Management Act (PFMA),
 - the Local Government: Municipal Systems Act, along with other treasury regulations and guidelines, provide a robust framework for financial governance in South Africa.
- Additionally, the Constitution of the Republic of South Africa, 1996, enshrines the rights of all citizens and upholds the democratic values of human dignity, equality, and freedom.

Financial Integrity constitutional requirements

Constitutional requirements



Promoting Financial integrity

- Promoting financial integrity within government institutions is essential to counteract risks.
- Adhering to these established frameworks and ethical principles ensures that financial practices are lawful, standardized, and aligned with strategic development goals.
- By fostering a culture of ethical behavior, government institutions can effectively manage public resources, reduce corruption, and enhance service delivery

THE ROLE OF FINANCIAL INTEGRITY GOVERNMENT

- Financial integrity plays a crucial role in the effective functioning of governments.
- It ensures that public funds are managed responsibly, transparently, and in a manner that builds trust among citizens and stakeholders.
- Financial integrity is not just about compliance with regulations but also about fostering a culture of accountability and ethical behavior within the organization.
- Transparent budgeting and financial reporting enable citizens to understand how their taxes are being utilized and provide a basis for holding officials accountable.

THE ROLE OF FINANCIAL INTEGRITY ON LOCAL GOVERNMENT Cont...

- Financial integrity in local government enhances public confidence and community engagement.
 - Residents are more likely to support public policies and initiatives if local government is managing finances prudently.
 - This level of transparency can lead to greater community participation in the decision-making process.
 - Additionally, sound financial management practices can lead to improved credit ratings, enabling municipalities to secure better financing terms for development projects.
- In summary, financial integrity is a cornerstone of effective local governance, driving transparency, public trust, and economic development

KEYS ASPECT ON FINANCIAL INTEGRITY

1. Transparency:

- All financial information, such as budgets, billing, expenditures, financial reports, and procurement processes, is openly available and accessible to the public.
- Clear, accurate, and timely reporting of financial activities.

Benefits:

- ❖ Enhances public trust and confidence.
- ❖ Reduces opportunities for corruption.
- ❖ High revenue collection

KEYS ASPECT ON FINANCIAL INTEGRITY

2. Accountability:

- Accountability involves holding all individuals and departments within the government responsible for their financial actions and decisions.
- It means that there are clear roles and responsibilities, and those in charge of financial management are answerable for their performance.

Benefits

- ❖ Promotes responsible use of public funds.
- ❖ Encourages continuous improvement in financial practices.
- ❖ Deters fraud and corruption through clear consequences.

KEYS ASPECT ON FINANCIAL INTEGRITY

3. Compliance with Laws and Regulations:

- Adhering to local, provincial, and national financial legislation.
- These laws set the standards for financial management, including budgeting, expenditure, reporting, and auditing.
- **Benefits:**
 - ❖ Ensures legal and regulatory adherence.
 - ❖ Provides a framework for systematic and disciplined financial management.
 - ❖ Minimizes risks of legal penalties and financial loss

KEYS ASPECT ON FINANCIAL INTEGRITY

4. Ethical Decision-Making:

- Ethical decision-making involves making choices that are morally sound and in the best interest of the public.
- It requires a commitment to integrity, fairness, and justice in all financial dealings.

Benefits:

- ❖ Fosters a culture of trust and ethical behavior.
- ❖ Ensures fair and just use of resources.
- ❖ Builds a positive reputation for the government entity among citizens and stakeholders.

CHALLENGES TO FINANCIAL INTEGRITY

- Challenges to financial integrity in local government are multifaceted and can significantly hinder effective governance and service delivery.
- One major challenge is corruption, which can manifest in various forms such as bribery, embezzlement, and fraud.
- Local governments often face pressure from vested interests and political influences, which can lead to the manipulation of financial records, favoritism in contract awards, and misallocation of public funds.

CHALLENGES TO FINANCIAL INTEGRITY Cont...

- Many municipalities struggle with inadequate staffing, limited training opportunities, and insufficient financial resources to build and maintain effective financial management systems.
- This can result in poor budgeting, inaccurate financial reporting, and ineffective audit processes.
- Additionally, the rapid pace of technological change presents both an opportunity and a challenge.

CHALLENGES TO FINANCIAL INTEGRITY Cont...

- Furthermore, regulatory and legislative complexities can pose challenges to financial integrity.
- Local governments must navigate a myriad of regulations, standards, and compliance requirements, which can be overwhelming and lead to unintentional errors or omissions.
- Additionally, political instability and frequent leadership changes can disrupt continuity in financial management practices, leading to inconsistencies and gaps in oversight.

CONSEQUENCES OF LACK OF FINANCIAL INTEGRITY

- The absence of financial integrity in government institutions can lead to significant and widespread negative outcomes.
- Key consequences include:
 - **Poor Revenue Collection:**
 - ❖ Inaccurate billing systems
 - ❖ Ineffective collection processes
 - ❖ Reduced compliance with payment obligations
 - ❖ Increased budget deficits
 - ❖ Overreliance on external funding

CONSEQUENCES OF LACK OF FINANCIAL INTEGRITY Cont...

- Lack of financial integrity perpetuates a cycle of mistrust, inefficiency, and underdevelopment.
- It undermines the foundation of effective governance, making it challenging for institutions to perform their duties and meet the community's needs

HOW YOUNG PROFESSIONALS CAN CHAMPION FINANCIAL INTEGRITY

- Young professionals play a pivotal role in promoting and upholding financial integrity in local government.
- Your fresh perspectives, technological savviness, and commitment to ethical practices can drive significant positive changes.

Here are key ways they can champion financial integrity:

- ❖ Stay informed about the latest financial regulations, best practices, and emerging trends.
- ❖ Participate in training programs, workshops, and certifications focused on financial management and ethics.
- ❖ Engage in professional networks and forums to exchange knowledge and experiences
- ❖ Demonstrate integrity in all professional activities, setting a high standard for colleagues and peers.



HOW YOUNG PROFESSIONALS CAN CHAMPION FINANCIAL INTEGRITY

- ❖ Uphold ethical decision-making and avoid conflicts of interest.
 - ❖ Introduce new technologies and systems that enhance transparency and efficiency in financial processes.
 - ❖ Work closely with colleagues across departments to ensure integrated and cohesive financial management.
 - ❖ Share knowledge and best practices with peers to promote a collective commitment to financial integrity
- By embracing these approaches, young professionals can significantly contribute to fostering a culture of financial integrity within government.



CONCLUSION

- Adhering to these key aspects of financial integrity is vital for the effective management of public resources in local government.
- By fostering transparency, accountability, compliance, and ethical decision-making, municipalities can enhance public trust, improve efficiency, and achieve their development goals.
- Encouraging young professionals to commit to ethical standards and take proactive steps in championing financial integrity is essential.
- With determination and the right support, we all can contribute significantly to the integrity and effectiveness of local government financial management.

"Integrity is doing the right thing, even when no one is watching." – C.S. Lewis

THANK YOU FOR YOUR ATTENTION !!

