EVALUATING THE EFFECTIVENESS OF PERFORMANCE MANAGEMENT SYSTEMS SUPPORT PROVIDED BY KWAZULU-NATAL COGTA TO THE MUNICIPALITIES

CONDUCTED BY: KZN COGTA’S EVALUATION TEAM
# Table of Contents

LIST OF ACRONYMS........................................................................................................................................3
1. Introduction and Background....................................................................................................................4
2. Problem Statement....................................................................................................................................5
3. Purpose of the evaluation.........................................................................................................................5
4. Evaluation Question ...............................................................................................................................6
5. Objectives ................................................................................................................................................6
6. Methodology............................................................................................................................................6
7. Sampling ..................................................................................................................................................6
8. Limitations ..............................................................................................................................................6
9. Summary of findings ...............................................................................................................................7
  9.1 Departmental Strategy to support implementation of PMS .................................................................7
  9.2 Implementation Challenges – Departmental Perspective .................................................................8
  9.3 PMS Implementation - Municipal Perspective ............................................................................... 9
  9.4 Effectiveness of Support to the municipalities ..............................................................................10
  9.5 Implementation Challenges – Municipal Perspective .................................................................11
10. Conclusion............................................................................................................................................13
11. Recommendations ...............................................................................................................................13
12. Signatures............................................................................................................................................14
# LIST OF ACRONYMS

<table>
<thead>
<tr>
<th>ACRONYM</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>AG</td>
<td>Auditor General</td>
</tr>
<tr>
<td>APP</td>
<td>Annual Performance Plan</td>
</tr>
<tr>
<td>B2B</td>
<td>Back to Basics</td>
</tr>
<tr>
<td>COGTA</td>
<td>Kwazulu-Natal Cooperative Governance and Traditional Affairs</td>
</tr>
<tr>
<td>DTAC</td>
<td>District Technical Advisory Committees</td>
</tr>
<tr>
<td>FPPI</td>
<td>Framework for Programme Information</td>
</tr>
<tr>
<td>IDP</td>
<td>Integrated Development Plan</td>
</tr>
<tr>
<td>MFMA</td>
<td>Municipal Finance Management Act</td>
</tr>
<tr>
<td>MPPMR</td>
<td>Municipal Planning and Performance Management Regulations</td>
</tr>
<tr>
<td>MSA</td>
<td>Municipal Systems Act</td>
</tr>
<tr>
<td>PMS</td>
<td>Performance Management System</td>
</tr>
<tr>
<td>SDBIP</td>
<td>Service Delivery Budget Implementation Plan</td>
</tr>
<tr>
<td>SOP</td>
<td>Standard Operating Procedure</td>
</tr>
</tbody>
</table>
1. Introduction and Background

The Municipality's Performance Management System (PMS) is the primary mechanism to monitor, review and improve the implementation of a developed Integrated Development Plan (IDP). Performance Management System is also used to measure progress made in achieving the objectives set out in the IDP. If implemented properly, PMS has benefits as it facilitates increased accountability, learning, improvement, provide early warning signals as well as decision-making.

The performance management system monitors actual performance against set targets and contractual obligations. Improved service delivery relies upon effective IDP implementation, efficient utilisation of all resources and a performance management system being closely integrated across all functions at an organizational and individual level. The most valuable reason for measuring performance is that “what gets measured gets done”.

Legislation that governs performance management in local government includes the Municipal Systems Act (MSA), the Municipal Planning and Performance Management Regulations (MPPMR), the Municipal Finance Management Act (MFMA), the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to the Municipal Manager and the Framework for Programme Information (FPPI) issued by National Treasury.

Performance Management System is a legislated function and also a critical monitoring and evaluating service delivery tool within local government sphere, it’s performance is audited by the Auditor General (AG). Performance auditing plays an important role in keeping the oversight bodies and other interested parties well informed about governmental actions and the outcomes. It increases public transparency and accountability, providing objective and reliable information on how public services are being performed.

Performance auditing encourages learning and change within the public sector by providing new information and drawing attention to various challenges and achievements. It contributes to the improvement and reform of public administration as well as providing the government with recommendations based on independent analysis.

On an annual basis, municipalities are independently assessed in order to audit the measures instituted by management to ensure that allocated resources are procured economically and utilised efficiently and effectively.
The Department has a role to play to support municipalities. The purpose of this evaluation is to assess whether or not the support provided is assisting municipalities to achieve PMS clean audit status.

2. Problem Statement

Performance management is among the top 10 key areas identified as part of problematic areas. Challenges raised were categorised as follows:

- 44 municipalities failed to achieve its planned targets,
- Targets were generally not clearly defined which led to the discovery of many issues related to the reliability, consistency and/or measurability
- Thirty seven (37) municipalities were found to have made material adjustments to the annual performance reports
- Sixteen (16) or 29% of municipalities had matters of non-compliance raised on strategic planning and performance management
- The quality of the performance report regressed due to inadequate evidence provided for reported targets in the annual performance report. Some of the challenges raised were:
  - inadequate records management systems and processes that relates to the collection, collation, verification, storing and reporting of actual performance information
  - key performance indicators not being well defined.
- Some errors were identified on the annual report which could have been rectified before printing.
- Other performance management queries related to performance management were identified.

Despite these challenges highlighted by the Auditor General, all municipalities were able to produce information to allow for the audit processes to be finalised. The Department as a support and oversight structure provided PMS support to ensure functional performance management systems in the municipalities.

3. Purpose of the evaluation

The purpose of the evaluation was to assess whether the support provided by the Department is assisting municipalities to achieve an improvement in audit outcomes particular on performance information.
4. Evaluation Question

How is the support provided by the Department contributing to improved audit outcomes on municipal performance information?

5. Objectives

To determine whether support provided by the Department on PMS functionality assists municipalities to improve on performance information audit outcomes.

6. Methodology

The evaluation collected data utilizing qualitative method. Interviews were conducted with the municipalities and the Department. A semi-structured interview was used to guide the interview processes.

7. Sampling

Auditor General’s opinion for 2016/2017 financial years audit option informed the sampling. Municipalities were sampled according to their performance. The table below indicates selection:

<table>
<thead>
<tr>
<th>Municipality Audit Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unqualified</td>
</tr>
<tr>
<td>UMgungundlovu</td>
</tr>
<tr>
<td>Newcastle</td>
</tr>
<tr>
<td>Jozini</td>
</tr>
<tr>
<td>Greater Kokstad</td>
</tr>
</tbody>
</table>

8. Limitations

Not all the sampled municipalities were visited due to timing constraints.
9. Summary of findings

The findings below present the views of some of departmental PMS officials on the method used to support municipalities in order to implement the function of PMS. The evaluation aimed to assess whether the support provide is assisting municipalities to achieve an improvement in audit outcomes particular on performance information. Relevant questions were asked, including those to assess their understanding of PMS, support provided by the Department and how is the support assisting the municipalities to improve. Information was gathered through interviews with some of Departmental officials who are implementing the function of PMS.

9.1 Departmental Strategy to support implementation of PMS

The Department is using internal processes to draft and monitor actions directed at supporting the municipalities using the Annual Performance Plan (APP). The APP has targets and timeframes and these are usually achieved. Support to the municipalities is provided by different teams as per the allocated districts. Assessment from departmental participants indicates that functions conducted by the teams are mostly legislated, therefore tasks to be performed whilst supporting the municipalities are similar, for example, Department has to support a municipality when developing its indicators, Service Delivery Budget Implementation Plan (SDBIP), etc. The difference is found on the method of support provided to the municipalities since different teams are allocated according to districts. Different supporting method is due to the following reasons:-

- **Levels of understanding** - Municipalities may be at different levels, therefore a tailor-made support is provided to the municipalities. It was further stated by some of the PMS departmental officials interviewed that some municipalities are well resourced financially, other municipalities have capacity and do not really need too much attention from the Department. The struggling municipalities tend to be given priority and more attention.

- **PMS Standard Operating Procedure** - The Department does not have an internally developed standard operating procedure tailor-made to guide support to be provided to municipalities. The non-existence of SOP allows for the team members to extract from the legislation and encourages creativity. Some participants have however pointed out that, the non-existence of a SOP is not the best approach to support municipalities. The criticism arose from the following observations :
- Limited information – It was stated that information could be restricted by the person offering the support, i.e. depending on each member’s interpretation and understanding, that much information will be shared.
- Solving PMS challenges may be restricted to the knowledge and interpretation of the person providing the support.

The PMS team discussed some solutions amongst team members – the Departmental officials further mentioned that there are usually discussions amongst team members to discuss and share best practices; also the District information meetings are used to share with other municipalities. However, it was felt that developing a SOP can resolve many assumptions and improve performance at the municipalities.

The Department is also guided by PMS audit outcomes to provide its support. More focus is put on struggling municipalities, i.e. - depending on the outcomes of the audit, suitable support is provided. Whilst this may be viewed as a good method of support since it mostly addresses issues raised from the audit and also ensures non-recurrence of similar challenges, some participants felt that it should not be, as it is viewed to be reactive than pro-active. The Department should mostly direct its support in a pro-active rather than re-active manner.

In addition to the above, the PMS Unit monitors the performance of municipalities. Monitoring activities are amongst other things is conducted to improve accountability and compliance. Also it assists to provide early warning signs to the municipalities, therefore preventing some of the occurrences before they happen. The Department however mentioned that not all levels of monitoring have been reached as they are currently not at the stage to provide early warnings to the municipalities.

9.2 Implementation Challenges – Departmental Perspective

The notable decline on PMS audit outcomes suggests that there are challenges and somethings need to be done differently in order to improve performance information outcomes. The department highlighted challenges as below:-

- Lack of capacity – the department mentioned that there are capacity constraints within the department and the municipalities. Internally there is limited capacity available to provide the necessary support to municipalities. Further highlighting that, the department does need to have competitive, well-trained and knowledgeable personnel. Therefore, there is a need for
internal staff members to be better equipped. Training amongst other things will ensure credible information is shared and reputation of the department is not undermined.

- The department also mentioned that capacity constraints experienced within the municipalities especially vacancy of critical senior management positions have negative effects on municipalities audit outcome. This to some extent has an effect on functional or non-functional audit committee.

- **Back to Basics (B2B)** – The programme is administered by PMS Specialists both in the municipalities and the Department. It was mentioned that the B2B programme has a lot of responsibilities and equally demanding as PMS does. Its implementation has been found to be competing with limited resources available causing PMS to be given less priority hence there is an imbalance and regression of audit outcomes on performance information.

- **Audit committees** – The Department regards audit committees as critical towards improving audit outcomes. Even though it was mentioned that some functional audit committees do not necessarily discuss PMS matters, it depends on whether committee members are well capacitated and treat PMS issues with diligence.

- **Coordination** - The Department felt that coordination between Municipal Performance and Local Government Specialists can be improved to better support the municipalities. Improved coordination intends to benefit the municipalities as well.

Overall, despite challenges the Department has managed to set up PMS in all municipalities, by ensuring that there are systems in place in all municipalities. The municipalities are also receiving support from the Department at different levels in order to assist them to improve, with an understanding that they also have a critical role to play to ensure implementation.

**9.3 PMS Implementation - Municipal Perspective**

The findings below are presenting the view of the municipalities in relation to the support provided by the Department.

**Relevance**

The municipalities consider PMS to be highly relevant within their sphere. Its relevance is confirmed by its objectives and benefits within the municipality if implemented. All municipalities shared a common interpretation of PMS as a legislated function found in different pieces of legislation that govern functioning of a municipality. Municipal Systems Act, Municipal Financial Management Act (MFMA) of, MPRA, were mentioned amongst other legislation. Over and above its function to monitor
implementation of IDP, PMS is also used to monitor performance within the municipality for section 56 managers.

9.4 Effectiveness of Support to the municipalities

Municipalities are mandated by legislation to implement PMS and are therefore accounting to the department for all reporting and compliance purposes. In turn, the department provides support to the municipalities towards effective implementation of PMS. The municipalities regard the support provided as critical and there are benefits if implemented as per the guidelines. Some benefits were highlighted as follows:

PMS serves as a good planning, monitoring and evaluation tool – Most municipalities alluded to the fact that PMS strengthens the implementation of strategic objectives in municipalities. Without PMS they will not be able to reach their objectives as through PMS, municipalities are also able to monitor implementation of IDPs.

The support provided by the department was overall found to be at various levels, as follows:

- **COGTA provides support by proving one-on-one sessions with the municipalities** – Municipalities regard this method of support as assisting to some extent as basic issues get to be discussed and resolved. The one-on-one session usually conducted with the PMS Specialists at the municipalities. Time allocated for these sessions is regarded by some municipalities as not fulfilling as usually it is not enough to engage and resolve critical issues. Preference as suggested by the municipalities would be for municipalities to receive support for two days including ongoing workshops for the Managers and Councils. The engaging support method would assist to change perspective around PMS and improve implementation.

- **COGTA provides support on audit committees** – The department usually provides support on invitation to some of the municipalities but not all the time. This support if provided usually assists as input and guidance is provided where required. Municipalities further noted variations on functionality of their audit committees and its effects on audit outcomes as follows:
  - Some municipalities have stand-alone PMS audit committee - these were regarded as functional and committee members usually have an understanding on PMS and to a greater extent contribute to the functionality of PMS in that particular municipality.
o Other municipalities have a combined finance and performance audit committee. This type of implementation was described to be working mostly for financial or budgetary issues. Members in this committee were described by most participants to be more interested on budgetary issues than performance. Usually performance issues are given very little or no time during meetings.

o Dysfunctional Councils - in cases where there are council issues not resolved there are usually no meetings and no PMS matters get to be discussed by the Council in those municipalities. This is regarded to be negatively affecting functionality of PMS.

- The above suggests that support provided by audit committees can relatively contribute to the improved outcomes of AG but not limited.

- The **department makes use of the District Technical Advisory Committees (DTAC)** to cascade information and provide a platform for municipalities to share their implementation strategies.
  
o DTACs are productively used to share strategies on dealing with audit processes, to provide feedback as well as sharing of best practices.
  
o The DTACs are considered to be good platforms but some municipalities felt they are not used optimally. Other than the good that the platform is meant to achieve municipalities felt that the reports to be presented should be shared with them so they are able to confirm validity prior to information being shared to avoid unnecessary discussions.
  
o According to the municipalities there is an understanding that one of the responsibilities of the department is to make the municipalities to account. However, municipalities felt that they sometimes feel that COGTA forgets that its other mandate is to provide support to the municipalities, i.e. there is an expectation for the department to reach out to the municipalities in order to provide support.
  
o Content is not assisting

### 9.5 Implementation Challenges – Municipal Perspective

- Municipalities mentioned that there are challenges mostly hindering them to produce the expected results: The challenges were highlighted as follows:
  
  - **Lack of skills** – The municipalities said that they lack some skills to implement PMS within their municipalities. This includes crafting of indicators, getting Managers to cooperate, etc.
Some mentioned that they were transferred from other Units within the municipalities and are expected to learn on the job. During the transition process, no formal training or guidance was provided to ensure effective transition and implementation. Other participants that have been implementing PMS for longer felt that even though they have the necessary basic skills they require training and updates from time to time.

- **Dysfunctional audit committees** - Municipalities mentioned that some of their audit committees are not functional as the council members either do not take it seriously or have limited understanding of PMS and its functionality. Most municipalities felt that whilst PMS has much benefit, it does require commitment and understanding from the political office barriers. This they regard as pivotal in ensuring that information is used and the municipality is accountable.

- **Non-cooperation from the Senior Managers** – Some participants felt that due to the technicality of some issues, the necessary support including submission of evidence is not coming forth from respective Managers, hence non-cooperation leading to lack of evidence for some issues when they are audited. Some Managers still view the function as for bonus payments and nothing more. Some of the Manager would display unwillingness to participate especially if they know they will not be getting bonuses but keen if the opposite is to happen. In some instances the PMS Specialists requests are ignored since they are in most municipalities not part of Section 56 Managers.

- **Inconsistency in auditing processes** – Some municipalities mentioned that one of the challenges they get is from the AG, especially with the pre-determined objectives where they felt that the assessment done as part of audit is not fair because at times similar findings can be corrected however during the subsequent year a different person comes and regard the corrected as incorrect. Such occurrences have made the municipalities to feel like they can never with the Auditors.

- **PMS cascaded to other staff members** - Municipalities mentioned that there is a proposal from the department for PMS to be cascaded to other staff members. The proposal is viewed to be good but premature at this stage since there are known challenges.
10. Conclusion

The report highlights the differentiated methods of support provided to municipalities. All methods of support provided by the PMS Unit were found to be relevant by the municipalities. The discussions above also give detail related to what needs to be improved by the municipalities. Amongst other things mentioned, the one-on-one sessions provided to municipal staff are to be supported by workshops that also involve Political leadership and Senior Management for the municipalities. The DTAC’s were also mentioned to be assisting to a greater extent but there is a need to engage with municipalities prior to meeting to avoid discrepancies. Commonly there are challenges related to lack of resources (capacity and skills). Both parties indicated there a need for training in order to allow them to implement PMS function better.

Functionality of audit committees and or the manner in which PMS matters are handled was viewed to be not at a satisfactory level, hence there are non-pleasing audit outcomes. However, it was agreed that there is no one role player towards effective implementation of PMS and good audit outcomes thereof. Skilled staff, on-going support from the department committed senior management and interested political leaders were mentioned to be amongst the key elements that can assist improve clean audit outcomes.

11. Recommendations

- **Coordination** – In order to improve coordination there is a need to develop internal business processes aligning IDP, PMS, IGR and LG Specialists to work together.

- **Training** – In light of challenges related to the lack of capacity and skills, there is a need for departmental staff to be provided with the necessary training in order to effectively support the municipalities.

- Training is also required for Municipal officials implementing PMS, including a suggested 2 day workshop for Managers and Political Leaders.

- **Standard Operating Procedure** – there is a need to develop a departmental standard operating procedure to ensure uniformity and similar interpretation of procedures.
12. Signatures

SUBMITTED BY

_________________________________________   DATE ________________
MS HN NGCOBO
DEPUTY DIRECTOR: EVALUATION

SUPPORTED / NOT SUPPORTED

_________________________________________   DATE ________________
MS A SEKHESA
CHIEF DIRECTOR: STRATEGIC PLANNING, MONITORING, EVALUATION, POLICY & RESEARCH

SUPPORTED / NOT SUPPORTED

_________________________________________   DATE ________________
MS N. SHONGWE
ACTING DIRECTOR: PMS

SUPPORTED / NOT SUPPORTED

_________________________________________   DATE ________________
MR L PIENAAR
ACTING DEPUTY–DIRECTOR GENERAL: LOCAL GOVERNMENT

APPROVED / NOT APPROVED

_________________________________________   DATE ________________
MR T TUBANE
HEAD OF DEPARTMENT