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PROVINCIAL TREASURY CIRCULAR 32 OF 2011

TO:

THE ACCOUNTING OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR JM RABODILA)
THE ACCOUNTING OFFICER (ACTING): VOTE 3: FINANCE (MR JB MBATHA)
THE ACCOUNTING OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR D MAHLOBO)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

THE GENERAL MANAGER: SUSTAINABLE RESOURCE MANAGEMENT (PT) (MS N NKAMBA)
THE GENERAL MANAGER (ACTING): ASSETS AND LIABILITIES MANAGEMENT (PT) (MR R. MASAMBO)
THE GENERAL MANAGER: FINANCIAL GOVERNANCE (PT) (MS J BEZUIDENHOUT)

THE MUNICIPAL MANAGER: NKANGALA DISTRICT MUNICIPALITY: MR. TC MAKOLA
THE MUNICIPAL MANAGER: EHLANZENI DISTRICT MUNICIPALITY: ADV. H MBATHA
THE MUNICIPAL MANAGER: GERT SIBANDE DISTRICT MUNICIPALITY: MR. MA NGCOBO
THE MUNICIPAL MANAGER: GOVAN MBEKI LOCAL MUNICIPALITY: DR. LH MATHUNYANE
THE MUNICIPAL MANAGER: STEVE TSHWETE LOCAL MUNICIPALITY: MR. WD FOCHE
THE MUNICIPAL MANAGER: EMAKHAZENI LOCAL MUNICIPALITY: MR. ON NKOSI
THE MUNICIPAL MANAGER: BUSHBUCKRIDGE LOCAL MUNICIPALITY: MR. A MNISI
THE MUNICIPAL MANAGER: NKOMAZI LOCAL MUNICIPALITY: MR. MR MKHATSHWA
THE MUNICIPAL MANAGER: UMJINDI LOCAL MUNICIPALITY: MS. SF MNISI
THE MUNICIPAL MANAGER: THABA CHWEU LOCAL MUNICIPALITY: MR. BURTON KOMA
THE MUNICIPAL MANAGER: MBOMBELA LOCAL MUNICIPALITY: MR J. SINDANE
THE MUNICIPAL MANAGER: PIXLEY KA SEME LOCAL MUNICIPALITY: MR. WJM MNGOMEZULU
THE MUNICIPAL MANAGER: MSUKALIGWA LOCAL MUNICIPALITY: MR. TBW DLAMINI
THE MUNICIPAL MANAGER: MKHONDO LOCAL MUNICIPALITY: MR. A. MAHLANGU
THE MUNICIPAL MANAGER: THEMBISILE LOCAL MUNICIPALITY: MR. WK MAHLANGU
THE MUNICIPAL MANAGER: DIPALESENG LOCAL MUNICIPALITY: MR. PB MALEBYE
THE MUNICIPAL MANAGER: CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY: MR. V MPILA
THE MUNICIPAL MANAGER: LEKWA LOCAL MUNICIPALITY: MR. L. CINDI
THE MUNICIPAL MANAGER: VICTOR KHANYE LOCAL MUNICIPALITY: MR. BS RIBA
THE MUNICIPAL MANAGER (ACTING): DR JS MOROKA LOCAL MUNICIPALITY: MR. BTJ MABENA
THE MUNICIPAL MANAGER: EMALAHLENI : ACTING TEBOGO MATOANA

PERFORMANCE INFORMATION BY MUNICIPALITIES

Performance information indicates how well an institution is meeting its aims and objectives, and which policies and processes are working. Making the best use of available data and knowledge is crucial for improving the execution of government's mandate. It is key to effective management, including planning, budgeting, implementation, monitoring and reporting. It also facilitates effective accountability, enabling legislators, members of the public and other interested parties to track progress, identify the scope for improvement and better understand the issues involved. The public sector delivers services essential to the well-being and development of the nation. To ensure that public service delivery is as efficient and economical as possible, all government institutions are required to formulate strategic plans, allocate resources to the implementation of those plans, monitor and report the results.

The Municipal Finance Management Act (MFMA), No 56 of 2003 provides a financial management framework that is comparable to the world's best and requires the highest level of discipline in the management of public funds. In terms of Chapter 2, section 5(4)(a)(i), and (c) of the MFMA, the Provincial Treasury must monitor - compliance with this Act by Municipalities, and Municipal Entities in the Province. The Provincial Treasury may exercise any powers and must perform any duties delegated to it by the National Treasury in terms of this Act.

It should be emphasized that the Head of a Municipality, as Accounting Officer, is ultimately accountable for the effective and efficient management of a Municipality. In terms of Section 62(1)(b) and (c) of the MFMA, an Accounting Officer must ensure that full and proper records of the financial affairs of the Municipality are kept in accordance with any prescribed norms and standards, and that the Municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

The Auditor-General's reports continuously expose performance information weaknesses in many institutions of Government, which implies that they are failing to meet the standards set out in the MFMA, and other legislation. Whilst audit reports focus on root causes and audit opinions, Municipalities are experiencing challenges in giving adequate explanations for major variances between the planned and the actual reported targets for the objectives that were not reported as required in terms of the relevant reporting guidance. Planned and reported performance targets are not specific, measurable or time bound. Municipalities do not report on their performance against the predetermined objectives which are consistent with the approved annual performance plans. Reported targets are not reliable when compared to source information, and no supporting source information could be provided in some instances.

(The validity, accuracy and completeness of 100% of the reported targets could not be established as sufficient appropriate audit evidence could not be provided for audit purposes.)

In monitoring Municipalities, the Provincial Treasury has determined that in most cases problems are experienced with the consolidation of monthly reports. The annual performance plan of some Municipalities did not include objectives and outcomes as well as key performance measures and indicators for assessing the performance in delivering the desired outcomes and objectives.

The accounting officer of an institution must ensure that there is adequate capacity to integrate and manage performance information with existing management systems. Each Municipality will need to decide on the appropriate positioning of the responsibility to manage performance information. Ideally, this capacity should be aligned to the planning and financial management functions. This responsibility needs to focus on the overall design and management of indicators, data collection, collation and verification processes within the Municipality. Where such systems are lacking, it is necessary to support the relevant line manager to put them in place. It must be emphasized that line managers remain responsible for establishing and running performance information systems within their sections, and for using performance information to make decisions.

The accounting officer of an institution is accountable for establishing and maintaining the systems to manage performance information. Their performance agreements should reflect these responsibilities. They should be assisted by chief information officers, and by ensuring there is appropriate capacity within the institution.

Performance information systems should be integrated within existing management processes and systems. The accounting officer of an institution is responsible for ensuring that the institution has:

1. Documentation addressing the following:
 - Integration of performance information structures and systems within existing management processes and systems
 - Definitions and technical standards of all the information collected by the institution
 - Processes for identifying, collecting, collating, verifying and storing information
 - Use of information in managing for results
 - Publication of performance information.
2. Appropriate capacity to manage performance information.
3. Appropriate systems to collect, collate, verify and store the information

4. Consultation processes that ensure the information needs of different users are taken into consideration when specifying the range of information to be collected.
5. Processes to ensure the information is appropriately used for planning, budgeting and management within the institution, including:
 - Processes to set performance standards and targets prior to the start of each service delivery period.
 - Processes to review performance and take management action to ensure service delivery stays on track.
 - Processes to evaluate performance at the end of a service delivery period.
6. Processes to ensure that responsibility for managing performance information is included in the individual performance agreements of line managers and other officials
7. An identified set of performance indicators for reporting for oversight purposes.

Municipalities should ensure that their internal auditor function monitor performance information on a regular basis, at least quarterly to ensure that the performance of the Municipality is in line with the predetermined objectives, and evidence is always available for audit purposes.

Provincial Treasury will monitor the implementation of the Framework by all Municipalities within their respective spheres.

It will be appreciated if the content of this Circular could be distributed to the relevant role-players in your Municipality and implemented as a matter of urgency.

Regards



MR JB MBATHA
ACTING HEAD OF DEPARTMENT
DATE: 24/11/2011