MUNICIPAL FINANCE MANAGEMENT ACT
ACT 56 OF 2003

DELEGATION FRAMEWORK FOR FM

Presenter: TV PILLAY | 3 FEBRUARY 2011
The Different Categories & Governance System in Municipalities

• Three (3) main categories of Municipalities - Metro, Local & District and all have a Municipal Council (MC)

• Municipal Council - Governance System differ with a Collective Executive, a Mayoral Executive or a Plenary Executive System (MSrA section 7)

• Mayoral Executive System – relates to Executive Authority by an Executive Mayor & Executive Leadership, assisted by Mayoral Committee (Mayor – Chairperson) - Metro and large

• The Collective Executive System – relates to Executive Authority by means of Executive Committee – Executive Leadership is collectively vested (Mayor – Chairperson) - Medium

• Plenary Executive System that limits the exercise of Executive Authority to the Municipal Council (The Speaker) - Small
Authority to Delegate – Powers, Functions, Duties & Responsibilities

• The MC must develop a System of Delegation
  – Within the legal framework (MSrA, MSA, MFMA)

• The MC may delegate its powers to –
  – The Executive Committee if there is an EC
  – Executive Mayor if there is a Mayoral Committee
  – The Accounting Officer/MM and or any of its other Officials

• The MC’s delegation of powers, functions and duties are undertaken through certain procedures

• Line of Authority - System of Delegation
  - MC to the Executive Committee (Executive Committee)
  - MC to the Executive Mayor (Mayoral Committee)
  - MC to the Accounting Officer
  - Accounting Officer to Senior Management
  - Senior Manager/CFO to Managers (Sub-delegation)
# The Financial Governance Framework

<table>
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<th>Role</th>
<th>Responsible for</th>
<th>Oversight over</th>
<th>Accountable to</th>
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<tbody>
<tr>
<td>Council</td>
<td>Approving policy and budget</td>
<td>Mayor</td>
<td>Community</td>
</tr>
<tr>
<td>Mayor</td>
<td>Policy, budgets, outcomes, management of/oversight over municipal manager</td>
<td>Municipal Manager</td>
<td>Council Public</td>
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<tr>
<td>Municipal Manager</td>
<td>Output and Implementation</td>
<td>Administration</td>
<td>Mayor, Council, Public</td>
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<tr>
<td>Chief Financial Officer</td>
<td>Outputs</td>
<td>Financial Management</td>
<td>Municipal Manager</td>
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NT and PT - Requirements, Duty & Responsibilities

• Guide, plan, review, support, monitor, implement and coordinate framework with all municipalities and municipal entities in the compilation of the System of Delegation (S.O.D.)

• Provide assistance to all municipalities on the S.O.Ds to achieve compliance with Section 59 (Mayor), Section 79 (Officials), Section 106 (Entities) of the MFMA and Section 59 of MSA

• Undertake detailed reviews on the S.O.Ds from all municipalities, entities including compiling and submitting Review Reports to MMs & Municipal Council - process underway

• NT will lead the process on FM delegations to ensure national wide consistency and legal validity. PTs will furnish quarterly updates on progress to NT, who will consolidate and advise DPSA (Outcome 12)
  - Selected set of municipalities already reviewed and initial feedback provided to MMs
  - Role of the PTs finalised and confirmed at MFMA quarterly meetings
  - NT will issue a schedule for PTs to undertake reviews on S.O.D

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Research Methodology - System of Delegations

Research Methodology

• Study & Review the MFMA System of Delegations (SoD) to determine whether the right norms, standards, requirements are in place and consistent with the legislative framework (Nat, Prov, Local)

• Determine whether reasonable Standards in Implementation will be achieved & the SoD will be Functional in all Municipalities

• Determine whether the SoD will ensure Accountability by Senior Management for the work output in the MFMA

• Design and issue a Principle Guide to ensure uniform approach, provide support, assistance and guidance to all Municipalities
Main Features

• Provides insight & knowledge on the legal framework for the S.O.Ds

• Provides an understanding of the requirements for the S.O.Ds in terms of the MFMA

• Places emphasis on the requirements for Accountability, Effectiveness & Efficiency on the functionality of the S.O.Ds

• Provides prescribed lines of authority, clarifies roles & responsibilities of the political & administrative arms of the municipality

• Outlines the principles that give effect to the delegations

• Provides guidance to the MM & all other role-players in the municipality on implementing the delegations
Update on progress

- NT completed first reviews of selected municipalities and provided feedback to MMs

- Process underway to receive and review Provincial Treasury delegations on MFMA
  - SoD framework including delegations from MEC for Finance to HOD of the PT, HOD of the PT to Administrative Head or MFMA units

- The PTs are in the process to review the SoDs from municipalities and entities

- The draft Principle Guide and supporting templates were circulated to PTs for comment
Criteria for assessments - System of Delegations

• Criteria 1: Annual review and adoption by Municipal Council
• Criteria 2: MFMA Sub Delegations - (MC to Mayor, MC/Mayor to MM, MM to CFO and other section 57 managers, CFO to other managers)
• Criteria 3: Authorisation and signatories on MFMA delegations
• Criteria 4: General limitations on MFMA delegations
• Criteria 5: Comprehensiveness of the MFMA delegations
# Common findings from initial reviews

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<th>Example 1</th>
<th>Criterion 1</th>
<th>Criterion 2</th>
<th>Criterion 3</th>
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| Example 1 | •Reviewed 09/10 version  
•No adoption by MC for implementation & functionality | No lines of authority to sub-delegation of powers, functions - SM to Managers | The issue of SoD - AO to SM includes Managers – No proper Authorisation & Signatories | Limitations included. Greater improvement. Required. | Good standards achieved in the compilation of the SoD. Improvement required |
| Example 2 | Require annual review & adoption by the MC to achieve reliability | MC issued delegations directly to Managers. No lines of authority | The issue of the SoD not sanctioned by Authorisation & Signatories between AO to SM | Delegations issued without limitations, greater improve required. | Limited priority afforded to MFMA & Regulations. Improvement required. |
| Example 3 | Reviewed old (07) version of the SoD. No adoption by MC for implementations & functionality | No lines of authority to sub-delegation of powers, functions - SM to Managers | The issue of the SoD not sanctioned by Authorisation & Signatories between AO and SM | Delegations issued without limitations, greater improvement required. | The SoD incomplete. Greater Improvement Required. e.g. SCM |
Key Arrears for consideration

- Municipalities are required to compile the SoD in a cascading manner, namely:
  - The Delegations from the Municipal Council to the Mayor
  - The Delegations from the Municipal Council to the Accounting Officer
  - The Delegations from the Accounting Officer to the CFO & Senior Managers
  - The Sub-Delegations from CFO to the Managers in the BTO & Divisions within Munic.

- The SoD should pass the following test:
  - Ability to measure **Ideal and Desired** results and performance on work outputs
  - Must be **Specific** and **Unambiguous** to the duty being delegated
  - Must uphold the principles of **Accountability, Effectiveness and Efficiency**
  - Must **be reviewed** by, municipal legal division or internal audit unit, for validity and completeness, **periodically**
  - Must be supported by an **appropriate structure** for implementation
Way Forward

- Undertake reviews of all FM delegations in provinces, municipalities and entities
- Finalise the Principles Guide on System of Delegations
- Prepare and consult detailed sample delegations for use in municipalities and entities
- Conclude engagements with Sector Departments and Municipalities
- Consult municipalities at regional CFO Forums with the support of PTs
- Issue the finalised frameworks with supporting material
- Monitor implementation