

GSP II Reflection Learning Sharing

Compliance Support

Standard Operating Procedures (SOP) & Strategy on Expenditure Management & Training

Introduction

This closeout report reflects on the development and roll-out of the Expenditure Management Standard Operating Procedures (SOPs) and Expenditure Management Strategy developed for the partner District municipalities Chris Hani- and Ehlanzeni District Municipalities as well as Local municipalities City of Mbombela, Steve Tshwete, Inxuba Yethemba, Raymond Mhlaba and Thaba Chweu during the project duration from April 2021 to September 2021. The report further articulates next steps to roll out the products developed in a sustainable and effective manner.

Diagnostic Analysis

GIZ under GSP II considered the serious expenditure management challenges at local government level and proceeded to appoint a service provider to 1) to engage and mentor senior finance municipal officials on SOP development and review; 2) to engage and mentor senior finance municipal officials on Strategy development and review; 3) capacitate officials on how to ensure compliance to Expenditure management legislation; & 4) to coach senior official on how to address UIFWE.

Project Description

The objectives of this project are the development of Standard Operating Procedures (SOPs) and Strategies on Expenditure Management and training for 8 GIZ partner municipalities (7 as Amathole DM declined to participate), Chris Hani- and Ehlanzeni District Municipalities as well as Local municipalities City of Mbombela, Steve Tshwete, Inxuba Yethemba, Raymond Mhlaba and Thaba Chweu in the Eastern Cape and Mpumalanga.

Overview of Project

The project duration was from April 2021 to September 2021 and was conducted through the completion of six phases:



Project

The project deliverables' were agreed upon in the inception report, however the delivery dates were extended after consultation and approval by the PSC.

Outcomes

Three 1-day workshops facilitated for all officials involved in the expenditure management cycle. The training sessions were facilitated virtually and was generally well attended, and well received and met the workshop objectives.

Participation

The participants could elect to attend any of the three days and day two and three was very well attended with day one not attracting participants.

SCOPE OF WORK	DELIVERABLES	REMARKS
Inception report	Inception report including scope of work & project plan approved 26 February 2021	Completed
Phase 1: Review & Analysis	Review & analyse Expenditure Management using the toolkit developed & design recommendations	Completed
Phase 2: Differentiate between Local & District Municipalities with specific focus on the Expenditure Management & compile a draft Expenditure Management Strategy & SOP(s)	Draft 'Best Practice' Expenditure Management Strategy & draft Expenditure Management SOP(s)	Completed
Phase 3: Schedule, arrange & conduct work-sessions with reference groups. Compile a report on the work-sessions conducted & create a matrix of inputs received	Work-sessions reports Schedule of reference groups. Matrix of inputs received	Completed
Phase 4: Augmentation draft documentation & finalise all strategies, SOP(s) & training material	Engagement report Engagement material Matrix of inputs received Evaluation report of training outcomes	Completed
Phase 6: Final closeout report & handover. Final Expenditure Management Strategy & Expenditure Management SOP(s)	Final Draft Expenditure Management Strategy Final Draft Expenditure Management SOP(s) Final Skills transfer material	Completed

Knowledge Products

The following products were developed for each municipality. A draft SOP on expenditure management which was populated after engaging the partner municipality during a visit and follow-up virtual sessions. A final SOP on expenditure management on which each partner municipality was trained to allow them to maintain it. An expenditure management strategy for each partner municipality, generic in nature, to allow each partner municipality to customise and maintain it after the training attended. Learning material and recordings of the training sessions were provided to GIZ.

Duration

Start: 14rd April 2021

Completion: 30th September 2021

Location

Mpumalanga and Eastern Cape

Challenges and Recommendations

Coordination of training sessions:

To scale the Expenditure Management programme and enhance its consolidated impact, the programme should be showcased as an imperative initiative that is sponsored and endorsed by National Treasury and implemented and managed by Provincial Treasuries. Municipal managers should be held responsible for ensuring that officials involved in expenditure management are appropriately trained in order for the municipality to achieve its objectives. Municipal managers (Accounting Officers) should also be held liable for non-compliance with legislative requirements and consequence should be instigated on a higher level to curb the continued non-compliance with these laws and regulations.

Lack of implementation of an effective and efficient budget:

Municipalities in an adverse financial position are responsible for the initiation of their own financial reform and assistance by other departments will only occur when initiated by the municipality in the form of a financial plan. Our assessment indicated that several financial challenges are not proactively nor adequately addressed by the municipality causing even more cumulative damage over an extended period of time. Any Municipality in an adverse financial position should actively be seeking solutions for their problems and engage with the MEC for Finance-, MEC for Local Government in the province. Interventions by the National/Provincial Treasury are assessed for approval based on a municipality's specific financial problems. It is recommended however, that National and/or Provincial Treasury intervene in this regard to ensure that severe financial problems are not masked by unrealistic budget cuts, but that the budget approved by council is realistic and is funded in terms of the requirements of the MFMA. This will inherently require a turn-around plan which is developed and implemented in line with the municipality's strategic objectives.

Prevention of Unauthorised, Irregular, fruitless and Wasteful expenditure and other losses:

The municipality's approach to prevent Unauthorised, Irregular, Fruitless and Wasteful expenditure (UIFWe) and other losses should be defined through an appropriately developed policy. The UIFWe policy should address the responsibility of each official, the reporting requirements and consequences for any non-

compliance. This policy should be implemented and enforced by the delegated officials and should be monitored by council. Any official found to be acting in contravention of the policy applied, should be held accountable by council or any oversight authority and funds should be recovered from any person responsible should any be identified after investigation.

- **Improvement in distribution losses is not prioritised sufficiently by municipalities:**

All the factors contributing to distribution losses should be investigated by the municipality. These factors should be assessed to quantify the impact of each factor and develop an approach to improve the efficiency in those areas. The results and action plan should be reported to council and the provincial/national authorities. Council should consider the proposal and approve implementation of the plan, should it be sufficient in addressing the specific problems. Development and implementation of a policy should also be strongly considered.

- **Instability in leadership and the lack of strong leaders:**

Municipalities should fill vacancies in senior management positions with suitably skilled officials, preferably on a permanent basis. Senior officials must be in place to ensure that operations are executed in an effective and efficient manner and importantly, it creates an environment where responsibility can be attributed to an individual. As soon as this sense of responsibility is established at senior level, it will have a knock-on effect throughout the value chain and the effective implementation of the Standard Operating Procedures developed (for instance), will become a priority.

Recommendations for scaling

We recommend that National Treasury endorse the capacity development programme and works closely with the Mpumalanga and Eastern Cape Provincial Treasuries to monitor the institutionalisation phase of the project, which was limited to the seven (7) GSP-partner municipalities. The seven municipalities could be assessed via impact and maturity assessments to monitor and evaluate. After assessing the impact of the programme, considering lessons learnt and addressing recommendations, we recommend that National Treasury rolls out the training and products in all spheres of government by employing the various implementing agents.

Conclusion

The Capacity Development Programme has been delivered successfully and met all the objectives determined at the commencement of the project. We draw attention to the challenges and associated recommendations, which if addressed, will result in a sustainable capacity development programme. After assessing the impact of the programme, considering lessons learnt and addressing recommendations, we recommend that National Treasury rolls out the training and products in all spheres of government by employing the various implementing agents.

The Governance Support Programme (GSP II) is a Technical Cooperation programme co-steered at national level in a partnership between the Department of Cooperative Governance (DCoG), the National Treasury (NT), the Department of Public Service and Administration (DPSA), the Department of Planning, Monitoring and Evaluation (DPME), and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the latter responsible for the implementation of the German development contributions on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The programme was co-financed by the United States Agency for International Development (USAID) and the Department for International Development of the United Kingdom (DFID).

The GSP II provided technical, policy and process advice to support the South African public sector. The programme strengthened capacity for local government planning, financial management and oversight and was executed in the Provinces of Mpumalanga and Eastern Cape.

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