REPORT TO THE STRATEGIC MANAGEMENT COMMMITTEE

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Report Number: 2	Designation: Manager: Organizational Compliance, Performance & Knowledge Management (Acting)

OUT COMMITTEE

FOR NOTING

1st Level: SMC: 27 MAY 2019
2nd Level: PORTFOLIO COMMITTEES: N/A
3rd Level: AUDIT COMMITTEE: N/A
4th Level: EXCO: N/A
5th Level: COUNCIL: N/A

REPORT ON THE REVIEW OF THE STANDARD OPERATING PROCEDURES FOR THE COMPILATION AND STORAGE OF PERFORMANCE INFORMATION (PORTFOLIOS OF EVIDENCE) ON THE SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN & OPERATIONAL PLAN BY STRATEGIC BUSINESS UNITS 2018/2019 FY – RESUBMISSION TO SMC – ROLE OF INTERNAL AUDIT NOW INCLUDED

DATE: 18 APRIL 2019

1. PURPOSE

1.1. The purpose of this report is to present to the Strategic Management Committee (SMC) the report on the review of the Standard Operating Procedures for the compilation and storage of Performance Information (Portfolios of Evidence) on the Service Delivery & Budget Implementation Plan (SDBIP) & Operation Plan (OP) by Strategic Business Units as previously submitted; with the role of Internal Audit now included.
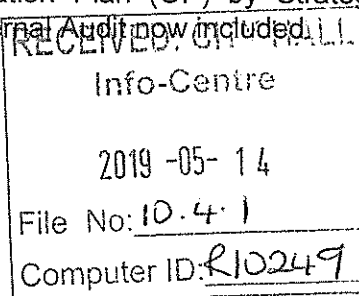
2. DELEGATIONS

2.1. N/A

3. ANNEXURES

3.1. ANNEXURE 1: **REVIEWED STANDARD OPERATING PROCEDURES FOR THE COMPILATION AND STORAGE OF PERFORMANCE INFORMATION (PORTFOLIOS OF EVIDENCE) ON THE SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN & OPERATION PLAN BY STRATEGIC BUSINESS UNITS**

4. LEGISLATIVE PROVISIONS

N/A

5. BACKGROUND

5.1. The Service Delivery & Budget Implementation Plan (SDBIP) and Operational Plan (OP) Monthly & Quarterly reporting templates are the tools currently being utilized by Msunduzi Municipality to determine service delivery targets and administrative targets progress as part of the In-Year Performance Monitoring Processes. On each of the respective reporting templates, each target has its own reference number and column for recording the portfolio of evidence at the level of which the target was partially met, met and/or exceeded.

5.2. Currently at Msunduzi Municipality there is no information management system to record & store performance information. The municipality therefore has to rely on paper based mechanisms in order to track progress, record the compilation of performance information and thereafter storage.

5.3. One of the problems with this is that the information recorded on the reporting templates is not always congruent with what is submitted as part of the Portfolio of Evidence (POE) and vice versa.

5.4. Both Internal Audit and the Auditor General have indicated the necessity to develop a Standard Operating Procedure for the compilation and storage of performance information on the SDBIP & OP by strategic business units.

6. MOTIVATION / DISCUSSION

6.1. A Standard Operating Procedure for the Development of Portfolios of Evidence was developed and approved in the 2014/2015 FY.

6.2. The SOP was outdated in that it still made reference to Process Managers and Deputy Municipal Managers etc.

6.3. A review was therefore necessary to ensure alignment with the current approved organizational structure being implemented.

6.4. A report on the reviewed Standard Operating Procedure for the Compilation of Portfolios of Evidence and the SOP was submitted to the meeting of the SMC on the 6th of May 2019.

6.5. SMC resolved as follows: "that the role of the Internal Audit Business Unit be clarified in the process".

7. COMMENTS FROM THE RELEVANT DEPARTMENT OR COMPONENT OF   THE MUNICIPALITY – MANAGER: OFFICE OF THE MUNICIPAL MANAGER

7.1. In order to attend to the request of the SMC for the role of internal audit to be clarified in the process; a request was made to Internal Audit to provide a concise narrative of their role in the audit process.

7.2. A response was received from the Internal Audit unit and has been added to the SOP on the POE development as Step 7. Please refer to Annexure 1, pages 15 & 16 for the role of IA in the Audit process.

8. IMPLICATIONS

8.1. **FINANCIAL – N/A**
8.2. **LEGAL – N/A**

8.3. **COMMUNICATION** – N/A
8.4. **COMMUNITY** – N/A
8.5. **SERVICE DELIVERY** – N/A

9.   RECOMMENDATION

   IT IS RECOMMENDED THAT:

9.1. The Strategic Management Committee notes the report on the review of Standard Operating Procedures for the compilation and storage of Performance Information (Portfolios of Evidence) on the Service Delivery & Budget Implementation Plan (SDBIP) & Operation Plan (OP) by Strategic Business Units as previously submitted, but now with the inclusion of the role of Internal Audit.

9.2. The Strategic Management Committee resolves that Deputy Municipal Managers (GMs) implement the usage of the reviewed Standard Operating Procedures for the compilation and storage of Performance Information (Portfolios of Evidence) on the Service Delivery & Budget Implementation Plan (SDBIP) & Operation Plan (OP) by Strategic Business Units Immediately.

10.   SUBMITTED BY:

Report Generator Mr. Indrasen Chetty Contact No. Ext. 033 392 2839 Manager: Organizational Compliance, Performance & Knowledge Management (Acting)	**Senior Manager: Office of the City Manager** 14/05/19 Ms. Madeleine Jackson *Supported / Not Supported* Contact No. Ext 033 392 2660

City Manager (A)
Mrs. Nelisiwe Ngcobo   14/05/19
Approved / not approved for inclusion in Agenda
Contact No. Ext. 2002
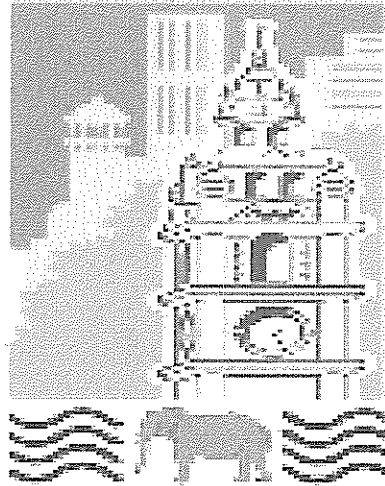
PIETERMARITZBURG
MSUNDUZI

MSUNDUZI MUNICIPALITY

2019/2020 FINANCIAL YEAR

STANDARD OPERATING PROCEDURES FOR THE COMPILATION AND STORAGE OF
PERFORMANCE INFORMATION (PORTFOLIOS OF EVIDENCE) ON THE SERVICE DELIVERY &
BUDGET IMPLEMENTATION PLAN & OPERATIONAL PLAN BY STRATEGIC BUSINESS UNITS

Table of Contents

LIST OF ABBREVIATIONS

1	GM	General Manager
2	CM	City Manager
3	OP	Operational Plan
4	SM	Senior Manager
5	POE	Portfolio of Evidence
6	SBU	Strategic Business Unit
7	SDBIP	Service Delivery & Budget Implementation Plan
8	SOP	Standard Operating Procedure

1. INTRODUCTION & BACKGROUND

The Service Delivery & Budget Implementation Plan (SDBIP) and Operational Plan (OP) Monthly & Quarterly reporting templates are the tools currently being utilized by Msunduzi Municipality to determine service delivery targets and administrative targets progress as part of the In-Year Performance Monitoring Processes. On each of the respective reporting templates, each target has its own reference number and column for recording the portfolio of evidence at the level of which the target was partially met, met and/or exceeded.

Currently at Msunduzi Municipality there is no information management system to record & store performance information. The municipality therefore has to rely on paper based mechanisms in order to track progress, record the compilation of performance information and thereafter storage. One of the problems with this is that the information recorded on the reporting templates is not always congruent with what is submitted as part of the Portfolio of Evidence (POE) and vice versa. Both Internal Audit and the Auditor General have indicated the necessity to develop a Standard Operating Procedure for the compilation and storage of performance information on the SDBIP & OP by strategic business units.

This will then assist with the assurance that the respective units compile the Portfolio of Evidence using one standardized method, thereby enhancing the quality of the performance information. It will further assist with the alignment of what is recorded and what is actually submitted. The standard operating procedure must include methods of enhancing the validity of the performance information e.g. that the POE must be dually signed; firstly, by the Incumbent preparing the POE, and secondly by the Supervisor having checked and satisfied themselves with the validity of the information provided.

2. DEFINITION OF STANDARD OPERATING PROCEDURES

By definition, Standard Operating Procedures (SOPs) within the context of Performance Information and Portfolios of Evidence, is a written description of steps for all significant activities relating to the practice of Management of Information. SOPs should accurately reflect good information management practices, be sufficiently practical and be usable in the municipal environment. The good management practices relate to general aspects of performance management functions including data collection, compilation, analysis, storage, data processing, record storage, handling of urgent data requests/needs, management of the devices/ tools/ appliances used to manage the data.

3.   JUSTIFICATION FOR STANDARD OPERATING PROCEDURES

There are several challenges the existing Performance Management System is facing; these include the following among others;

- Poor and incomplete recording of data needed for Performance Management,

- Use of non-standardized Portfolio of Evidence templates by business units, has been happening owing to lack of or failure to use existing Portfolio of Evidence templates (POEs) for setting up portfolios of evidence,

- Lack of guidance on how to determine the source documents for a respective target, and;

- Lack of guidance on how to Develop Portfolios of Evidence (POEs) e.g. that was generated through service delivery implementation.

- For a number of financial years Internal Audit (IA) as well as the Auditor General (AG) have raised queries in respect of Performance Information (Source Documents / Portfolios of Evidence) being inadequate. The development and implementation of Standard Operating Procedures for the development of Portfolios of Evidence if implemented correctly should eliminate further queries.

4. ANTICIPATED BENEFITS OF HAVING GENERIC SOPs FOR PERFORMANCE MANAGEMENT

- Harmonization of performance management procedures to ensure efficiency and effective coordination in the development of Portfolios of Evidence,

- Validity & Credibility of the reported actuals on reporting templates is enhanced by the signing of by the respective incumbent and supervisor,

- Ensures better alignment between reported actuals and source documents (POE),

- Auditing is easier as a standardized POE template will be implemented for all user departments, and;

- Effective accountability will be displayed during performance assessments as incumbents and supervisors will both be reliant on the POE during their respective performance assessments.

5. STANDARD OPERATING PROCEDURES (SOP) PER LEVEL

The general standard operating procedures for managing performance information at all levels will include amongst others, the following:

- Data sources must be clearly defined at each level of collection to allow traceability of performance by the Strategic Business Unit head (GM) / Manager reporting directly to the CM,

- Data verification and validation must be done at a source point (between supervisors and incumbents), and;

- At each level of data flow, there must be data sign-off to indicate that responsible managers agree with the reported data and that the report reflects true activities in their area of responsibility.

6. PERFORMANCE MANAGEMENT & PORTFOLIO OF EVIDENCE CRITERIA

Each Strategic Business Unit (SBU) must make sure that its records meet the following criteria:

- **Authenticity** - are created, stored and are able to prove beyond doubt that the record is 'what it claims to be' and identifies the individual who created it, by maintaining a record of its management through time,

- **Accuracy** - have to accurately reflect the transactions/event they document,

- **Accessibility** - must be readily available as and when required,

- **Complete** - must be adequate in content, context and structure to recreate the pertinent activities and transactions/events they document,

- **Comprehensive** - must document the entire range of the SBUs business,

- **Compliant** - must act in accordance with any record keeping requirements from legislation, audit rules and other applicable regulations,

- **Effective** - should be maintained for the specific purposes for which it was gathered, and the information contained must meet those purposes, and;

- **Secure** - have got to be securely stored and maintained preventing unauthorized access, modification, damage or removal. They have to be stored in an administered, secure environment, the degree of security relevant to the sensitivity and significance of the content.

7. PORTFOLIO OF EVIDENCE DEVELOPMENT CYCLE

HIGH LEVEL SUMMARY

The process being outlined hereunder is at the Strategic level of the Municipality whereby it will determine how General Managers (GMs) and Senior Managers (SMs)reporting directly to the City Manager (CM) should prepare and validate the portfolios of evidence for their respective Strategic Business Units (SBUs) and Sub Units.

Each GM and Senior Manager reporting directly to the City Manager must develop their own reporting mechanisms which are relevant to their Strategic Business Units (SBUs) and Sub Units, and having done so create a platform for the accurate development and submission of portfolios of evidence.

General Managers / Senior Managers reporting directly to the City Manager are responsible for the confirmation of the POE's prior to submission; therefore, the responsibility of the submission of POE's rests with GMs / Senior Managers reporting directly to the Municipal Manager. Internal Audit when requesting the POEs must set deadlines for the submission. Non-compliance must be reported to the CM.

GMs / Senior Managers reporting directly to the City Manager are to use the template developed by the Office of the CM for creating POE's in a standardized format. The Senior Managers / Managers will be the central figures in preparing the POE and having satisfied themselves with the contents of the POE files in respect of source documents, will then sign off. The GM / Senior Managers reporting directly to the City Manager will then thoroughly check the signed off POE files and having also satisfied themselves with the contents thereof, also sign off on the POE prior to submission.

Quarterly reports must be cross-referenced to the portfolio of evidence file to ensure that the reported performance is adequately supported. GMs / Senior Managers reporting directly to the City Manager should verify if all portfolios of evidence have been submitted and placed on file.

STEP 1:

Managers and staff below the level of Senior Manager (SM) will collate, verify and forward information to the respective Senior Manager/ Senior Manager reporting directly to the CM on either a Monthly, Quarterly and Annual basis in respect of the Service Delivery & Budget Implementation Plan (SDBIP) and/or the Operational Plan (OP).

STEP 2:

The SM / Manager will then use the information submitted to him/her to complete either the SDBIP or OP. The SM / Manager will firstly ensure that when completing the SDBIP or OP, that the information being recorded in the Progress Column of the SDBIP/OP as per **template illustrated below (highlighted in yellow)** is aligned to the Projected Target (Monthly/quarterly/Annual). The SM / Manager having completed the Progress column and ensuring the alignment will then record the actual being either 1,2,3,4 or 5 depending on the actual progress being made. The template having been pre-populated will automatically issue a colour on the basis of the input.

SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN / OPERATIONAL PLAN MONTHLY, QUARTERLY / ANNUAL REPORTING TEMPLATE

						PERFORMANCE REPORTING - QUARTER - MONTH ENDING _____						
							QUARTER 3 - MONTH ENDING _____					
IND EX	SDBIP REFER ENCE	PROGRA MME	PROJ ECT	MEASU RABLE OBJECTI VE	ANN UAL TAR GET / OUT PUT	PERFOR MANCE MEASUR E	QUAR TER 3 TARG ET	MONT HLY PROJEC TION - FEBRU ARY 2015	MONT HLY PROG RESS - FEBRU ARY 2015 ACTU AL	ACTUA L (1,2,3, 4,5, Not Applic able)	REASO N FOR DEVIA TION	CORRE CTIVE MEASU RE	TIMEFR AME TO IMPLE MENT CORRE CTIVE MEASU RES	SOURC E DOCU MENT
IDP REFER ENCE													

STEP 3:

The SM / Manager will then complete the Source Document column of the SDBIP/OP using the information submitted to him by Managers/Members of staff within his/her sub-unit. The SM / Manager will be required to ensure alignment between the Progress Column and the Source Document column of the SDBIP/OP as per **template illustrated below (highlighted in yellow)**. E.g. If the Progress column refers to a report being submitted to SMC, the Source Document column must indicate the name of the report, the agenda of the committee the report is being tabled at, and the resolution of the committee.

SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN / OPERATIONAL PLAN MONTHLY, QUARTERLY / ANNUAL REPORTING TEMPLATE

INDEX	IDP REFERENCE	SDBIP REFERENCE	PROGRAMME	PROJECT	MEASURABLE OBJECTIVE	ANNUAL TARGET / OUTPUT	PERFORMANCE MEASURE	PERFORMANCE REPORTING - QUARTER 3 - MONTH ENDING _____						
								QUARTER 3 - MONTH ENDING _____						
								QUARTER 3 TARGET	MONTHLY PROJECTION - FEBRUARY 2015	MONTHLY PROGRESS - FEBRUARY 2015 ACTUAL	ACTUAL (1,2,3, 4,5, Not Applicable)	REASON FOR DEVIATION	CORRECTIVE MEASURE	TIMEFRAME TO IMPLEMENT CORRECTIVE MEASURES	SOURCE DOCUMENT

STEP 4:

The SM / Manager having completed the SDBIP/OP reporting template either on a Monthly/Quarterly/Annual basis will then be required to prepare the Portfolio of Evidence (POE) for the respective period of the Financial Year. The SM / Manager will firstly have to ensure usage of the standardized POE template for all Business Units as developed and implemented by the Office of the CM (Organizational Compliance, Performance & Knowledge Management Unit) as per illustration below.

TEMPLATE FOR THE COMPILATION OF THE PORTFOLIO OF EVIDENCE FOR REPORTING PURPOSES

CITY OF CHOICE — RESPECT — PIETERMARITZBURG MSUNDUZI

TEMPLATE FOR THE COMPILATION OF THE PORTFOLIO OF EVIDENCE FOR REPORTING PURPOSES

STRATEGIC BUSINESS UNIT:

SUB UNIT:

QUARTER UNDER REVIEW:

NUMBER	SDBIP / OP 2019 / 2020 REFERENCE NUMBER	PROGRAMME	PROJECT	ANNUAL TARGET / OUTPUT	QUARTERLY TARGET	ACTUAL	SOURCE DOCUMENT	SIGN OFF BY INCUMBENT PREPARING THE POE	SIGN OFF BY SUPERVISOR CONFIRMING VALIDITY OF POE

STEP 5:

The SM / Manager will then complete the standardized Portfolio of Evidence template as per below;

1. Insert the Strategic Business Unit name to which his/her sub-unit belongs
2. Insert the Sub Unit name to which he/she is the SM/Manager
3. Insert the Quarter under review being either Quarter 1, 2, 3 or 4 of a financial year
4. The SM / Manager will then complete the POE template as per captions inserted on POE template highlighted in yellow as per illustration below.

TEMPLATE FOR THE COMPILATION OF THE PORTFOLIO OF EVIDENCE FOR REPORTING PURPOSES

CITY OF CHOICE — PIETERMARITZBURG M S U N D U Z I

STRATEGIC BUSINESS UNIT:									
SUB UNIT:									
QUARTER UNDER REVIEW:									
NUMBER	SDBIP / OP 2019 / 2020 REFERENCE NUMBER	PROGRAMME	PROJECT	ANNUAL TARGET / OUTPUT	QUARTERLY TARGET	ACTUAL	SOURCE DOCUMENT	SIGN OFF BY INCUMBENT PREPARING THE POE	SIGN OFF BY SUPERVISOR CONFIRMING VALIDITY OF POE
Depending on the number of KPIs the unit has on the SDBIP/OP	Insert as per the SDBIP/OP REPORTING TEMPLATE	Insert as per the SDBIP/OP REPORTING TEMPLATE	Insert as per the SDBIP/OP REPORTING TEMPLATE	Insert as per the SDBIP/OP REPORTING TEMPLATE	Insert as per the SDBIP/OP REPORTING TEMPLATE	Insert as per the SDBIP/OP REPORTING TEMPLATE	Insert as per the SDBIP/OP REPORTING TEMPLATE	The SM / Manager having copied the data across from the SDBIP/OP reporting template, will then ensure the POE file contains the relevant documents as recorded on the source document column. The SM / Manager will then sign against each line on the POE template indicating correctness of information	

The GM / Senior Managers reporting directly to the City Manager; will then prior to signing off on the POE, exercise the following checks and balances;

1. Confirm that the data on the Monthly/Quarterly/Annual SDBIP or OP reporting templates is aligned across all reporting columns, hence the reported Progress is aligned to the Projected Target as well as the reported Progress is aligned to the Source documents recorded on the template.

2. Having done that the GM / Senior Managers reporting directly to the City Manager will then confirm that the data on the Monthly/Quarterly/Annual SDBIP or OP reporting templates is aligned to the template for the compilation of the POEs for reporting purposes.

3. Having completed the above, the GM / Senior Managers reporting directly to the City Manager will then be required to go through the POE File prepared by the SM/Manager. The GM / Senior Managers reporting directly to the City Manager must ensure that what is recorded as the POE on the POE template is the same as what is in the POE file. They will then ensure accuracy, reliability validity and completeness of the POE.

4. In the event the GM / Senior Managers reporting directly to the City Manager may or may not agree with the POE file, and at that instance, she / he can then request further documentation to be included in the POE file by the SM / Manager. The SDBIP/OP reporting template as well as the POE templates must also be updated where amendments are effected. Please see captions inserted on POE template highlighted in yellow as per illustration below.

TEMPLATE FOR THE COMPILATION OF THE PORTFOLIO OF EVIDENCE FOR REPORTING PURPOSES

CITY OF CHOICE
PIETERMARITZBURG
M S U N D U Z I

STRATEGIC BUSINESS UNIT:									
SUB UNIT:									
QUARTER UNDER REVIEW:									
NUMBER	SDBIP / OP 2019 / 2020 REFERENCE NUMBER	PROGRAMME	PROJECT	ANNUAL TARGET / OUTPUT	QUARTERLY TARGET	ACTUAL	SOURCE DOCUMENT	SIGN OFF BY INCUMBENT PREPARING THE POE	SIGN OFF BY SUPERVISOR CONFIRMING VALIDITY OF POE
Completed by SM / Manager	Completed by SM / Manager	Completed by SM / Manager	Completed by SM / Manager	Completed by SM / Manager	Completed by SM / Manager	Completed by SM / Manager	Completed by SM / Manager	Signed off by SM / Manager	GM / Senior Managers reporting directly to the City Manager will sign off only once Step 6 (1-4) has been completed

STEP 7:

On a Quarterly basis once the SDBIP & OP has been interrogated at the Operational Management Committee; the OC, P & KM unit will consolidate all amendments from the meeting and submit the Quarterly SDBIP & OP to Internal Audit for Audit purposes. The same will apply for the Mid-year and Annual SDBIP & OP reports.

THE ROLE OF INTERNAL AUDIT WILL BE AS FOLLOWS:

In terms of regulation 14(1) (b) and (c) of the Local Government: Municipal Planning and Performance Management Regulations (MPPMR) internal audit must audit:

(b)(i)   The functionality of the municipality's performance management system;

(ii)   Whether the municipality's performance management system complies with the Act; and

(iii)   The extent to which the municipality's performance measurements are reliable in measuring performance of municipalities on indicators referred to in regulation 9 and 10; and

(c)(i)   On a continuous basis audit the performance measurements of the municipality; and

(ii)   Submit quarterly reports on their audits to the municipal manager and the performance audit committee.

Performance information is a system that needs to be assessed on a quarterly basis to enable the municipality to perform more efficiently and effectively as well as ensuring that the Municipality abides with the requirements of the Municipal Systems Act (MSA), Municipal Planning and Performance Management Regulations, 2001 and the Municipal Finance and Management Act (MFMA). It entails the review of the Integrated Development Plan (IDP), Service Delivery Budget and Implementation Plan (SDBIP), Municipal budget, Portfolio of evidence (POE), Performance Agreements and Performance Plans on a quarterly basis.

Performance information review enables one to confirm if the key performance indicators (KPI) in the IDP are aligned to the KPI in the SDBIP. It also assists in monitoring all the achievement of the targets set by the municipality in the IDP and SDBIP, deviations from the budget and monitoring of progress and completion of projects can be identified and rectified timeously through inspection of the progress in the POE. Assessing the POE also allows one to establish if the appointed managers are meeting the targets set and agreed upon.

The objectives of conducting audits on performance information is to ensure that:

1.   Adequate Performance Management System policies and procedures exists and are aligned to current practices;

2. Valid performance agreements exist for the City Manager, General Managers and Senior Managers; and were approved one month before the start of the new financial year;

3. Performance plans are aligned with the SDBIP,

4. Performance Information (POE Files) reported in all Quarters is accurate, valid and complete,

5. Reported performance meets the SMART principle of being, specific, measurable, accurate, relevant & reliable and timely.

6. SDBIP monthly projections have been complied with,

7. Quarterly performance reports are submitted to Council within 30 days after the end of each quarter as required by Section 52 of the MFMA.

8. CONCLUSION

In conclusion, the benefits of implementing the Standard Operating Procedure for the development of Portfolios of Evidence will ensure better audit results for the municipality.

If followed correctly the steps above will ensure that what is reported is a true reflection of activates within Strategic Business units at any given time in a financial year.

Performance management will be strengthened as information provided will be backed up by clear, concise and validated Portfolios of Evidence. This will be evident when conducting Performance Assessments as the scoring criteria for assessments hinges predominantly on the correctness of reported actuals versus the Portfolio of Evidence.