

Principle document for the MFMA financial
management delegations

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Glossary of Terms

“Accountability” means an obligation of an individual to account for its activities and to disclose the results in a transparent manner.

“Authority” means a power that is delegated formally. It includes a right to command a situation, commit resources, give orders and expect them to be obeyed. It is always accompanied by an equal responsibility for one’s actions or a failure to act.

“Delegation” means the assignment of authority and responsibility to another person to carry out specific activities.

“Delegation official” means any person to whom power has been delegated or who has been authorised to perform a duty in terms of a formal delegation. This includes an official who lawfully acts in the capacity of the delegated official.

“Duty” means the responsibility of conduct, function or performance that arises from an express or implied contract or from the fact of holding an office or position.

“Effectiveness” means the degree to which the objectives are achieved and the extent to which targeted problems are resolved. In contrast to efficiency, effectiveness is determined without reference to cost and whereas efficiency means “doing the thing right”, effectiveness means “doing the right thing”

“Efficiency” means a comparison of what is actually produced or performed with what can be achieved with the same consumption of resources.

“Function” means a task oriented block of related efforts organised to produce intended outputs. E.g. financial reports

“Limitation” means a restriction being imposed on the performance of a particular power.

“Manager” means an individual who is in charge of a certain group of tasks or a certain subset of an organisation.

“Power” means an instrument transferring or vesting legal authorisation. The ability conferred on a person by law to determine and alter the rights, duties, liabilities and other legal relations of himself or others.

“Principle Functionary” means any person upon whom a power is conferred or a duty is imposed through an empowering provision in terms of which an administrative action is taken. The principle functionary, in whom the power or duty is vested, remains accountable for the execution of the delegation.

“Responsibility” means a duty or obligation to satisfactorily perform or complete a task, assigned by someone, that one must fulfil and which has a consequent penalty for failure.

1. Background

The President has identified the need to modernise the public service across all three spheres of government. It must be noted that key to this requirement is the need to ensure that service delivery is achieved in an effective and efficient manner, including the desired results and outcomes that must be attained. The system of delegation has a profound effect and places emphasis on the strategic planning, decision making on both the budgetary implications and the plan on implementation in which service delivery is undertaken and managed. In view thereof, it is a requirement that the functionality of the system of delegations, including its procedures and processes, must be results and performance driven and must contribute towards the principles of effectiveness and efficiency with no delays in service delivery.

The drafting of this document has therefore been initiated by the President's concern that there seems to be a correlation between the delegation of authority and service delivery. This concern is driven by the Governance and Administration Cluster through the President's outcome 12 focusing on an 'efficient, effective and developmental orientated public service'. The purpose of this document is therefore to provide principles that will assist municipalities in drafting their systems of delegations.

The term 'delegation' is derived from Latin. It means that when delegating, a person sends work that is delegated to him/her to another person to plan, undertake and achieve the desired results and outcomes. It is important to note that delegating clearly defines the limits and parameters of authority that go with decision making, by providing the required checks and balances. Delegation therefore means the giving of power, responsibility, or work to another person.

The act of delegation involves assigning powers or duties to another person so he or she can act on your behalf. Authority to exercise discretion is delegated to a person so that that person may make decisions, use resources, act or dispose of matters at his or her own particular level without having to refer the matter to higher authority for a decision. It must be noted that when you delegate a particular function, you delegate responsibility and not accountability. The MFMA allows the Accounting Officer of a municipality to delegate either to a specific individual or to the holder of a specific post in the municipality in either a permanent or acting capacity. It is therefore important to note that the person acting in a post is equally accountable as the person who normally occupies the post concerned. Hence, in the implementation and management of the Systems of Delegations in a municipality, the Accounting Officer maintains every level of accountability. Accountability can therefore not be delegated. For example, if 'A' is given a task with sufficient authority and 'A' delegates this task to 'B' and ask him to ensure that the task is performed, responsibility rest with B but accountability still remains with A.

The legislative framework that relates to the requirement for the implementation and management of a System of Delegations in terms of the Municipal Finance Management Act (MFMA) (Act 56 of 2003) and the Municipal Systems Act (MSA)

(Act 32 of 2000) would also influence the management of the Performance Regulations.

The delegation of the financial management responsibilities in terms of the MFMA read with the MSA cascades from the municipal council to the Mayor and further onwards to the Accounting Officer as the head of the administration.

The legislation assumes that the political head of a municipality (Executive Mayor or Mayor) is responsible for policy matters and outcomes which include seeking council approval and adoption of the municipality's budget. The head of the administration (Accounting Officer) is responsible for outputs and implementation and is accountable to the municipal council for the management and implementation of that budget. This approach is consistent with the MFMA read with the MSA which relies on a performance driven system of measureable outputs.

The MFMA and its Regulations prescribe specific responsibilities that the Accounting Officer (AO) must carry out to ensure the effective, efficient, economical and transparent use of a municipality's resources.

Delegations have multiple effects and benefit both the Accounting Officer as well as officials to whom powers or duties are delegated to. Through delegations, the accounting officer's workload is reduced allowing him or her to focus more on strategic issues facing the municipality whilst delegations serve as a powerful staff motivator by raising officials' self-esteem and confidence. It makes officials feel involved in the decision making process where they have an opportunity to articulate their views, thereby making a difference in the workplace. This enhances their skills, which in the long terms is beneficial to both the municipality and the public sector as a whole.

It is also important that delegations reflect the municipality's organisational structure. Sub-delegation on a temporary basis is appropriate in circumstances where the officer normally responsible is officially absent for a period by reason of authorised leave or secondment.

When the draft budget and policies are tabled in the Municipal Council for approval, it is advisable that the system of delegations for the municipality is tabled simultaneously. In this regard we are referring to the system of delegations containing all the delegations for the municipality including the financial management delegations in terms of the MFMA and its regulations.

2. Legal framework for delegations

2.1 Municipal Finance Management Act and Municipal Systems Act (MFMA and MSA)

It is important that our delegations are consistent with the prevailing legal framework. In this regard, section 238 of the Constitution of the Republic of South Africa Act, 1996 provides that an executive organ of state in any sphere of Government may delegate any power or function that is to be performed in terms

of legislation to any other executive organ of state, provided that the delegation is consistent with the legislation in terms of which the power is exercised or the function is performed. The Constitution therefore sets down the qualification that the particular delegation must be consistent with the enabling legislation.

In terms of the MSA, the Municipal Council or the Executive Mayor is required to delegate powers or functions to the accounting officer. It must be noted that any form of written delegations to the accounting officer must not be inconsistent with the powers, functions and responsibilities that is assigned to the Accounting Officer in terms of Chapter 8 of the MFMA. In addition, it is a requirement for the Municipal Council and the Executive Mayor to also be aware of the provisions of section 76 of the MFMA that relates to the duty of the accounting officer to undertake and manage his or her responsibilities in terms of the MFMA without any undue influence.

In terms of section 79 of the MFMA, the Accounting Officer is responsible for ensuring that an appropriate system of delegations is developed that will both maximise administrative and operational efficiency and provide adequate checks and balances in the municipality's financial administration.

In addition to the above, the Chief Financial Officer is also provided with the option to in terms of section 82 of the MFMA sub-delegate all of the duties, functions and responsibilities that are referred to in terms of section 81(1)(b), (d) and (e) of the MFMA. The Chief Financial Officer is allowed to delegate his or her power referred to in the latter section, to an official in the budget and treasury office, to the holder of a specific post in that office or with the concurrence of the accounting officer, to any other official of the municipality or any person contracted by the municipality for the work of the office.

It must be noted that the delegations in respect of section 56 managers, though not explicitly prescribed in the MSA, are nonetheless conferred upon them by implication by virtue of their performance agreements that is required in terms of the Performance Regulations.

In terms of section 59 of the MSA, the responsibility of developing and maintaining a system of delegation is placed in the Municipal Council. The responsibility of the AO to manage and implement the system of delegations is also guided by section 59 of the MSA. It must be noted that this responsibility of the AO remains non-negotiable and should be documented as a key performance area in his/her performance agreement.

All delegations must be reviewed annually to put effect to the relevance and entrench accountability on the delegated responsibility.

In terms of section 60 of the MFMA, the Act has made it non-negotiable and prescriptive, that the Accounting Officer is required to:

- Exercise the functions and powers that is assigned to the Accounting Officer in terms of the MFMA; and

- Provide guidance and advice on compliance with the MFMA to various role players in the municipality.

In view of the aforementioned, the Act thus place complete accountability on the Accounting Officer to ensure that its requirements are given effect to.

3. Accountability

In the implementation and management of the System of Delegation in a municipality, the Accounting Officer maintains every level of accountability. Accountability means giving explanations for any variance in the actual performance from the expectations set. Accountability cannot be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still remain with 'A'. The senior management within municipalities is most accountable. The term Accountability makes reference to being answerable for the end result. Accountability can therefore not be escaped because it arises from responsibility.

This level of accountability is substantiated and best illustrated in section 79 (3) (e) of the MFMA. The MFMA only make provision for delegations to the accounting officer of a municipality. The MFMA goes further to preclude the Accounting Officer from delegating functions and duties to “any member of the political structures” in the municipality.

In light of the aforementioned, the implementation and management of the system of delegation is in fact the process to implement the best practices and the “skill on accountability”. The system of delegations gives authority to an official in the administrative system but with “the essential human, technical and other resources” to plan, fund, implement, and manage the mandate on service delivery in a municipality.

Since accountability is legislatively enforced in the public service, delegation is often not undertaken lightly and usually involves service-delivery considerations. The requirement for an effective and reliable system of delegation is to entrench accountability by firstly providing a clear and vertical division of work output to determine the relationship between the delegator and the delegatee.

4. Responsibility and Authority

Responsibility is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he or she accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should take responsibility for failing to complete the task by the agreed date. Responsibility without adequate authority may lead to discontent and dissatisfaction amongst officials. It is therefore important that delegations flow with the necessary discretion to make decisions. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it.

Authority in context of a business organization can be defined as the power and right of a person to use and allocate the resources efficiently and to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well-defined. All people who have the authority should know what the scope or limitation of their authority is and they should not misuse it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority. Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else does not imply escaping from accountability. Accountability still rest with the person having the utmost authority.

5. Effectiveness and Efficiency

In providing an understanding to the term effectiveness and efficiency, it is essential to give an illustration to its characteristics and meaning.

The term Effectiveness relates to understanding the mandate, determining all the right things that must be executed to achieve the desired results and outcomes of the Mandate.

The term Efficiency relates to an understanding of determining the timeframes, the techniques and the skills to manage the implementation plan that is directly focussed to achieving the outcomes of a specific mandate. The display in the level of efficiency would guide the adjudicators to comment on the grade of competence and diligence that was on display during the execution of the implementation plan. The efficient performance of work necessitates a realistic delegation of authority extending to the lowest possible level in the hierarchy of the municipality. To provide services and accomplish related tasks necessary for it, functionaries need a large degree of delegation, especially where regional and local offices are involved. For this reason, the delegation of authority is closely intertwined with the extent of centralisation or decentralisation of municipal activities.

The effectiveness and efficiency that is achieved in the implementation and management of the system of delegation would also be influenced by the size, complexity and magnitude of the constitutional mandate. In addition, the issue of centralization and/or decentralization would also influence how the system of delegation must maintain the right levels in effectiveness and efficiency within the institution.

To provide services and accomplish related tasks necessary for it, functionaries need a large degree of delegation that is supported with the right levels of human, technical and other resources that would position all levels of management to function but with a focus of concentration on the outcomes of the mandate.

The advantages that accrue from a delegations system that mirrors decentralisation of administrative functions can include amongst others:

- The workload of Council or the Accounting Officer and other managers are reduced, thus maintaining greater focus on strategic issues;
- The promptness, quality, integrity, reliability in decision making improves due to the fact that decision making is closer to the work at hand and time does not have to be allocated for referring the matter to a higher authority;
- Improved initiatives and job satisfaction amongst middle and junior level managers due to the fact that they are part of the effort to manage the executive obligations and play a lead and direct role on service delivery activities of the institution. In addition the clarity and certainty that is prevalent positions Officials of all levels of Management to be in readiness accept greater responsibilities;
- Employees are encouraged to exercise judgement and accept responsibility which enhances their self-confidence and willingness to take initiative; and
- Building institutional memory at various levels of the organisation.

It should be noted that there are several personnel and managerial factors that can inhibit the implementation and management of the system of delegation. This would require clarification to entrench stability. They can include:

- The higher the degree of accountability that the legislation demands from the delegator, the higher the thought to centralise activities and a reluctance to delegate to functionaries lower in the municipal hierarchy;
- The delegator is concerned that insufficient capacity exists at different levels of management to implement and manage the work output that has been delegated; and
- The delegator is concerned that his or her performance evaluation could be seriously and negatively affected when staff in the different levels in management experience seamless difficulties to undertake and manage the work output that has been delegated within the system of delegation.

Senior managers sometimes inherit organisations or parts thereof that were designed by others. It is possible that the design of the organisation itself inhibits effective delegations. This might necessitate a review of the organising function to determine the root cause of the problem. Organisational impediments to delegation can include:

- The system of delegation is not effective if the nature of the powers, duties and/or task, accompanying the authority and reporting requirements are not clearly explained and the responsible functionary is not identified;

- When senior managers fail to delegate a power or duty, there is the expectation that the responsibility for its execution will eventually be delegated in an irregular manner to others. This would create additional staff, reporting, performance evaluation and communication burdens; and
- In the absence of a clear delegation policy or with poorly developed job descriptions, staff members at all levels of the organisational hierarchy may not have a good understanding of what is expected of them.

6. Clarification of roles and responsibilities

The legal framework surrounding delegations in terms of the MFMA has been described above. In essence, the relationship between the delegator and the delegatee is based on the loyalty and trust to the mandate on service delivery. Checks, balances and external authorities will not remedy the situation if both communication and understanding is compromised. To prevent such a scenario from occurring, there must be frequent and effective communication between the delegator and delegatee.

7. Principle and process for delegation under the MFMA

7.1 Principle for delegation

The delegation process is essential to every manager in a municipality. Below are some guidelines that can be used to assist managers to be more effective in delegation:

- **Explain the reasons for delegating.** Delegatees should understand that delegation has advantages for themselves, for the manager and for the municipality;
- **Set clear goals and standards.** Delegatees should participate in the process of formulating goals for the delegated power and should agree with the criteria laid down for measuring their performance. This participation will foster successful delegation;
- **Ensure clarity of authority and responsibility.** Delegatees must understand the powers and duties designated to them, recognise their responsibility and be held accountable for the results;
- **Involve delegatees.** Managers should motivate delegatees by including them in the decision making processes, informing them of their progress and enabling them to improve their knowledge and skills in the delegated powers and duties. An informed delegatee is more likely to accept well designated powers and duties and perform them properly;
- **Provide the necessary direction and assistance.** Request the completion of tasks incidental to exercising the delegated powers and duties. Managers

can see to it that delegates complete the tasks delegated to them according to the agreed standards and goals;

- **Provide performance training.** The effectiveness of delegation depends on the delegatee's ability to perform tasks. Managers should continually evaluate the responsibilities delegated and provide training to help delegatee's overcome shortcomings; and
- **Provide feedback to the delegatee.** Timely and accurate feedback should be provided to delegates on a regular basis. The feedback should include both positive and negative feedback regarding the delegatee's performance. The way forward should then be discussed with the delegatee.

7.2 Delegation process

The delegation process is essential to managers of municipalities to assist them to discharge the function and responsibilities that have been delegated to them as well as for the growth and well-being of employees. Delegation does also not take place automatically; it is initiated by the responsible principal and implemented by the employee to whom the power is delegated.

Furthermore, the internal and external environment is expected to change rapidly in a municipality. In view thereof, it is imperative that the responsible principal and managers review the constantly changing requirements with their employees. In the case of newly appointed employees, a greater amount of time will be required to ensure that they understand their jobs and what will be required of them.

The following steps are recommended by which the delegation process can be carried out. It should be noted that the same process described below will also apply to sub-delegation.

- Decide on the powers and duties to be delegated. Duties of a repetitive nature, or minor chores, can easily be delegated. It is important to delegate more challenging tasks in order to develop employees' skills and to build self-confidence.
- Decide who should perform the powers and duties. The time available, competencies and skills required, and experience of the delegatee should be taken into account.
- Provide sufficient resources for carrying out the powers and duties delegated. These include human, financial, technical and other resources. The issue of adequate resources must be a prerequisite to the delegated functions and responsibilities that is required to be undertaken. Without sufficient resources, employees will not be able to execute the powers and duties that have been delegated to them.
- Delegate the powers and duties. The manager delegating the powers and duties should empower the functionaries who are responsible and provide all

relevant information on the task to be undertaken, including the results and performance that must be achieved.

- Establish a reporting system. This is vital because the outcome of the delegation process is information on the performance of the task. This serves as a measure to evaluate its execution and as input for when delegations are reviewed and others considered.

It must be noted that notwithstanding the delegation being issued, the accountability remains vested with the Manager (delegator). In light of the aforementioned, the Manager should be required to intervene in the event when difficulties arise. It must also be noted that an instance of such an intervention would be the issue of depleting and/or unavailable resources.

In addition, if the delegatee lacks sufficient experience or the appropriate skills, managers should be prepared to assist where necessary and the delegatee should be made aware it is possible to request assistance.

8. The role of the Accounting Officer

The AO is duty bound and is responsible to plan, implement and monitor not only the functionality of the system of delegation within senior management and the municipality, but also to determine whether the correct results and performance is achieved under each matter within the system of delegations. It is also the responsibility and function of the AO to correct any malfunction in the event there are negative trends in the results and performance under each of the matters that are issued within the system of delegations.

It thus remains of essence, that the system of delegations that is managed under the administrative leadership of the AO must by virtue of its design and structure play a lead and direct role to achieve absolute compliance, provide the reliance and stability on accountability and ensure that effectiveness and efficiency are achieved in the required outputs in the MFMA.

In light of this crucial requirement, it must become inevitable that the duty and responsibility for the implementation and management of the system of delegation must be included as a Key Performance Area (KPA) in the performance agreement of the AO. In addition, it must simultaneously also be KPA of each Senior Manager in their performance agreement. This would relate to the results and performance that is achieved in the implementation and management of their relevant delegation by the Accounting Officer within the system of delegation.

9. The credentials and key outcomes of the system of delegation

The evaluation exercise and providing comment on a system of delegation must be guided by the norms and standards that must be achieved in terms of the MFMA. The measurement and/or benchmark of a system of delegation can only be credible if the following aspects form its cornerstones, namely:

- The matters that are delegated to a member of Senior Management are specific and unambiguous to the power or function as contained in the MFMA;
- How the effectiveness and efficiency of the system of delegation that contains the requirements in terms of the MFMA, would ensure that the prescribed time frames, norms and standard that are set for each matter is achieved with certainty;
- That the functionality of the system of delegation that contains the matters in terms of the MFMA is underpinned and supported by the right staff structure (that is designed in relation to the functions that must be undertaken and managed), the provision of the necessary human, technical and other resources during the implementation and management of the system of delegations by members of senior management. In addition, the plan by the AO with the direct support of the Municipal Council to implement initiatives to strengthen the functionality of the system of delegation; and
- The implementation and management plan of the AO to evaluate whether any sub-delegations is consistent to the main matters as contained in the primary delegation to the members of senior management and whether the AO is a signatory with the relevant senior manager to a sub-delegation.

The Municipal Council must ensure that the duty and responsibility of the AO with reference to the implementation and management of the system of delegations as required in terms of section 79 of the MFMA must be included as a Key Performance Area in both the employment contract and performance agreement of the AO. In addition and simultaneous to the aforementioned, the AO must include this as a KPA in the employment contract and performance agreement of members of senior management.

10. The implementation plan and process

The implementation and management must be undertaken by the AO with the support and assistance of the Chief Financial Officer and senior management at the strategic level. In addition, the AO is required to evaluate the outcomes achieved by the senior management with regards to the sub-delegations to managers at the operational level.

The system of delegations at both the strategic level (AO to senior management and the operational level) can only be legal for functionality when the issue and receipt of the delegations is secured and protected by the relevant signatories between the parties to the delegations.

The AO is required to undertake an evaluation and submit a report to the Municipal Council with regards to the effectiveness of the system of delegations to firstly report on the functionality of the system within the municipality and secondly how the system has contributed to improved performance on the outputs required by the MFMA on service delivery. The Municipal Council will be required to undertake quarterly reviews of the performance of the political head of the municipality

(Executive Mayor). The Internal Audit division within the municipality must monitor the implementation and management of the system of delegations within the institution.

11. Conclusion

The purpose for the implementation and management of the system of delegations in municipalities is firstly to achieve and enhance effective and efficient compliance with the MFMA and secondly it is the duty of the AO to lead and direct senior management with regards to the execution and management of the work output that is required in terms of the Act.

It must be stated that the AO is required to manage the budget, financial and other general matters within the ambit of the system of delegations to delegate and hold senior management accountable for its planning, funding, implementation and reporting on all key outcomes and performance. In addition, the compliance that is required in terms of the Act, which relates to the compilation, implementation and management of a system of delegation, must be adopted as a key performance area of the AO. It must be the duty of the political head and the Municipal Council to undertake quarterly performance reviews that includes the system of delegations. The system of delegations in terms of the MFMA must be a crucial aspect in the performance agreement of the AO and senior management in municipalities.