

Developing a Monitoring and Evaluation System in Supply Chain Management at Overstrand Municipality

by

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Declaration

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ABSTRACT

Most municipalities base their performance on the type of audit opinion they receive from the Auditor-General of South Africa. It is even understood that compliance and adherence to legislative and regulatory frameworks indicate good performance. If one especially focusses on supply chain management (SCM) in the South African local government sector, this becomes more evident. Bent (2014:15) argues that public entities, especially municipalities, are remaining at the implementation phase of SCM, focusing on legislative compliance only and not fully exploring the performance phase. Ambe and Badenhorst-Weiss (2012: 249) state that inadequate monitoring and evaluation (M&E) of SCM is identified as a key challenge in local government in South Africa.

Clarity is provided on how important it is for a municipality to indicate its performance to a community and to reveal how its decisions and actions have added value and fulfilled the community's true needs. The indication of value-added decisions and actions will enhance good governance, with specific reference to accountability and transparency.

The objectives of this research entails discussing the importance of M&E, the requirements of an M&E system and how it applies to SCM, reviewing the policy framework for M&E and SCM within the South African local government sector. Also describing Overstrand Municipality's organizational performance management system, supply chain unit setup and current processes for SCM contract management. In the pursuit of a pragmatic system, Kusek and Rist's ten-step proposed system is identified as the most suitable for the purpose of this study. The Local Government Management Improvement Model (LGMIM) indicates how such a system can be coordinated, standardized and integrated between the different spheres of government. The above stated are done through existing literature review and relevant document analysis of Overstrand Municipality. Semi-structured interviews are then conducted by engaging with relevant internal stakeholders at Overstrand Municipality in order to review existing practices, expectations, challenges, and possible solutions to their existing and possible future challenges.

Findings of this study revealed that Overstrand Municipality has a performance management framework, established internal control functions and the distinction of functions and segregation of duties within its SCM unit. Overstrand Municipality's organizational performance management system indicators only illustrate whether output targets have been met or not. The Municipality's supplier performance management system illustrates that the Municipality views performance as "good", "satisfactory" or "under-performed". In terms of the empirical research conducted, it has been indicated that factors for the performance of a municipality, which transcends the limited compliance mindset often adopted, is needed. Respondents emphasized the importance of good governance, well defined KPIs and objectives, a good performance management framework, a performance culture ("buy in") in the Municipality, and the driving out of "*non-value outputs*". Respondents believed that being compliant by adhering to legislation does not automatically indicate an overall indicator of good performance, as it is only a component of it.

These factors are addressed through an effective results-based M&E system. Further recommendations are made which will assist in indicating value added performances.

ABSTRAK

Die meeste munisipaliteite baseer hul prestasie op die tipe ouditmening wat hulle van die Ouditeur-Generaal van Suid-Afrika ontvang. Daar word selfs aanvaar dat die nakoming van en voldoening aan wetgewende en regulatoriese raamwerke goeie prestasie aandui. Indien daar veral op Verkrygingskanaal Bestuur (VKB) in die Suid-Afrikaanse plaaslike owerheidsektor gefokus word, word dit meer opletbaar. Bent (2014: 15) voer aan dat publieke entiteite, veral munisipaliteite, stil staan by die implementeringsfase van VKB, met die fokus op wetgewende nakoming en nie die prestasiefase ten volle verken nie. Volgens Ambe en Badenhorst-Weiss (2012: 249) word onvoldoende monitering en evaluering (M & E) van VKB geïdentifiseer as 'n belangrike uitdaging in plaaslike regering in Suid-Afrika.

Duidelikheid word verskaf oor hoe belangrik dit vir 'n munisipaliteit is om sy prestasie aan 'n gemeenskap aan te dui en te openbaar hoe sy besluite en optrede waarde toegevoeg het en aan die gemeenskap se ware behoeftes voldoen het. Die aanduiding van waardetoevoegingsbesluite en aksies sal goeie bestuur bevorder, met spesifieke verwysing na aanspreeklikheid en deursigtigheid.

Die doelwitte van hierdie navorsing behels die bespreking van die belangrikheid van M & E, die vereistes van 'n M & E-stelsel en hoe dit van toepassing is op VKB, die hersiening van die beleidsraamwerk vir M & E en VKB binne die Suid-Afrikaanse plaaslike owerheidsektor. Vervolgens ook 'n beskrywing van Overstrand Munisipaliteit se organisatoriese prestasiebestuurstelsel, die samestelling van die Verkrygingskanaal eenheid en die huidige prosesse vir VKB-kontrakbestuur. In die nastrewing van 'n pragmatiese stelsel word Kusek en Rist se tien-stap voorgestelde stelsel geïdentifiseer as die mees geskikte vir die doel van hierdie studie. Die Plaaslike Owerheid Bestuur Verbeteringsmodel (LGMIM) dui aan hoe so 'n stelsel gekoördineer, gestandaardiseer en geïntegreer kan word tussen die verskillende regeringsvlakke. Bogenoemde word gedoen aan die hand van 'n oorsig van bestaande literatuur en 'n ontleding van die relevante dokumente van Overstrand Munisipaliteit. Semi-gestruktureerde onderhoude word dan gevoer deur interaksie met die relevante interne belanghebbendes by Munisipaliteit Overstrand ten einde

bestaande praktyke, verwagtinge, uitdagings en moontlike oplossings vir hul bestaande en moontlike toekomstige uitdagings te hersien.

Bevindinge van hierdie studie het geopenbaar dat Overstrand Munisipaliteit 'n prestasiebestuursraamwerk, gevestigde interne beheerfunksies en die onderskeiding van funksies en verdeling van pligte binne sy VKB-eenheid het. Overstrand Munisipaliteit se organisatoriese prestasiebestuurstelsel-aanwysers toon slegs aan of uitset doelwitte bereik is of nie. Die Munisipaliteit se prestasiebestuurstelsel vir verskaffers dui aan dat die Munisipaliteit prestasie as "goed", "bevredigend" of "onder-presteer" beskou. Na gelang van die empiriese navorsing wat gedoen is, is daar aangedui dat faktore vir die prestasie van 'n munisipaliteit, wat die beperking van die blote nakoming ingesteldheid wat dikwels aangeneem word oorskry, benodig word. Respondente beklemtoon die belangrikheid van goeie bestuur, goed gedefinieerde Sleutel Prestasie Aanwysers en doelwitte, 'n goeie prestasiebestuursraamwerk, 'n prestasiekultuur ("koop in") in die Munisipaliteit en die uitskakeling van uitsette wat nie waarde toevoeg nie. Respondente het geglo dat voldoening deur die blote nakoming van wetgewing nie outomaties goeie prestasie aandui nie, dit is slegs 'n komponent daarvan is.

Hierdie faktore word aangespreek deur middel van 'n effektiewe uitslae-gebaseerde M & E-stelsel. Verdere aanbevelings word gemaak wat sal help met die aanduiding van prestasies wat waarde toevoeg.

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1 CHAPTER 1: INTRODUCTION

1.1 Introduction and Rationale to the Study

Service delivery, especially in the local government sphere, has and will remain a crucial aspect in ensuring South Africa's socio-economic growth and development. Most importantly, section 152(1) of the Constitution (Republic of South Africa, 1996), states the objects and mandate of municipalities, which include the following:

- *“providing democratic and accountable government for communities”*
- *“ensuring services being delivered in a sustainable manner”*
- *“promoting social and economic development”*
- *“promoting a safe and healthy environment”*

For the above mentioned objectives to be reached, effective and efficient municipal management has to be manifested in municipalities. Several functions need to operate effectively in municipalities in order for them to fulfill their mandate. Two such key functions are as follows: 1) monitoring and evaluation (M&E), in the local government sphere, commonly referred to as performance management; and 2) supply chain management (SCM).

The author has decided to embark on this study owing to SCM and performance management being heavily emphasized as crucial determinants of effective service delivery in the local government sphere of public service in South Africa. Training and continuous capacity building are needed for effective monitoring and evaluation processes (Dlamini & Migiro, 2016: 385). M&E is interpreted and applied differently in South African municipalities in South Africa. Therefore, performance management (M&E) and SCM in municipalities are functions on their own and can become rather intricate. In addition, they require particular skillsets and knowledge to be effectively executed. Interrelating the two, and thus enhancing good governance, can be considered to be even more challenging in a public service institution. Through this research, the author aims to promote the knowledge gained in a universal context and provide information and education relevant to the internal stakeholders of Overstrand Municipality.

Previous research done by the author revealed that “room for improvement” exists within the SCM Unit at Overstrand Municipality (Oppelt, 2016: 48). In this study, the author will explore how a strategic tool like the M&E system can further aid the municipality in terms of the effectiveness of its SCM. More specifically, the author hopes to assist in establishing a direct, pragmatic, and objective oversight and control tool for SCM, which can be applied continuously. This will promote good governance and allow Overstrand Municipality to make timeously informed strategic decisions. This study further aims to assist the municipality in evaluating and determining whether its decision to appoint external service providers for specific projects or programs has added value to the lives of the intended beneficiaries.

1.2 Research Problem & Objectives

The National Treasury’s Framework for Supply Chain Management was only introduced in 2003 in South Africa, making it a relatively new concept in the public sector (Matolong, 2015:4). Matolong (2015:4) observes that, although training and workshops are being done, there are still huge skills scarcities within this field leading to continuous irregular and fraudulent practices, and thus bad governance. Furthermore, Ndevu and Muller (2017:16) argue that the spate of recent service delivery protests is the result of a lack of public confidence in local government systems. Ambe and Badenhorst-Weiss (2012: 249) identify key challenges in local government, such as inadequate planning, in terms of linking the demand of communities to the budget, and poor monitoring and evaluation of SCM.

Bent (2014:15) notes that public entities, especially municipalities, are remaining at the implementation phase of SCM, focusing on legislative compliance only, and thus not fully exploring the performance phase of SCM. Municipalities only report on being compliant and not on the consequences of their actions or decisions. SCM is a crucial function in any public department, especially at local government level that is the closest to communities. After the latest wave of public unrest in South Africa, which also manifested itself at Overstrand Municipality, it can be safely assumed that there is a state of discord between the municipality and some of its residents. This could be a result of the real needs of communities not being addressed, on the one hand, or communities not fully understanding the rationale or consequences of actions taken by municipalities, on the other. In analysing Overstrand Municipality’s

supplier performance management system, it is established that performance are measured based on indicators such as completion of activities and specified timeframes. The true value being added through municipal interventions programmes and/or programmes aimed at the community (beneficiaries), are not sufficiently depicted, where an M&E system can serve as an informative tool showcasing service delivery addressing the needs of the community. Furthermore, not being able to determine value, normally leads to difficulty determining genuine performance of suppliers. The findings of this study should assist the municipality in addressing these challenges.

1.2.1 Research question

How can an M&E system enhance the governance of SCM at Overstrand Municipality?

1.2.2 Research objectives

The research objectives of this study are as follows:

- To discuss the importance of M&E, the requirements of an M&E system and how it applies to SCM
- To review the policy framework for M&E and SCM within the South African public sector with specific focus on the local government sector
- To describe Overstrand Municipality's organizational performance management system, supply chain unit setup and current processes for SCM contract management
- To engage relevant internal stakeholders for SCM performance at Overstrand Municipality in order to review existing practices, expectations, challenges, and possible solutions to these challenges
- To offer recommendations for improved SCM and M&E at Overstrand Municipality and present a model M&E system with relevant KPIs to track SCM performance

1.3 Research Design

The proposed study is exploratory in purpose and qualitative in nature. Mouton (2001:55) defines a research design "*as the blueprint of how the researcher plans to*

conduct the proposed research". He explains that research design is focused on the end product and on the logic of the research (Mouton, 2001:56). Design classification includes the following elements: 1) empirical and non-empirical; 2) numerical and textual; and 3) high to medium control. In this study, empirical research will be in the form of data collection and findings resulting from individual interviews. Non-empirical data analysis involves a literature review and document analysis. The literature (including legislative and regulatory frameworks) reviewed and utilized in this study, originate from research fields that include M&E and SCM. The document analysis constitutes all the relevant documents that guide the administration of Overstrand Municipality. This includes relevant policies, strategic documents, and annual reports. In this design, medium control will be achieved. This study makes use of qualitative data, which are gathered to better understand institutional elements like M&E systems and SCM.

1.4 Research Methodology

The methodology used for this study is directly in line with its objectives, which are qualitative in nature, and include two research instruments, a literature review, which includes document analysis of Overstrand Municipality, and semi-structured interviews conducted in the Overstrand Municipality. The aim of these is to obtain insights regarding relevant perceptions of management, who, as part of the administrative structure, could be considered the most informed about performance management, SCM, and governance at Overstrand Municipality. This will entail identifying current practices, challenges experienced, expectations from a fully functional results-based M&E system for suppliers, and the recommendations of these relevant internal stakeholders for enhancing governance. The document analysis will determine how M&E can assist in ensuring good governance at the Municipality. All the data will be analysed, interpreted and integrated, according to acceptable research method procedures.

1.5 Outline of Chapters

This research will consist of 6 chapters

Chapter 1

Chapter 1 introduces the research and affords the rationale for the study. The reader will be presented with the research problem and the objectives of the study. Furthermore, the design and methodology utilized in the study will be explained.

Chapter 2

Chapter 2 provides the literature review in terms of the theoretical framework that outlines the concepts “M&E (system)” and “SCM”. Reference is also made to the need for an M&E system and its benefits. This chapter concludes by identifying how M&E and SCM should interrelate.

Chapter 3

Chapter 3 also provides a literature review, but this will be in terms of M&E’s applicability to local government in South Africa. Furthermore, the legislative and regulatory framework that shapes the implementation of M&E and SCM in South Africa (specifically local government), is explained.

Chapter 4

In Chapter 4, focus is on the unit of analysis, Overstrand Municipality. Document analysis will be conducted of Overstrand Municipality by providing a brief description of the Municipality; reviewing its organizational performance management system, internal control mechanisms, and SCM’s performance management system. A discussion about Overstrand Municipality’s document review will conclude this chapter.

Chapter 5

Chapter 5 will constitute the design and methodology used to conduct the empirical research and will conclude by presenting the empirical data.

Chapter 6

This final chapter presents the findings of the study, and the recommendations based on the findings will conclude the study.

2 CHAPTER 2: MONITORING & EVALUATION AND SUPPLY CHAIN MANAGEMENT

2.1 Introduction

Commentators in the discipline of Public Administration argue that service excellence in national, provincial and local governments can be attributed to good governance (Matshabaphala, 2015:497). Badenhorst-Weiss and Waugh (2015: 6) not only identify a lack of skilled personnel as hampering effective SCM but also inadequate external service providers as playing a important role in the poor performance of an organisation, many municipal services and supporting services are outsourced to unsatisfactory external service providers.

Training and continuous capacity building are needed for effective M&E processes (Dlamini & Migiro, 2016: 385). Moreover organizational performance management and SCM, as functions on their own, are of a very complex nature and require an adequate skillset and knowledge to be effectively executed. Trying to ensure good governance by interrelating the two can be considered to be even more of a challenge in a public service institution.

This chapter focusses on defining and exploring the concepts of M&E and SCM. The need for an M&E system and an analysis of its design and implementation will be discussed. Furthermore, this chapter explores the benefits of a results-based M&E system in local government. Lastly, the interrelation of how M&E and SCM will be demonstrated.

2.2 Monitoring & Evaluation

Firstly, before we can develop an M&E system, we have to define the concept. Monitoring is defined by Kusek & Rist (2004:12) as “...a *continuous function that uses the systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and the achievement of objectives and progress in the use of allocated funds*”. Monitoring collects, classifies, validates, and stores data (Kusek & Rist, 2004: 14).

Evaluation is defined by Kusek and Rist (2004: 12) as “*the systematic and objective assessment of an ongoing or completed project, program, or policy, including its design, implementation, and results*”. According to Cloete, Rabie & de Coning (2014: 6), evaluations involve the following stages: 1) identifying what the intention is (indicators and objectives); 2) gathering data to describe performance; 3) synthesizing the data and integrating these into an analysis of what was achieved and how they compared to intended objectives (setting worth to data); 4) analyzing why and how the results happened; and 5) developing recommendations about how an organizational development intervention could be strengthened.

Cloete *et al.* (2014:7) describe monitoring as normally an continuing activity that tracks progress on a particular intervention, while evaluation analysis interprets what has been achieved, and why, and makes recommendations for changes. These two activities are complementary and reinforce each other (Kariuki & Reddy, 2017:2). However, monitoring is a routine activity, which assesses the progress of an intervention in terms of realizing its goals, while evaluation is an in-depth assessment of its value and seeks to define the reasons for observable effects of a programme (Karuiki & Reddy, 2017:2). Porter and Goldman (2013:6) describe monitoring as a management function that focusses on tracking whether you are doing what you intended. Evaluation is described by Porter & Goldman (2013:7) as facilitating an understanding of change (anticipated or unanticipated) and planning for what happens subsequently. This is done by determining the level of performance met, what difference was made, what was learned, and what to do next in terms of decision-making.

2.3 The need for a results-based M&E system

2.3.1 Good governance as a motivating factor

The inception of democracy in South Africa in 1994, engendered a new social, demographic, cultural, and political order. (Thebe, 2017:124). The unbanning of political parties came into effect and, after the first national democratic election, new legislative and regulatory frameworks for governance were adopted. Basic values and principles are set by section 195 of the Constitution to govern public administrations.

Good governance is the ultimate goal for public institutions, yet it has many interpretations. Mafunisa and Khalo (2014: 961) maintain that good governance is trans-contextual and multi-dimensional with multi-vocal meaning owing to its epistemic relativism. In addition, the concept's meaning differs depending on the context in which it is used. Govender (2013: 812) is of the opinion that good governance entails a participatory approach to decision-making by persons in authority and requires public institutions to be held accountable with regard to their developmental mandate, all within the prescribe legislative and regulatory framework. The Institute of Directors Southern Africa (2016:20) describe good governance as *“the exercise of ethical and effective leadership by the governing body towards the achievement of governance outcomes, such as ethical culture, good performance, effective control, and legitimacy”*.

Görgens and Kusek (2009:3) point out that the effects from “shining a light” on M&E results will be beneficial to public institutions, as internal and external stakeholders will have a clear sense of the status of policies, programs and/or projects. Furthermore, making results-based information accessible to the public will, most likely, change the elements of institutional relations, resource allocation, budgeting, personal political agendas, and public perceptions of government (Görgens & Kusek, 2009:3). Those with strong vested interests may start feeling threatened. The enhancement of good governance in the public sector ensures the improvement of best practices, which elevates the level of public value and public goods delivery (Matshabaphala, 2016:775). Multiple perspectives on the good governance narrative are in agreement that there are characteristics and basic principles, such as accountability, transparency, responsiveness, rule of law, efficiency and effectiveness, participation, equity, and inclusivity. Ncgobo and Malefane (2017: 81) note that internal auditors of public institutions strengthen internal controls and increase the integrity of governance processes.

This study will now specifically focus on transparency and accountability as fundamental characteristics and basic principles of good governance.

2.3.2 Transparency

Cloete and Auriacombe (2007:196) observe that transparency has been defined by many authoritative experts as the *“increased flow of timely and reliable economic, social, and political information”*. Transparency is the same as openness, and the main attribute of transparency is to have access to information (Cloete & Auriacombe, 2007:196). Theletsane (2014:839) note that transparency can be referred to as the availability of information, thus providing clarity on government processes, rules, regulations, and decisions. It is further argued by Cloete and Auriacombe (2007:196) that transparency is, thus, linked to the ability of all citizens to access information fairly effortlessly. Transparency should involve ready access to reliable, timely, comprehensive, comparable, and understandable quality information about government plans and activities. According to Theletsane (2014:839); transparency can be regarded as a fundamental feature of quality finance governance. Cloete and Auriacombe (2007:197) conclude that transparency promotes public confidence in government, and effective governance cannot manifest when secrecy surrounds decision-making processes and outcomes.

2.3.3 Accountability

Josephson (1995:84) argues in Koenane & Mangena (2017: 68) that accountability refers to the ability to *“accept responsibility for decisions and the foreseeable consequences of actions and inactions, and for setting examples for others”*. Koenane and Mangena (2017:69) explain accountability as the open acknowledgement of mistakes and carrying out of plans to remedy the situation. Munzhedzi (2016a:1) refers to accountability as an obligation to expose, explain, and justify actions. Thornhill (2015:77) states that the notion of accountability necessitates that the governing body affords explanations to the electorate for its actions (or inactions) and allows a community to express its opinion on its governing ability.

Public accountability processes are concerned with the spending of public funds, the exercise of public authorities, and the actual conduct of public institutions (Munzhedzi, 2016a: 2). Munzhedzi (2016a: 2) explains that it is very important to note that public accountability does not only include public expenditure but also reporting on progress, performance, failures, successes, and on the actual versus

targeted performances. Fourie (2007:741) concurs that accountability is a prerequisite of democracy and good governance that obliges government, the private sector, and civil society to focus on results, pursue clear objectives, develop strategies, monitor, and report on performance.

2.3.4 Improving service delivery performance

Morra-Imas and Rist (2009: 106) point out that developing countries, including South Africa, are being increasingly pressured to improve performance in their respective public sectors. According to Porter and Goldman (2013:2), M&E is viewed as a crucial determinant in the transformation of the public sector towards being efficient, effective, and responsive to citizen's needs. Responding to these pressures and needs, governments are looking to implement and continuously develop performance management systems, which can demonstrate results. There needs to be a significantly amplified capacity on the part of governments in demanding results-orientated M&E systems.

What is meant by a results-based M&E system in a public sector context? Porter and Goldman (2013:2) explain it as the using of evidence to support improvements in service delivery. Mtshali (2015:22) explains that a results-based M&E system is a credible source to provide performance information about an organization, which can raise public confidence and trust. Recent years has indicated that a growing demand for evidence-based decision-making has manifested in Africa amongst politicians and bureaucrats. As the continent becomes more democratic, citizens are increasingly demanding accountability from their public leaders (Wotela, 2017:1). The increase in wealth and expectations has led to an increase in demands being placed on governments to be accountable; service delivery protests are a great example in South Africa (Porter & Goldman, 2013:2). M&E systems are filling the growing demand for evidence in terms of performance of public institutions within the African continent (Porter & Goldman, 2013:2).

A results-based M&E system (Morra-Imas & Rist, 2009: 106) assists decision-makers and relevant stakeholders in determining whether desired outcomes are being achieved. Morra-Imas and Rist (2009: 106) notes that a good results-based M&E system can be exceedingly valuable as a motivational and management

instrument. Rabie (2012: 38) clearly explains that evidence-based or results-based M&E is the response by governments to growing external and internal demands for amelioration, greater accountability and transparency, access to information, and the tangible real results that were promised on the political front. Results-based M&E focusses on the achievement of outcomes (Rabie, 2012: 42).

The most simplistic manner to articulate the purpose for having a results-based M&E system is to enable governments (at all levels) to “track” results produced (or not). Govender (2013: 815) posits that M&E systems provide information that permits public sector institutions to undertake evidence-based activities to improve their governance functions and performance. Govender (2013: 815) adds that, owing to the availability of the accurate performance information provided by the M&E system, future budget allocations could be decided. According to Govender (2013: 816), an M&E system could facilitate performance-orientation in the institutional change process.

2.4 Design and implementation of an results-based M&E System

Görgens and Kusek (2009: 4-5); Imas and Rist (2009:112) & Cloete *et al.* (2014:288) believe that Kusek and Rist’s (2004) ten-step process is the most appropriate method for developing a results-based M&E system. However, when building such a system, sufficient differentiation among tasks needs to be clarified. Moreover, building a results-based M&E system comes with many challenges, and reducing the ambiguity of activities at each step will most definitely assist in overcoming these challenges (Kusek & Rist, 2001:17). These ten steps include the following (Kusek & Rist, 2004:25):

1. *conducting a readiness assessment*
2. *agreement on outcomes to monitor and evaluate*
3. *selecting key indicators to monitor outcomes*
4. *gathering baseline data on indicators*
5. *planning for improvement: setting realistic targets*
6. *monitoring for results*
7. *the role of evaluations*
8. *reporting findings*
9. *using findings*

10. *sustaining the M&E system within the organization*

2.4.1 Conducting a readiness assessment

Kusek and Rist (2001:18) claim that conducting a readiness assessment is the method used to determine the capacity and willingness of government to create a performance-based (results-) M&E system. Khawaja (2011:131) refers to a readiness assessment as an analytical framework which assesses a public institution's political willingness and capacity to monitor and evaluate its goals. Cloete *et al.* (2014:291) refer to Kusek and Rist's (2004:41-42) following five questions, to which a readiness assessment aims to provide answers:

- What (political reform, citizen demand, legislation) is motivating the necessity for building an M&E system?
- Who are the drivers and champions of the process?
- What is inspiring the champion to drive this process?
- Who will benefit from the system?
- Who will not benefit from the system?

The relevant stakeholders in this process are policy makers, decision makers, target participants, managers, and staff (Cloete *et al.*, 2014:292). According to Atkinson and Wellman (2003:13-14) in Cloete *et al.* (2014:292), it is crucial that, at the initial point, available internal resources for the M&E system are identified. These resources include the following: financial resources, administrative inventories (staff profiles) and technical inventories (equipment and supplies).

2.4.2 Agreement on outcomes to monitor and evaluate

Agreement on outcomes to monitor and evaluate entails addressing the crucial requirement of developing strategic outcomes and goals, which then emphasize and drive the resource allocation and activities of government, including municipalities (Kusek & Rist, 2001:18). These goals are required to be derived from the strategic priorities of the national government (Görgens & Kusek, 2009:4). Cloete *et al.* (2014: 292) agree that outcomes and goals offer the foundation for the M&E system, as the measurement of performance is done against the set goals. In fact, inputs, activities,

indicators, baselines, and targets are all derived from the desired outcome. Guidelines for formulating outcomes include the following (Cloete *et al.*, 2014:292):

- Outcomes should be explicit in terms of target group and geographical area
- The extent of difference to be achieved and the time limit for achieving the difference should be indicated.

2.4.3 Selecting key indicators to monitor outcomes

Selecting key indicators to monitor outcomes involves developing the means of assessing the magnitude to which outcomes and goals are being achieved (Görgens & Kusek, 2009:4). Indicator development is a fundamental activity in constructing an M&E system, as it drives all subsequent data collection, analysis, and reporting activities (Kusek & Rist, 2001:18). In Cloete *et al.* (2014:293), Kusek and Rist (2004:65) refer to indicators as *“the quantitative or qualitative variables that provide a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of an organization against the stated outcome”*.

2.4.4 Gathering baseline data on indicators

Kusek and Rist (2001: 18) note that gathering baseline data on indicators should start with the measurement and description of initial conditions that are being addressed by the goals. The collection of baseline data involves taking the first measurement of the indicators (Görgens & Kusek, 2009:5). According to Kusek and Rist (2004: 81) in Cloete *et al.* (2014:293) performance baseline refers to the qualitative or quantitative information that is provided in the beginning, or just before, the monitoring period, and the *“baseline is used as a starting point, or guide, by which to monitor future performance”*. Cloete *et al.* (2014: 293) propose that baseline data may be gathered through various methodologies as indicated in the table below:

Conversation with concerned individuals	Community Interviews	Field Visits	Reviews of official records (MIS and admin	Focus Group	Participant Survey	One-Time Survey	Panel Survey	Direct Census	Field Experiments	Observation
Informal / Less Structured					More Structured / Formal					

Source: Cloete *et al.* (2014:293)

2.4.5 Planning for improvement and selecting targets

To plan for improvement and select targets, one needs to recognize that most goals are complex, long-term, and not quickly achieved. It is, therefore, imperative to also establish interim targets that stipulate the level of progress needed be achieved, in a particular time frame, towards a goal and the level of resource allocation (Kusek & Rist, 2001:18). Görgens and Kusek (2009:5) point out that to measure performance against targets like these may involve quantitative and qualitative data as well as direct and proxy indicators. Cloete *et al.* (2014:294) argue that the measurement of performance only becomes meaningful when you can compare actual performance against targeted performance. Having clear performance objectives and targets requires having set criteria to measure. This will enable a municipality, for example, to determine which strategies are successful and which are not.

2.4.6 Monitoring for results

In Cloete *et al.* (2014:294) reference is made by Cloete and De Coning (2011:263) to the fact that monitoring for results encompasses two complementary activities, namely monitoring the implementation progress and monitoring the attainment of results. Path analysis and Gantt charts are suitable tools for monitoring progress. While these tools track activities and outputs, they do not show whether desired goals or outcomes were reached. Cloete and De Coning (2011:262) point out, in Cloete *et al.* (2014:295), that a monitoring system must be designed to deliver reliable and valid results on time. Reliability can be described as the consistency and stability of data collection across time and space. Validity refers to the extent to which indicators directly and clearly measure the performance intended to be measured. Timelines are important as they indicate the frequency of data and guarantee accessibility in time for management decisions.

2.4.7 The role of evaluations

Evaluation offers information on the following three aspects (Kusek & Rist, 2004:117 in Cloete *et al.*, 2014:295):

- Strategy – is what is being done correct? (effectiveness, justification or rationale)
- Operations – is all being done correctly? (efficiency)

- Learning – are there better methods (alternatives, best practices, lessons learned)

According to Cloete & De Coning, (2011: 196-214) in Cloete *et al.* (2014:295), evaluations may be independent, participatory or empowering:

- Independent – the primary responsibility is taken by the evaluator for developing the evaluation plan, executing the evaluation, and propagating the results
- Participatory – an organized evaluation team comprises the evaluator and representatives of relevant stakeholders who carry out the evaluation
- Empowerment – a participatory approach is followed, but the evaluator's role also includes developing and capacitating the representatives with skills to conduct evaluations on their own.

Internal or external evaluators may conduct evaluations; whereas internal evaluations may be institutionalized.

2.4.8 Reporting findings

Kusek and Rist (2001:18) maintain that reporting on findings is a crucial step in the process, as it defines what findings are reported to whom; in what format, and at what intervals. In Cloete *et al.* (2014:296), reference is made by Cloete and De Coning (2011:263) to the fact that formal reporting is required to afford information to the right decision maker. Furthermore, in Cloete *et al.* (2014:297), Kusek and Rist (2004:130) point out that reporting on results acquired through M&E ensure the following:

- Accountability and delivery of political promises are demonstrated
- A particular point of view is promoted and advocated
- Organizational learning is promoted
- Comprehension of what works or not works, and why
- Findings are documented, which develops institutional memory
- Stakeholders are involved, which promotes understanding and support

It is important to be aware of the needs, interests, expectations, and the preferred communication medium of the audience when reporting. Moreover the performance data need to be presented in a clear and understandable form.

2.4.9 Using the findings

In using the findings, it is important to understand that the process does not only involve engendering performance-based information, but also makes information available to appropriate users in the system in order for them to utilize it for decision-making purposes and to, ultimately, govern the particular public institution (Kusek & Rist, 2001:18). The ability to use the findings, which were delivered by the M&E system, is the main purpose of the system (Cloete & De Coning, 2011:265 in Cloete *et al.*, 2014:297). Kusek and Rist (2004:139) argue in Cloete *et al.* (2014:297) that these findings can be used to do the following: formulate budget requests; enhance accountability; motivate personnel to make needed improvements; inform operational decisions; enhance efficient service delivery; and build public trust. Cloete and De Coning (2011:265) reiterate, in Cloete *et al.* (2014:297), that these findings can be used for informed decision-making and programme/policy improvement.

2.4.10 Sustaining the M&E system within the organization

M&E should be regarded as a long-term effort. Kusek and Rist (2001:18) and Cloete *et al.* (2014:298) propose six critical components to constructing a sustainable system:

- Ensuring consistent demand for M&E through reporting procedures and policies
- The assignment of roles and responsibilities unambiguously
- The promotion of accountability in stakeholders
- Building of sound technical capacity for data collection and analysis
- The introduction of incentives for the use of performance information

Cloete *et al.* (2014:299) point out that, in practice, although the ten-step process is presented sequentially, the developer of the system is required, and must be able, to

move backwards and forwards, rather than following the steps in the proposed sequence.

2.4.11 Practical implementation of a results-based M&E system

De Coning (2014) summarizes the above ten-step process in a sensible, practical manner to enable implementation. Conducting the readiness assessment orientates the leadership and prepares an organization, whilst allowing it to focus on capacity constraints. De Coning (2014) claims that the establishment of an M&E system consists of three elements, namely process, framework, and institutional arrangement.

2.4.11.1 Process

The three-step process phase entails:

- Developing policy, which is a procedure that tells us “what to do” and articulates intent
- Implementation, which entails using the following set of instruments: planning (IDP in local government); strategy; programme management; project management; operations management; and private sector contracting
- Evaluation, which entails evaluating against objectives set in the policy phase (policy objectives), and objectives set in implementation phase, for example, planning objectives and strategy objectives.
-

According to De Coning (2014), monitoring happens throughout process, while evaluation occurs periodically.

2.4.11.2 Framework

The framework consists of objectives, outputs (only operational level), outcomes; indicators, and the data source. De Coning (2014) argues that the development of outcomes should be based on objectives and, under no circumstances, “thumb sucked” or done alone. De Coning (2014) believes that policy or strategic objectives should be then determined in conjunction with relevant stakeholders (decision-makers). In developing indicators, De Coning (2014) affirms that for every outcome there must be a measurable indicator. In terms of data source (collection), the

evaluator should ask whether he/she is able to collect information and whether it can be validated. This information is then fed back to determine the indicator. The results-based M&E framework, described above, is depicted in the following Graph 1:

<u>Objective</u>	<u>Output</u>	<u>Outcome</u>	<u>Indicator</u>	<u>Data Source</u>
Employee Capacity Development	- Number of qualified employees	- Motivated staff - High quality / productive work - Attainment of strategic goals	- Reduction in % of staff turnover - Reduction in % of stakeholder complaints	- Organisational performance assessment reports - Feedback of relevant stakeholders
Promoting awareness and educating community about child abuse	- Number of attendees at workshops / shows - Number of people committing to programmes	- Well balanced socio-economic community - Skilled and educated learners	- Reduction in % of abuse cases - Reduction in % of school leavers - Increase in % of employment	- Crime statistics - School statistics - STATS SA - Surveys
	only operational level			

Graph 1: Example of results-based M&E framework (Author's own depiction, 2018)

2.4.11.3 Institutional Arrangements

According to De Coning (2014), Cloete et al. (2014) and Görgens and Kusek (2009), the concept “institutional arrangements” is much broader than the notion “organizational arrangements” and refers to more than one organization. De Coning (2014) states, “*If I accept a value for myself it becomes internalized; if a group of people accepts a value it becomes institutionalized*”.

Institutionalization refers not only to structures but also to the following soft issues that M&E systems are dependent on:

- Good governance – relationship between civil society and the state

- Good leadership and management – their commitment to the cause
- A well-operated organizational arrangement. It is very important where M&E is located in terms of objectivity, and it should not be placed with line managers
- Human Resources – A capable and skilled M&E practitioner / manager must exist in the organization
- Intergovernmental relations – relationship with other government spheres or other state institutions
- Participation – participative arrangements consists of various phases: from internal stakeholders to external stakeholders, which include citizen reporting. De Coning (2014) argues that presenting the format for people to understand is very important

The fully detailed and summarized results-based system, depicted above, considers various aspects, which may not be addressed by current performance management systems in municipalities. Being able to institutionalize such a system, and having it fully functional, will have great advantages for municipalities in fulfilling their constitutional mandate.

2.5 Benefits of a results-based M&E system in local government

If conducted properly, and if results are interpreted appropriately, M&E activities do offer particular benefits. Within the local sphere of government, M&E facilitates policy development and proper financial management, as well as permitting municipal officials to align their interventions with national government's priorities (Kariuki & Reddy, 2017:2). Görgens and Kusek (2009:3) are of the opinion that the information can be utilized to inform key decision-makers, the general public, and other stakeholders. Information presented by a results-based M&E system can build trust in government (municipalities included) and its citizens. Furthermore, having the ability to determine accurate outcomes of economic and other government programs, can contribute to poverty reduction, economic growth, and the achievement of goals (Görgens & Kusek, 2009:4). There are growing acknowledgements that measured outcomes and the impact of government interventions are linked to basic service provision. Therefore, the ability to determine or expose whether local government is providing quality sustainable services, or

failing to adhere to their constitutional mandate, is an encouraging factor for public servants to do their job at the best level possible (Karuiki & Reddy, 2017:3). A list of other benefits follows (Karuiki & Reddy, 2017:3):

- Accurate baselines, which are used to set realistic targets, are developed.
- Information, which enhances decision-making and policy development in a municipality, are generated.
- Better basic services are provided owing to the improved utilisation of financial and other resources.
- The system demands that information is collected and processed, and therefore reporting on programmes and projects becomes compulsory. It is possible to more accurately identify irregular, unauthorized, and wasteful expenditure.
- There will be an increase in interdepartmental and inter-unit collaboration, as well as intergovernmental coordination, owing to the interlinked nature of government interventions.
- Municipal functionaries will become more attentive to the significance of understanding a government intervention for effective execution, particularly when goals, inputs, activities, outputs, outcomes, and impact are clearly indicated.
- As the culture of M&E will be embraced and appreciated by municipal functionaries, the quality of information provided by municipalities to stakeholders will be enhanced.
- As municipal functionaries are assessed against agreed performance targets, increased accountability within municipalities will manifest.
- As a result of increased accountability, good governance is enhanced, restoring local government's dignity as the sphere of government closest to the people.
- Information gathered through the system will lead to improved capacity to manage change at a municipality.

Having a fully functional results-based M&E system, which can offer the above stated benefits, will, in most cases, lead to proper decision making actions and restore public confidence in local government's ability to execute its duties. Having

an informed and participating community will enhance governance and probably lead to a decrease in public unrest. Knowing that a results-based M&E system will assist in effective decision making, will provide assurance to a municipality, especially when utilizing the services of external service providers to perform tasks, on the municipality's behalf, in addressing the actual needs of the community.

2.6 Supply Chain Management

2.6.1 Background to supply chain management in the South African public sector

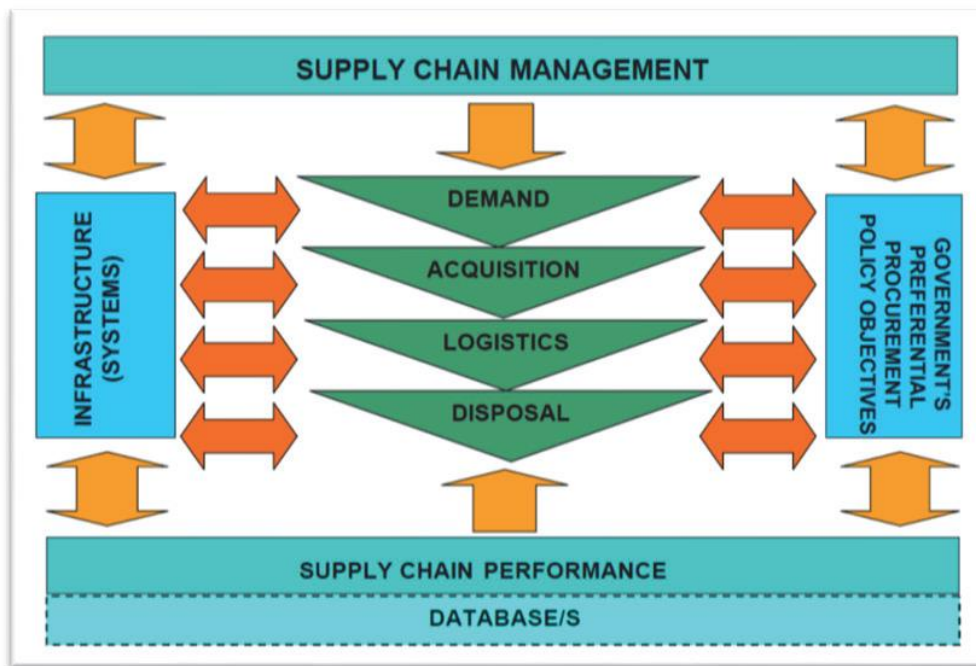
South Africa's pre-democratic procurement system was patented by discrimination and prejudice (Munzhedzi, 2016b:1), favoring a minority group of people and disadvantaging the majority of people. At the dawn of democracy, these past injustices needed to be corrected, and therefore led to section 217 (1) of the Constitution (Republic of South Africa, 1996).

In 1995 the South African public sector supply chain system started going through a transformation phase with the implementation of procurement reforms (Bizana, Naude & Ambe, 2015: 668). These reforms were initiated to encourage the principles of good governance and to introduce a preference system to address socio-economic objectives, thus leading to the Preferential Procurement Policy Framework Act (Republic of South Africa, 2000a). This framework plays an important role in financial management by conforming to international best practices and is used as a strategic tool to address past (pre-democracy) policies/practices (Ambe & Badenhorst-Weiss, 2012: 243). Moreover, it gave effect to categories of preference in the allocation of contracts to historically disadvantaged persons. Bizana *et al.* (2015:667) defines supply chain management as *“a management philosophy aimed at integrating a network (or a web) of upstream linkages inside the organization and downstream linkages (distribution and ultimate customer) in performing specific processes and activities that will ultimately create and optimize value for the customer in the form of products and services which are specifically aimed at satisfying customer demands, SCM integrates supply and demand management within and across organisations”*.

According to Ambe and Badenhorst-Weiss (2011:1102), SCM in the public sector coordinates all parties involved in delivering services that satisfy specific requirements. Ambe (2012:134) mentions that these requirements may be inbound (internal services/goods required) or outbound (service delivery for the communities in any form). SCM is an essential element to sound financial management in the South African public sector. One main feature of SCM is that it is a multi-level network approach, which includes levels of political governance and public administration. This can get rather complex, as the community's needs may be driven by political office bearers. However, public administration has to ensure that there is sufficient funding, such as taxes and grants, and that the procuring occurs within the prescribed legislative and regulatory framework.

2.6.2 The supply chain management process

According to Stemele (2009:31), SCM integrates both demand and supply management processes into a solitary management system in organizations. Overall, this process entails planning, implementing, and controlling supply chain operations as efficiently as possible. Bizana (2013:38) states that *“Supply chain management (SCM) is a five-stage process that involves: (1) identifying an item or service required to fulfil the needs of the organisation; (2) identifying the most suitable service provider to satisfy that need; (3) establishing a fair and reasonable price for the item or service to be purchased; (4) enforcing the agreement for the purchase; and (5) managing the relationship to ensure there is not only timely delivery but that the delivery is of the agreed upon standard”*. National Treasury (2015:16) simplifies the public SCM cycle into three key stages, namely, pre-tender, tendering and post-tender. The pre-tender stage includes the following: needs assessment; planning and budgeting; specification development; and the pursuit for the most viable procurement strategy. The tendering stage consists of inviting prospecting service providers to bid the evaluation and to adjudicate those bids (National Treasury, 2015:16). Lastly, the post-tender stage consists of managing the projects, which includes ordering and paying for services/goods rendered. The process described above is best explained by a common and familiar understanding of five components, namely: demand management; acquisition management; logistics management; disposal management; and performance management (Bizana *et al.*, 2015:666). This is depicted in the diagram below:



Source: National Treasury (2015:28)

2.6.3 Challenges of supply chain management

The concept “public SCM”, which is continuously developing and evolving, understandably involves challenges. According to Dlamini and Migiro (2016:383), current challenges in supply chain management, within the local government of South Africa, entail a lack of control over information technology, restricted human resource capacity, mismanagement of capital assets, and little to no performance reporting. This has led to an increase in irregular expenditure consisting of a lack of appropriate bid committees, the use of unqualified suppliers, the passing over of bids for incorrect reasons, the utilisation of incorrect procurement processes in respect of fiscal thresholds, the extension of validity periods, and the incorrect utilisation of the limited bidding process.

Ambe and Badenhorst-Weiss (2012: 249) identify the following challenges still currently experienced in the public sector, and especially, in local government

- A lack of appropriate knowledge, skills and capacity
- Non-compliance with SCM regulations and policy
- Inadequate planning and the linking of demand to the budget
- Inadequate monitoring and evaluation of SCM
- Accountability, fraud and corruption

- Unethical behavior
- Excessive decentralization of the procurement system
- Ineffectiveness of the black economic empowerment (BEE) policy

2.7 The Interrelation between M&E and SCM

By understanding the holistic nature of the concepts “M&E (systems)” and “SCM”, as indicated above, one can conclude that there is a need to configure M&E systems more dominantly for external performance management (contract management) within SCM. An analysis of the challenges of inadequate measures for monitoring and evaluation of SCM, on the one hand, and that of accountability, fraud and corruption, on the other, will be discussed to show that supplier performance is in need of a results-based M&E system.

2.7.1 Inadequate measures for monitoring and evaluation of SCM

Poor performance management, which includes monitoring and evaluation, is linked to the presence of a poor control environment. Bizana *et al.* (2015:679) reveal that poor service delivery is a result of a combination of poor SCM administrative controls and a lack of service provider management (contract management). Moreover, misuse of deviations, or non-compliance, due to improper monitoring and evaluation systems (Ambe & Badenhorst-Weiss, 2012: 252), leads to irregular, unauthorized, fruitless and wasteful expenditure. According to Auditor General (2018: 16), irregular expenditure in total of South African municipalities increased from R16, 212 billion (2015/16) to R28, 376 billion (2016/17), a 75% increase. Areas with consistently the highest non-compliance were due to irregular expenditure, procurement and contract management. Municipalities with material non-compliance findings on procurement and contract management increased from 141 (63%) to 174 (73%). Furthermore, the Auditor-General (2018:15) revealed that, in terms of contract management, the most common findings were that municipalities were not monitoring the performance of contractors on a monthly basis, and/or inadequate contract performance measures to monitor and evaluate were being used.

National Treasury (2015: 19) also reveals that inadequate supervision of suppliers, the compromise of quality of goods/services and amendments to service level agreements, which negatively affects the municipality, pose real challenges.

2.7.2 Accountability, fraud and corruption

Without proper accountability mechanisms, municipal officials, especially SCM practitioners, do not account for action taken, which easily opens up the risk of increased fraud and corruption (Ambe & Badenhorst-Weiss, 2012: 251). It is further noted by Ambe and Badenhorst-Weiss (2012:251) that fraud and corruption in the public sector, especially SCM, cost tax payers hundreds of millions of rands each year. All types of corruption have been recorded within the South African local government sector (Bizana *et al.*, 2015:677). These include nepotism and unfair or irregular practices, such as exposing confidential information about prices, objectivity in Bid Evaluation Committee (BEC) and Bid Adjudication Committee (BAC) members, and tampering with supplier submissions. Bizana *et al.* (2015:679) reveal that the risk of these occurrences will almost certainly lead to the poor performance of services. The municipality, therefore, runs a reputational risk, as citizens and communities become increasingly negative and bitter towards government (Ambe & Badenhorst-Weiss, 2012:251). Munzhedzi (2016a:2) explains that a lack of financial control systems, political instability, and a lack of proper application of disciplinary procedures are the main drivers of fraud and corruption.

2.7.3 Summary of the interrelation between M&E and SCM

Based on the above explanation, it can be stated that the critical components of performance (with reference to service providers) involve receiving value for money and having strong accountable measures in place. In most cases, price is used as the only indicator and representation of value for money when procuring goods and services, which unfortunately is not a reliable indicator as to the level of quality or performance of services rendered to a public institution and/or communities. Having a proper M&E system in place with meaningful indicators will provide a public institution with accurate and credible information as to the level of services being provided to communities. This information, which will be gathered from the M&E system, will also serve as evidence to hold a public institution (such as municipality and its officials) and external suppliers accountable for their decisions and actions.

Govender (2013: 821) argues that a lack of effective performance management systems and accountability mechanisms has resulted in community discontent with

service delivery, which adversely affects governance and government legitimacy. Government needs to develop accountability reforms that respond to the needs of communities and ensure that state funds are managed in a transparent manner; this can be done with the aid of a participative M&E system.

2.8 Conclusion

In conclusion to the discussion above, the concepts “SCM” and “M&E” are still not fully comprehended, and thus not yet ready for proper utilization in the South African public sector, especially local government. Moreover, integrating these means moving into uncharted territory. As with all young concepts, development is key and based on challenges, other ideas, experiences, advice and opportunities.

The author has identified the proposed M&E system by Kusek and Rist (2004) as the most practical manner in establishing a mechanism for local government that can be utilized to evaluate supplier performances in SCM. According to Presidency (2016), dedicated managers and good leaders will value organizational assessments (diagnostics) as a source of valuable insight to organizational health. Identifying performance gaps is the starting point in the development of strategies for improved performance of a municipality. According to Abrahams (2015: 8), a successful M&E system should result in improved policies, better high quality service delivery, a responsive public service and, ultimately, improved quality of life for all.

For effective service delivery, a municipality needs to provide high quality services and goods, internally and, especially, externally. Procuring these goods and services requires effective SCM. Effective SCM constitutes being able to account for funds spent (on projects/programmes) but, more importantly, indicating the value that was added by the funds spent. Also effective SCM is an indication of having no, or at least, manageable challenges. Challenges are most adequately addressed by proactive early detection and treatment, which constitute the need for an M&E system within the performance management of SCM.

Therefore, if public institutions, especially municipalities, are rooted in a strong M&E system within the performance management of SCM, high quality performance can be expected. Effective SCM serves the following purposes:

- procurement reforms to socially and economically uplift the previously disadvantaged (PPPFA & BBBEE)
- delivering high quality goods and services, leading to mandated effective basic services to the communities (section 152 of Constitution, 1996)
- providing opportunities for innovation, and stimulating economic growth (Kalvet & Lember, 2010:21)

Being able to simultaneously fulfill the above-stated purposes, enables SCM to be one of the best strategic mechanisms, and not only seen as a compliance function. The crucial factor in choosing the ten-step process is De Coning's (2014) most pragmatic and practical summary approach that easily explains how the system can definitely be implemented in a public sector institution in South Africa, including municipalities. Karuiki and Reddy's stated benefits should be realistically manifested by this most practical system.

In the next chapter, a continuation of the literature review will be conducted pertaining to M&E's applicability to the South African public sector. Furthermore, the legislative and regulatory framework, which shapes the context for the implementation of M&E and SCM in South Africa, specifically in terms of local government, will be explored.

3 CHAPTER 3: M&E IN THE SOUTH AFRICAN PUBLIC SECTOR AND LEGISLATIVE FRAMEWORK

3.1 Introduction

Service delivery is such a sensitive subject matter in South African society, where the public is continuously demanding strong and responsive local governments that deliver high quality services. According to Mthethwa and Jili (2016:2), municipalities must design and implement comprehensive M&E systems to determine how successful they are in improving service delivery.

In this chapter, an examination of M&E within the South African public sector will be conducted by describing its evolution. The chapter will also provide an overview of the theory of change approach in the South African public sector and analyse M&E within the South African local government context. Challenges associated with institutionalizing M&E within the South African local government sphere will be identified, and the South African Local Government Management Improvement Model, as established by the Department of Planning, Monitoring and Evaluation, will be analysed. Lastly, the policy/legal framework, which shapes the context for implementing M&E and SCM in South Africa, will be determined. This chapter aims to resolve research objective 2.

3.2 Evolution of M&E within the South African Public Sector

Since 1994, when South Africa became a democratic state, M&E has developed into an active discipline; Levin (2017:137) observes that successive presidents of the democratic country have highlighted the significance of monitoring progress and evaluating the impact of strategies and programmes. While there were historically various facets to M&E, which was without a centralized driven system during the 2000s, interest in M&E only began to grow in recent years. During President Thabo Mbeki's tenure a cluster system of governance was introduced, the purpose of which was to strengthen integration and promote vertical and horizontal coordination across sectors, spheres, departments and government (Levin 2017:137). This led to Cabinet approving a plan in 2005 for the development of a Government-Wide Monitoring and Evaluation system (GWM&E) (Goldman, Engela, Akhalwaya, Gasa, Leon, Mohamed and Phillips, 2012:2). According to Levin (2017:137), the GWM&E system was introduced to strengthen practice and data collection with the intent of

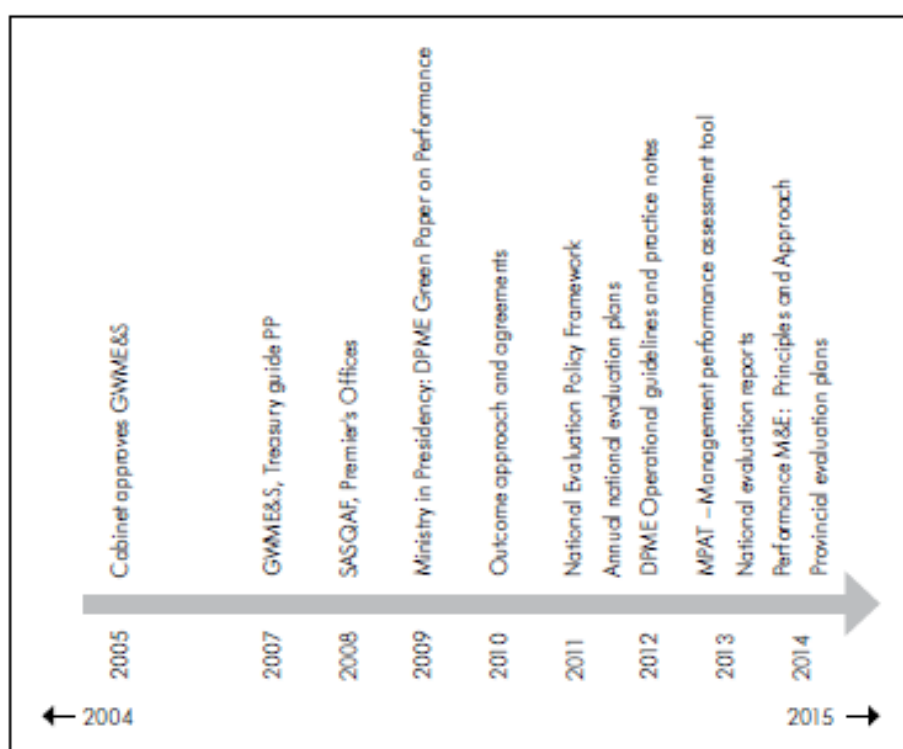
establishing a dashboard for the President and Cabinet, enabling them to focus on priority areas and track progress and impact. Goldman *et al.* (2012:2) explain the GWM&E system as a “system of systems” where each department has a functional monitoring system, which could extract the necessary information to evaluate strategies and programmes. The Presidency (2007:8) affirms in Rabie (2016:94) that the GWM&E system is a framework that aims to embed a management system within the public sector that correlates with other internal management systems, such as planning; budgeting and reporting systems.

In providing information to the GWM&E system, duties for M&E had to be cascaded throughout the organization including both political and executive (administrative) heads. Rabie (2016:95) points out that the final component of the GWM&E system is the South African Statistical Quality Assessment Framework (SASQAF). This enables decentralized production of quality statistics by all state departments and organs of state, which conforms to the requirements of the 1999 Statistics Act. The framework not only stipulates the minimum standards for quality statistics across the eight recognized dimensions of quality but also stipulates minimum institutional and organizational conditions as prerequisites of quality data (Rabie, 2016:95). These minimum institutional and organizational conditions include the need for skilled staff at programme level, a dedicated statistics unit, and data quality management as a fundamental job requirement for all staff members (Stats SA, 2010:9-13 in Rabie, 2016:95).

The government that came into power after the 2009 elections was faced with a number of challenges, which included persistent poverty, inequality, and widespread service delivery protests at municipal level (Goldman *et al.*, 2012:3). Under President Zuma, the Department for Performance Monitoring and Evaluation (DPME) was established in 2009 to further the intent of GWM&ES (Rabie, 2016:95). As depicted by The Green Paper on Improving Government Performance (2009) in Rabie (2016:95), DPME’s core mandate was to provide the framework for committed M&E systems, with emphasis on implementation monitoring and evaluation of the outcomes of government programmes. Goldman *et al.* (2012:3) further assert that within DPME, the National Planning Commission (NPC) was established in May 2010 to focus on the 2030 National Development Plan. The NPC’s mandate is taking

“a broad, independent and critical view of South Africa; and based on results-based research; build consensus and find concrete solutions to key challenges faced within the country” (NPC, 2018).

The National Evaluation Policy Framework (NEPF) was approved in 2011. This was a detailed framework of which the core directive was to seek objective and credible evidence from evaluations to ensure improved proper planning, budgeting, policy review, and on-going programme and project management (Rabie, 2016:95).



Source: Rabie (2016:96)

The merging of the National Planning Commission Secretariat in the Presidency and the Department of Performance Monitoring and Evaluation in 2014 gave effect to the formation of the new Department of Planning, Monitoring and Evaluation. The purpose was to establish a seamless value-chain between planning, monitoring and evaluation related to the NDP in a single institution, ensuring effective implementation (The Presidency, 2015).

3.3 Current approach to M&E within the South African Public Sector

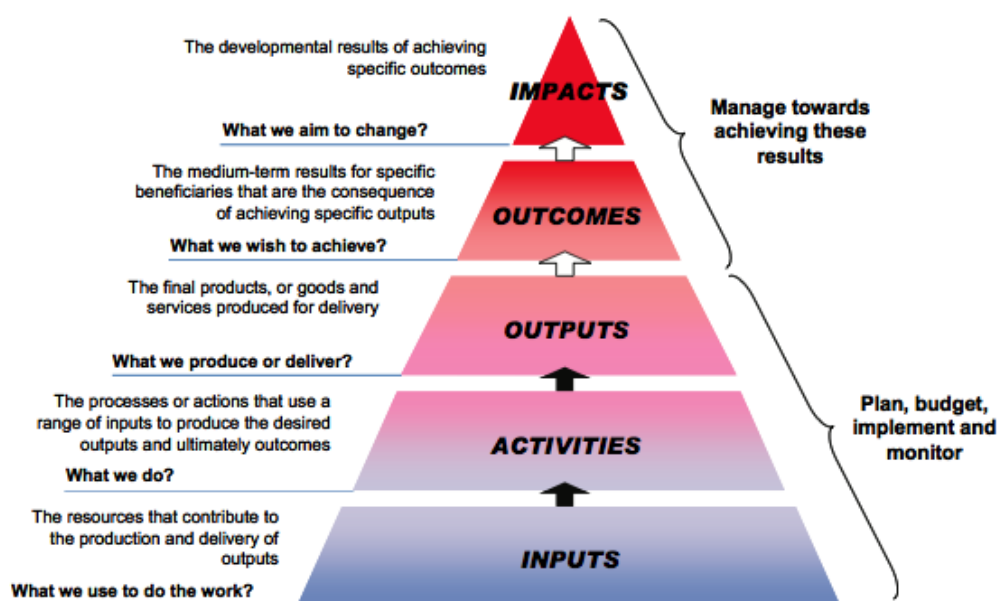
It is important to describe how M&E has evolved in the South African public sector; but, it is also necessary to understand how M&E is currently functioning within the South African public sector, in which, as an element of M&E, the theory of change approach has been fully institutionalised and embedded (Cloete *et al.*, 2014:100). But, what is a theory of change? James (2011), in Cloete *et al.* (2014:80), refers to it as “an ongoing process of reflection to explore change and how it happens – and what that means for the part we play in a particular context, sector and / or group of people”. Reeler (2007) in Cloete *et al.* (2014:80) claim that theories of change are the pillars of systematic project and programme analysis and assessment, thus providing conceptual and intellectual tools to evaluators in order to understand the matters they investigate. Cloete *et al.* (2014:79) propose that theories of change provide reasons behind government decisions to intervene in a specific way in society with the aim of adding add value to the status quo (improving) or solving problems.

Cloete *et al.* (2014:90) note that the theory of change leads to policy designers and implementers developing a programme logic model. This explains the activities and processes of an intervention (project or program), which will have to be made in order to achieve the desired outcomes (short to medium-term effects) or impacts (long-term effects). The programme logic approach is commonly accepted as the most suitable technique to unpack the practical implementation of the theory of change (Cloete *et al.*, 2014:91). The programme logic model identifies the following elements of an intervention (project or program):

- needs addressed, as well as context within which intervention takes place
- inputs invested, such as resources, people, time, skills, and money
- activities needed to be undertaken in order to achieve intervention objectives
- the initial outputs of intervention undertaken, such as the final product, goods and/or services of activities undertaken
- projected outcomes, namely, short and medium-term results
- anticipated impacts, such as long-term results
- assumptions made about how these elements link together, enabling the programme to successfully progress from one stage to the next

Furthermore, Cloete *et al.* (2014:91) explain that the programme logic model assumes sequential, linear, cause and effect relationships. A leads to B leads to C. For example: a “capacity” building initiative, training (A), leads to knowledge (B), which leads to skilled employment occurring (C).

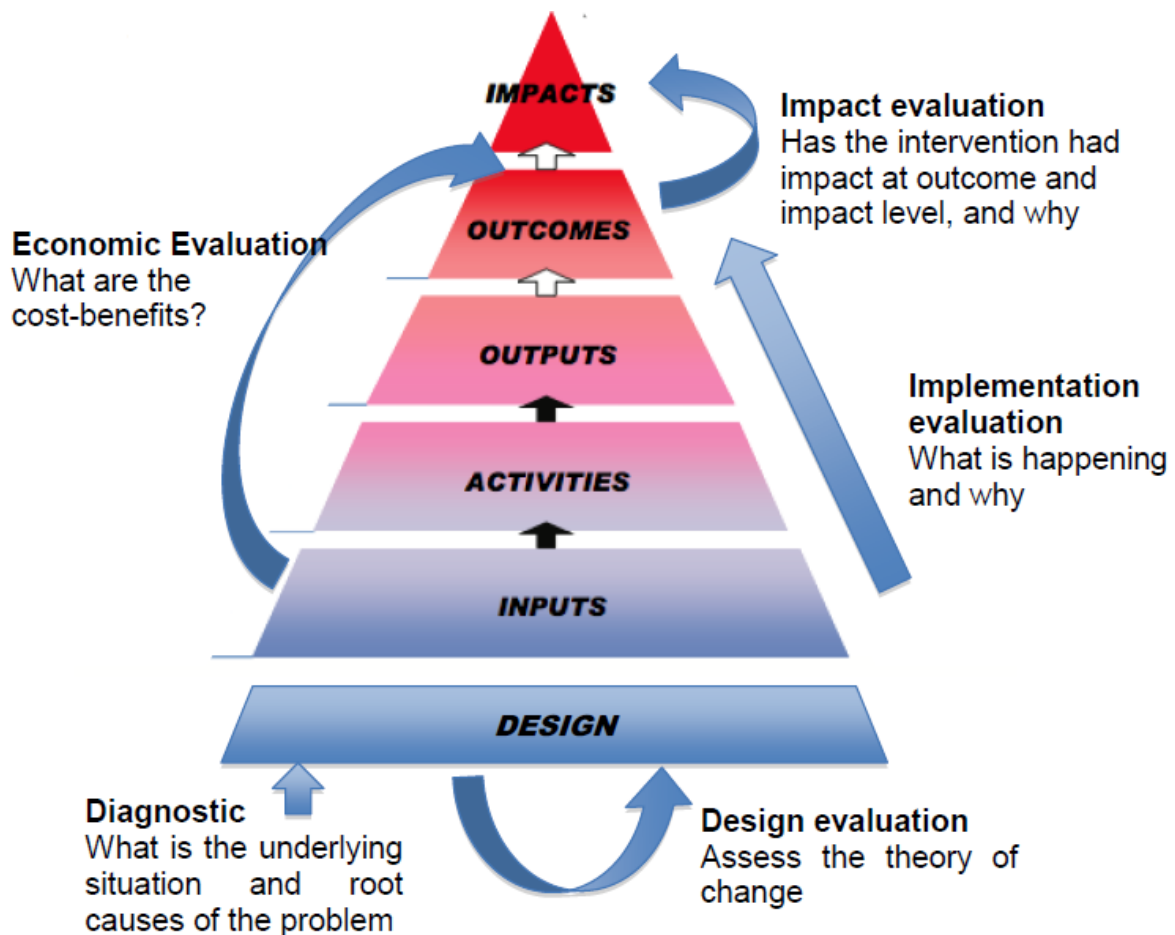
The most authoritative programme logic model in South Africa is that of the National Treasury in the following form (Cloete et al., 2014:94):



(Source: Republic of South Africa, 2011)

As described by Cloete *et al.* (2014: 95), the process of developing the programme logic of the theory of change normally starts with the overall vision (impact) to be achieved. Then, by working backwards, this is broken up into measurable short to medium-term outcomes. These outcomes should then be broken further into a range of required measurable outputs (deliverables), which are constituted by the activities undertaken based on the inputs.

DPME has indicated and given guidelines on how to conduct the different types of evaluations depicted at the various stages of the programme logic model, as indicated in the National Evaluation Policy Framework (NEPF). This indication is illustrated below:



(Source: Republic of South Africa, 2011)

3.4 M&E within the South African Local Government Context

Major challenges are faced by the South African government in ensuring that it provides high quality and sustainable services that meet citizens' expectations (Kariuki & Reddy, 2017: 1). The public demands not only that local government is responsive to its needs but also that it provides "optimal and professional services" across all areas. It is, therefore, imperative that municipalities develop proactive responses that free citizens from poverty and underdevelopment, thus ensuring redresses of apartheid legacies (Karuiki & Reddy, 2017: 1). Unfortunately, basic service delivery has lately been spiraling in a downward curve, which is evident by the ongoing community protests in many local municipalities in South Africa. Karuiki & Reddy (2017:1) further argue that a poor performance culture is one of the main causes for this phenomena.

Local government has a significant role to play in improving the quality of lives of communities by providing and delivering effective basic services, which entails providing access to potable water, proper sanitation, a sustainable electricity supply, and regular waste removal (Mthetwa & Jili, 2016:2). It is, therefore, imperative that different spheres of government work together to improve municipal service delivery in order to preserve livelihoods and enhance local democracy. Mthetwa and Jili (2016:2) suggest that, to keep record of how successful they are in improving service delivery, municipalities must design and implement comprehensive M&E systems. Such a system should facilitate continuous assessment and M&E of municipal structures, systems and processes. This should be done in alignment with each municipality's IDP and service delivery outcomes, as well as operational plans for implementing the budget (Mthetwa & Jili, 2016:2). The Municipal Systems Act (Republic of South Africa, 2000b) and Municipal Finance Management Act (Republic of South Africa, 2003a) require the IDP to inform the municipal budget and to monitor the performance of budget via a Service Delivery and Budget Implementation Plan (SDBIP). Van der Waldt (2014: 138) states that a SDBIP acts as a municipal operational plan giving effect to the municipal IDP and budget; it enables the municipality to divide broad objectives of the IDP into specific service-delivery targets.

Municipalities are, in most cases, the first point of contact between a citizen and a public service institution. Thus, it is claimed that local government is the form of government closest to the people. Mthetwa and Jili (2016:2) further argue that the national sphere of government in South Africa expects strong, innovative, responsive and vibrant municipalities to deliver the quality of public services that their communities need. Policy frameworks suggest that all spheres of government believe that all residents, regardless of their geographic location, are entitled to good quality public services (Mthetwa & Jili, 2016:2).

3.4.1 Performance management

The most supreme law in South Africa, the Constitution, necessitates municipalities to be development-orientated. Developmental local government is where municipalities work in conjunction with communities, to establish sustainable methods to meet the communities' social, economic and material needs that will

realize the improvement of quality of life holistically (Van der Waldt, Khalo, Nealer, Phutiagae, Van der Waldt, Van Niekerk & Venter, 2014:53). It is within this context that the White Paper on Local Government (Republic of South Africa, 1998) recognises integrated development planning, performance management, and community participation as crucial determinants in attaining the developmental mandate of local government (Manyaka & Sebola, 2015:676). Performance management is described by Van der Waldt (2014:134) as an *“integrated, systematic approach to improve organisational performance, in order to achieve strategic objectives and to promote the organisation’s vision, mission and values”*.

The current performance management cycle of municipalities include four stages as described in the following section.

3.4.1.1 Performance planning

Manyaka and Sebola (2015: 678) observe that performance planning entails setting the organization’s direction and defining expectations, determining the evaluations to be used, and developing an action plan that will guide the process. This particular stage warrants that planning activities and the allocation of resource utilisation are aligned with the IDP of a municipality. It is also during this stage that Key Performance Areas (KPA’s) and Key Performance Indicators (KPI’s) are established (Manyaka & Sebola, 2015:678).

3.4.1.2 Performance monitoring and measurement

Performance monitoring and measurement includes the gathering of information that keeps track of progress made and the quality of work. Manyaka and Sebola (2015:678) argue that performance should be monitored and assessed on a continuous basis against performance goals to determine whether performance targets have been met, not met, or exceeded, and whether interventions need to be put in place. A key aspect of performance monitoring and measurement is auditing and review. A municipal performance audit committee’s focus is on economy, efficiency, effectiveness, and the impact of municipal operations.

3.4.1.3 Performance evaluation

Performance evaluations assist senior management to ensure that the organization remains at an accountable level (Manyaka & Sebola, 2015:679). The reviewing of evidence that supports performance, transpires at this stage.

3.4.1.4 Performance reporting

This stage entails reporting on the municipality's performance to the performance audit committee, municipal council, and members of the public.

3.5 Challenges Associated with Institutionalizing M&E in South African Local Government

Dlamini and Migiro (2016:380) maintain that local government in South Africa is under perpetual scrutiny to deliver on their mandate to stakeholders, which include citizens, interest groups, national and provincial departments, and the media. The increase in service delivery protests is partially due to the fact that municipal leadership fails to comprehend that the institutionalization of an M&E system can be classified as a critical management tool in guiding performance (Karuiiki & Reddy, 2017: 4). Van der Waldt (2014: 145) argues that there is a lack of commitment and political buy-in into such a system that measures performance at local government level. Manyaka and Sebola (2015: 685) argue that an M&E culture is not properly institutionalized in South African municipalities. A limited understanding of the importance of performance measurement on the part of municipal management is a crucial impediment to institutionalizing M&E (Karuiiki & Reddy, 2017:4). Wotela (2017: 1) maintains that resistance to political buy-in is due to M&E systems at times providing information that is not politically desirable. Inertia with regard to changing mindsets about performance measurement has complicated institutionalizing M&E (Karuiiki & Reddy, 2017:4). Municipal management operates in a mindset of “*we have always done things in this way*”, and this type of mindset resists anything new or the change that would challenge the *status quo*.

Secondly, Manyaka and Sebola (2015:675) are of the opinion that the institutionalization of M&E in local government remains a highly neglected area, which could be attributed to the fact that M&E is still a fairly new requirement for municipalities in South Africa. Manyaka and Sebola (2015: 675) further argue that

institutionalizing M&E remains a major challenge for municipalities owing to the fact that it is applied and interpreted differently by different municipalities. It is for this reason that many municipalities fail to accurately align their IDP with provincial and national growth and development strategies, which indicates that municipalities and other spheres of government do not share the same priorities (Kariuki & Reddy 2017: 4). Moreover, a general lack of understanding of municipal processes and systems exist within municipalities.

Thirdly, M&E data collected are normally of poor quality and inaccurate, as municipalities have significant capacity and financial resource limitations (Karuiki & Reddy, 2017: 4). Wotela (2017:5) concurs that M&E is a costly exercise. Dlamini and Migiro (2016: 381) conclude that most municipalities do not have tangible and strict indicators; they deliver many indicators that are not even in line with their respective budgets.

Lastly and, to many most importantly, institutionalizing M&E is a great challenge as the lack of competent technical personnel skilled in M&E is prominent in the South African local government sphere (Karuiki & Reddy, 2017:4). Dlamini and Migiro (2016: 381) point out that the nature of personnel in local government does not match the skills and knowledge required to institutionalize M&E. Most institutions are deficient in the skills and expertise required to analyze M&E data and report on results (Wotela, 2017:5).

3.6 Local Government Management Improvement Model (LGMIM)

3.6.1 Background of LGMIM

According to the Presidency (2016), the Department of Planning, Monitoring and Evaluation (DPME), in collaboration with the Department of Public Service and Administration (DPSA), National Treasury (NT), the Office of the Auditor General (AG), the Department of Cooperative Governance and Traditional Affairs (CoGTA), the Public Administration Leadership and Management Academy (PALAMA) and the Offices of the Premiers (OTP), launched the MPAT (Management Performance Assessment Tool), in October 2011, to support the realization of Outcome 12 of the 2030 National Development Plan (NDP): “*An Efficient, Effective and Developmental Orientated Public Service*”. Provincial and National Departments have, to date, gone

through four self-assessment cycles of the MPAT, which aims to assess compliance and the quality of management practices within national and provincial departments. Building on the success of MPAT, the DPME, in collaboration with CoGTA, South African Cities Network (SACN), South African Local Government Association (SALGA), relevant sector departments, and the Provincial Departments responsible for Local Government, developed the Local Government Management Improvement Model (LGMIM).

Presidency (2016) further explains that LGMIM is a model or technique that is utilized to measure or benchmark the institutional performance of municipalities across a number of Key Performance Areas (KPA's). In each KPA, performance is assessed against standards established by the relevant transversal departments, for example, the National Treasury for financial management and the Department of Water and Sanitation for water services. The model looks at the municipality from various different angles at the same time, thus adopting a holistic approach to institutional performance analysis. LGMIM does not duplicate existing monitoring by sector departments or duplicate the auditing done by the Auditor-General; nor is it a reporting tool. Instead, the LGMIM provides an analytical framework for municipal leadership to determine or reflect what the organisation does and how it approaches its tasks to improve the quality of service delivery and productivity. It also draws on secondary data from various departments and oversight bodies to jointly arrive at an accurate and fair reflection of management practices and workplace capabilities with the municipal leadership in a municipality.

The LGMIM is currently in its third year, since its inauguration and pilot. A total of seventy-two municipalities (which include metropolitan, district and local) have, to date, adopted and participated in the programme. Of these, twelve were assessed in the 2013/14 financial year, thirty in the 2014/15 financial year, and 30 in the 2015/16 financial year (Presidency, 2016).

3.6.2 Factors that have contributed to the introduction of the LGMIM

The LGMIM is based on a pro-active approach to support the realization of Outcome 9 of the NDP: Responsive, accountable, effective and efficient developmental local government system by detecting and resolving institutional problems, thereby

ensuring that municipalities meet the minimum floor of norms and standards of good institutional performance. The senior specialist of local government in the Department of Planning, Monitoring and Evaluation, Ms Nel (2018), explains that initially DPME and its partners established the Municipal Assessment Tool (MAT). However, after consultation with relevant stakeholders, they found that they needed to provide local government with a distinct model, and therefore MAT was replaced with LGMIM. The need for a consistent and integrated set of key data on municipal management performance to facilitate improvement in management practices of municipalities were identified. These were also expected to gear or align national and provincial departments to better support municipalities in improving their respective administrations.

3.6.3 Roles and Responsibilities for LGIMM

At municipal level, in terms of LGIMM, a municipal council will be responsible for ensuring that its respective municipalities participate in the LGIMM and use the results/LGIMM scorecards, once moderated, to monitor improvement in management performance. The responsibilities of the municipal manager will be to appoint the LGIMM champion and coordinator, ensure that the managers within the municipality complete the assessment with the assistance of the LGIMM co-ordinator, submit a confirmed self-assessment scorecard to the Provincial Department of Local Government, and ensure that the municipality takes actions, such as oversee the development of an improvement plan to improve management practices using the most recent LGIMM results. Section fifty-six managers must ensure, in liaising with the municipal LGIMM co-ordinator, that they complete the LGIMM self-assessment for their designated Key Performance Area. The Municipal LGIMM Co-ordinator is the focal point of contact with relevant Provincial Department of Local Government and DPME. The municipal LGIMM co-ordinator guides and facilitates the self-assessment process and submits the final signed-off scorecard to the relevant Provincial Department of Local Government.

The Provincial Department of Local government is responsible for the following: overall co-ordination of LGIMM in the province; providing technical support and guidance to municipalities (municipal LGIMM co-ordinators) during the completion of the self-assessment; monitoring completion of municipal self-assessments in the

province; submitting final self-assessments to DPME; giving feedback to DPME on areas for improving the LGMIM; meeting with municipalities to discuss their LGMIM results; and supporting the development of improvement plans.

DPME is responsible for the following: the overall co-ordination of LGMIM; issuing of national guidelines for the application of LGMIM; overseeing the external moderation process for municipalities with the assistance of Provincial Departments of Local Government; providing scorecards with moderated scores to Provincial Departments of Local Government; and updating and refining LGMIM standards, as required. Other Transversal Departments, such as the National Treasury, assist by providing secondary data to DPME (if required), utilizing LGMIM results to inform intervention, and supporting strategies to address common weaknesses in management practices

The LGMIM framework is built around six KPAs, namely, Integrated Planning and Implementation, Human Resource Management, Financial Management, Service Delivery, Community Engagement/Participation and Governance. LGMIM is designed to assess compliance and the quality of management practices in these six KPAs, which are further broken down into twenty-eight Management Performance Standards against which performance will be assessed (The Presidency, 2016).

What differentiates LGMIM from other monitoring processes is that it provides an integrated and holistic view of a municipality's performance across several critical key performance areas, thus making it easier to prioritise areas that are in need of significant improvement and potential support. Concurrently, LGMIM can assist sector departments and other stakeholders in identifying areas where frameworks and guidelines could be improved (Presidency, 2016).

LGMIM Key Performance Areas, and Standards					
1. Integrated Development Planning and Implementation	2. Service Delivery	3. Human Resource Management	4. Financial Management	5. Community Engagement/ Participation	6. Governance
1.1 Integrated Development Planning	2.1 Access to Free Basic Services	3.1 Application of Prescribed Recruitment Practices	4.1 Effective Budget Planning and Management	5.1 Functional Ward Committees	6.1 Assessment of accountability mechanisms (MPAC)
1.2 Service Delivery Implementation, Monitoring and Reporting	2.2 Extension of Water and Sanitation services/ facilities	3.2 Implementation of Prescribed Performance Management Practices for the MM and section 56 managers	4.2 Management of Unauthorised, irregular or Fruitless and Wasteful Expenditure	5.2 Service Standards and Complaints Management	6.2 Response to external audit findings
	2.3 Performance against Municipal Strategic Self-Assessment (MuSSA)		4.3 Revenue Management		6.3 Assessment of Internal Audit
	2.4 Waste Handling		4.4.1 SCM: Demand Management		6.4 Assessment of Audit Committee
	2.5 Refuse Removal		4.4.2 SCM Acquisition Management		6.5 Assessment of policies and systems to ensure professional ethics
	2.6 Extension of Electricity		4.4.3 SCM: Logistics Management		6.6 Prevention of Fraud and Corruption
	2.7 Distribution, operation, maintenance and refurbishment of the municipal electricity infrastructure		4.4.4 SCM Disposal Management		6.7 Risk management
	2.8 Municipal Road System				6.8 Administrative, operational and financial delegations

Source: The Presidency (2016)

3.7 Legislative and Regulatory Framework for Monitoring & Evaluation and Supply Chain Management in the South African Local Government Sector

Policy Framework	Monitoring & Evaluation	Supply Chain Management
<p>3.7.1 The Constitution (1996)</p>	<p>Chapter 10 (section 195) is most applicable; referring to basic values and principles governing public administration. The following parts of section 195. (1) <u>are emphasized:</u></p> <p>(b) <i>“Efficient, economic and effective use of resources must be promoted.”</i> and</p> <p>(f) <i>“Public administration must be accountable.”</i></p> <p>(g) <i>“Transparency must be fostered by providing the public with timely, accessible and accurate information.”</i></p>	<p>The supreme law of South Africa has set out two objectives in terms of procurement. The primary objective, according to section 217(1), states that a <i>“procurement system has to be fair, equitable, transparent, competitive and cost effective”</i>.</p> <p>The secondary objective, according to section 217(2) makes provision for a procurement policy, which provides categories of preference in the allocation of contracts, and for the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.</p>

3.7.2 Municipal Systems Act (32 of 2000)

Chapter 6 of the act prescribes the establishment of a performance management system (PMS) for municipalities.

In terms of section 38 of the act, a municipality must *“(a) establish a performance management system that is (i) commensurate with its resources; (ii) best suited to its circumstances; and (iii) in line with the priorities, objectives, indicators and targets contained in its integrated development plan (IDP); (b) promote a culture of*

performance management among its political structures, political office bearers and councillors and in its administration.”

3.7.3 Municipal Planning and Performance Management Regulations (796 of 2001)

The purpose of the Municipal Planning and Performance Management Regulations (796 of 2001) is to facilitate the implementation of the performance management system (PMS) through the following process: setting performance indicators and targets; approval of annual performance agreements; auditing; reporting; reviewing and improving the Performance Management System (PMS).

3.7.4 Framework for Government-wide Monitoring and Evaluation Systems (2007)

The Framework for Government-wide Monitoring and Evaluation systems (2007) is the central policy framework for monitoring and evaluation in the South African Government. It outlines the policy context for supporting frameworks, such as the National Treasury's *Framework for Managing Programme Performance Information*, and Statistics South Africa's *South African Statistics Quality Assurance Framework*. It is further complemented by a framework of the legislative mandates of the different stakeholders responsible for its implementation. It also affords a segment on the principles, which will guide future implementation initiatives. This Policy Framework is applicable to all entities in the national, provincial and local spheres of government (Presidency, 2007).

3.7.5 South African Statistical Quality Assessment Framework (SASQAF) First edition (2008) and Second edition (2010)

According to Mtshali (2015: 38) the main purpose of both editions of SASQAF is to provide quality statistical data that makes accurate and objective information available for appropriate for use in the assessment of achievements and challenges. SASQAF also aims to improve the capacity to produce and utilise information for planning and monitoring purposes.

3.7.6 Guide to the Outcomes Approach (2010)

The Guide to the Outcomes Approach (2010) refers to the government's performance monitoring and evaluation system as well as the management for outcomes accepted by Cabinet. It provides a general synopsis of the twelve outcomes that collectively address the main strategic priorities of government. The outcomes approach is intended to ensure that government focusses on achieving the expected improvements in the lives of all South Africans. The outcomes approach explains what is expected to be achieved, how it is expected to be achieved, and how it will be known whether it was achieved or not. It assists spheres of government in ensuring that the results of a process improve the lives of citizens, rather than just carrying out functions. It facilitates tracking of the progress in achieving results and the collecting of evidence about what works and what not, thus leading to better planning and implementation (Presidency, 2010).

3.7.7 National Evaluation Policy Framework (NEPF) (2011)

The National Evaluation Policy Framework (NEPF) (2011) provides the basis for a minimum system of evaluation across government. Its main purpose is to promote quality evaluations, which can be used for learning to improve the effectiveness and impact of government by reflecting on what is working, what is not working and revising interventions accordingly. It seeks to ensure that credible and objective evidence from evaluation is used in planning, budgeting, organizational improvement, policy review, as well as on-going programme and project management to improve performance (Presidency, 2011).

3.7.8 Performance Monitoring and Evaluation: Principles and Approach (2014)

The Performance Monitoring and Evaluation: Principles and Approach (2014) document is intended as a basis for robust engagement in strengthening performance monitoring and evaluation (M&E) practices in government, and it makes use of some of the key principles from existing policies and guidelines for M&E. The document offers a set of basic principles and an approach to performance M&E that is intended to result in continuous improvement in government performance and increased accountability. It makes proposals regarding the M&E practices that need to be implemented to achieve continuous improvement and increased accountability.

3.7.9 Promotion of Administrative Justice Act (3 of 2000)

Where it is presumed that administrative actions were taken without good cause, the Promotion of Administrative Justice Act (3 of 2000) comes into effect. The Act was formed for fair administrative procedures and allows those who have been negatively affected by unfair administrative actions to take remedial actions or make necessary requests from the administrators. The act promotes the right of lawful, reasonable and procedurally fair administrative actions.

3.7.10 The Preferential Procurement Policy Framework Act (5 of 2000)

Giving effect to section 217 of the Constitution (Republic of South Africa, 1996), PPPFA provides a framework for the manner in which preferential procurement policies needs to be implemented. Part two of the Act refers to the following: the point preference system (calculation and allocation thereof); evaluation and awarding of tenders based on functionality and price; historically disadvantaged individuals (HDI) in terms of race, gender, or disability; and the reconstruction and development programme. Part three of the Act refers to general conditions, including tax matters. According to Raga and Albrecht (2008:795), the aim of PPPFA is as follows: to advance the development of Small Medium and Micro Enterprises (SMME's) / HDI's; promote women and disabled persons; create new jobs; and support local products. This was a complex piece of legislation to interpret in the first decade of the new millennium.

3.7.11 Construction Industry Development Board Act (38 of 2000)

The Construction Industry Development Board Act (38 of 2000) explains the purpose of a Construction Industry Development Board (CIDB) in terms of its objectives, powers, functions, and duties. The CIDB must plan and implement policies, programs, and projects, which will contribute to the standardization and the uniformity of procurement documentation, practices, and procedures. This can be done through a national register of contractors and, if required, consultants and suppliers, thus assisting with risk management in the tendering process. This register will contain information with regard to the awarding (above a certain financial value) and completion of contracts. The register must also regulate behavior, promote minimum standards, and determine best practices for contractors. A code of conduct is also formulated for parties engaged in construction procurement.

3.7.12 Broad-Based Black Economic Empowerment Act (53 of 2003)

The Broad-Based Black Economic Empowerment Act (53 of 2003) is a national policy that promotes the following: black economic empowerment; the economic unity of the nation; equal opportunity and access to government services; and the broad-based and effective participation of black people in the economy through increased employment and equitable income distribution. Section 10 states that an organ of state must act in good practice relevant to developing and implementing a preferential procurement policy.

3.7.13 Municipal Finance Management Act (56 of 2003)

The Municipal Finance Management Act (56 of 2003) was established with the intent to set out a regulatory framework for SCM, specifically procurement in municipalities and municipal entities. It focusses specifically on the SCM process, procedures, conditions, and compliance guidelines. MFMA states clearly that a municipality or municipal entity should have a SCM policy, which addresses the mentioned focus areas in detail, is subject to legislation, and lies within the regulatory framework. Chapter 11 is applicable.

3.7.14 Prevention and Combating of Corrupt Activities Act (12 of 2004)

The Prevention and Combating of Corrupt Activities Act (12 of 2004) enables corruption and activities related to it to be classified as an offence. Chapter 6 makes provision for the establishment of a Register to place certain restrictions on persons and enterprises that were/are convicted of corrupt activities relating to tenders and contracts. The Act states the powers, duties, functions, and access to the Register. It compels persons of authority to report certain corrupt transactions.

3.7.15 Municipal Supply Chain Management Regulations (2005)

The Municipal Supply Chain Management Regulations (2005), which are based on MFMA, were introduced to guide municipalities in establishing and implementing a SCM policy. Bizana *et al.* (2015:668) maintain that the main objective of a SCM policy framework is promoting consistency and uniformity with the application of SCM processes, especially throughout local government. Chapter 1 focusses on the

content, delegation of powers and oversight roles. Chapter 2 sets out the framework for the municipal SCM policy, specifically focusing on the following:

- components of SCM
- procedures, systems and processes of procurement
- other matters, such as tax, ethical and prohibition of tender awards

3.7.16 Preferential Procurement Regulations (2017)

The Preferential Procurement Regulations (2017) is a revised version of the 2011 regulations, which explained the points allocation system based on functionality, price, and a valid B-BBEE status level certificate (80/20 or 90/10 system). These regulations were largely influenced by the need to provide for a mechanism to empower certain categories of Small Medium and Micro Enterprises (SMME), also classified as EMEs or QSEs, Co-operatives, and Township and Rural enterprises, through procurement.

3.8 Conclusion

The author of this study considers Kusek and Rist's (2001:17) ten-step approach to be a comprehensive approach in developing a performance-based M&E system, as it differentiates among tasks, which is needed in the facilitation of M&E systems in developing countries. The author believes that the ten-step process is clear, descriptive and could be easily relatable to a municipality. For the sake of uniformity in local government, the author is of the opinion that the LGMIM also offers good guidelines to base an M&E system on, as it includes the established roles and responsibilities of relevant stakeholders and is aimed at having a standardized approach to performance evaluations in municipalities. The LGMIM's financial management KPAs refer to all SCM functions, excluding performance management (contract management), a factor that this study aims to address.

This chapter revealed how M&E has developed, since its inception in the South African public sector, and how DPME has gone about implementing M&E in the South African public sector. Furthermore, the chapter explained how M&E and its implementation into the public sector of South Africa, specifically local government, could become rather complex and specialized. A significant challenge in

implementing an M&E system in local government is the different formation (compilation) of municipalities in terms of resources and functions. Autonomous management styles are so different from one another, unlike those in the national sphere and provincial sphere, and thus developing a standardised M&E system can be rather difficult, as there are many factors to consider. The author is of the opinion, however, that a standardised M&E system can be developed, as most municipalities experience the same underlying challenges, although this may come to the fore in different forms.

The above legislative and regulatory frameworks provide legal guidance to municipalities in the pursuit of effective execution of their mandate. All strategies, innovations or procedures, which will enhance service delivery, must conform and fall within the prescription of the above legal frameworks. The frameworks applicable to M&E are used as an informative and capacity building tool, while those relevant to SCM motivate fair and ethical dealings.

In the next chapter, the unit of analysis, Overstrand Municipality will be analyzed. Secondary research with regard to evaluating the performance of SCM at the municipality through document analysis, applicable to Overstrand Municipality, will be conducted.

4 CHAPTER 4: OVERSTRAND MUNICIPALITY

4.1 Introduction

As earlier stated in Chapter 1, the research method described in this chapter entails a document analysis of Overstrand Municipality. These documents provide information that contributes to the attainment of the objectives of the study. The documents being reviewed are credible, already reported on, and are accessible within the public domain. The document analysis includes the use of documented sources such as relevant government publications and Overstrand Municipality's policies and strategic documents. Only documents relevant to research objective 3 are analysed.

4.2 Description of document analysis process

The purpose for selecting document analysis as a research instrument is to analyse and evaluate documented evidence of M&E and SCM at Overstrand Municipality. The documents selected include Overstrand Municipality's 2016/17 and 2014/15 annual reports, which will be utilized to provide an overview of the municipality, and describe how M&E is conducted and presented. The 2012/17 IDP and the 2018/19 IDP reviews will be used to establish the current state and strategic direction of Overstrand Municipality. In terms of internal controls, which are used to enhance good governance, the reviewing of Overstrand Municipality's internal audit methodology document, risk management policy, the two mentioned annual reports and the MFMA will ensue. In analysing Overstrand Municipality's SCM position, the 2016/17 SCM annual implementation report, MFMA, and the municipal SCM regulations will be covered. Furthermore, to specifically understand performance management in SCM, reviewing the municipality's contract management policy and annual reports will be done. Lastly, to determine performance management at Overstrand Municipality, documents such as Overstrand Municipality's reviewed performance management framework, the two mentioned annual reports, MFMA, and the Municipal Systems Act were utilized. These are the most appropriate documents to be utilized to address research objective 3. The sections below present the findings from this analysis.

4.3 Overstrand Municipality overview

Overstrand Municipality is one of only 33 out of total of 257 municipalities in South Africa, who have received “clean audits” for the 2016/17 financial year (Auditor-General, 2018: 1-2). Moreover, this is the municipality’s fifth consecutive “clean audit” (Overstrand Municipality, 2018a:26). The municipality spent 98% of its capital budget and met 85% of their KPIs (Overstrand Municipality, 2018a:26). Based on the above, Overstrand Municipality can be regarded as one of the best administrated municipalities in South Africa. SCM plays an integral part in ensuring that the above mentioned accolades are deserved. External service providers represent Overstrand Municipality, and their performance is automatically a reflection of the performance of the municipality.

Overstrand Municipality is situated along the South Western coastline in the area of the Overberg District Municipality. The City of Cape Town borders on the west, Cape Agulhas Municipality borders on the east, and Theewaterskloof Municipality is its northern neighbour (Overstrand Municipality, 2018b:26). The land cover area of the municipality is approximately 1708 km². The predominantly well-known areas of Hangklip/Kleinmond, Greater Hermanus, Stanford and Greater Gansbaai are covered by Overstrand Municipality that also boasts a coastline of approximately 230 km, which stretches from Rooi Els in the west to Quinn Point in the east (Overstrand Municipality, 2018b:26)



Source: (Overstrand Municipality, 2018a: 32). Overstrand’s area map with wards

According to Overstrand Municipality (2018a:26), the estimated population for 2016/17 is 93 407 based on the 2016 Community Survey conducted by Statistics South Africa. The total number of households within the municipal area increased from 32 294 in the 2015/2016 financial year to a total of 33 240 in the 2016/2017 financial year, an increase of 2.93% in the total number of households within the municipal area over the two financial years (2015/2016-2016/2017). Unemployment was at 23.3 % for the 2016/17 financial year (Overstrand Municipality, 2018a: 31). Overstrand Municipality can be categorized as a category B municipality, “*Local municipalities that share municipal executive and legislative authority in their area with the Category C (district) municipality*” (Van der Waldt, Khalo, Nealer, Phutiagae, Van der Waldt, Van Niekerk & Venter 2014:8). According to Overstrand Municipality (2018b: 8), the municipality’s strategic goals entail the following:

- The provision of democratic, accountable and ethical governance
- The provision and maintenance of municipal services
- The encouragement of structured community participation in the matters of the municipality
- The creation and maintenance of a safe and healthy environment
- The promotion of tourism, economic and social development

The municipal manager is the accounting officer of the municipality. He is the head of the administration and his mandate includes the following (Overstrand Municipality, 2018b: 53):

- ensuring service delivery is to be effectively manifested
- ensuring that the priorities of political strategies are to be implemented

He is assisted by the top management structure that consists of the following: the management team; the director: finance (CFO); the director: management services; the director: community services; the director: protection services; the director: infrastructure and planning; and the director: local economic development (LED). The municipal manager is also assisted by the internal audit unit, headed by the chief audit executive (CAE), to assist in governance issues. The top management structure is divided in such a way as to ensure alignment and compliance regarding the National Key Performance Areas (Overstrand Municipality, 2018c: 16); the alignment will be depicted later in this chapter.

4.4 Monitoring & Evaluation at Overstrand Municipality

As presented in Chapter 3, the Municipal Systems Act (Republic of South Africa, 2000b) and the Municipal Finance Management Act (Republic of South Africa, 2003a) require the Integrated Development Plan (IDP, 5 year strategic plan) to inform the municipal budget and to monitor the performance of the budget via the Service Delivery and Budget Implementation Plan (SDBIP). Overstrand Municipality's Performance Monitoring & Evaluation (PM&E) system consists of three sections: organizational performance management; individual performance management; and supplier performance management. For the purpose of this study, individual performance management will be excluded.

4.4.1 M&E against the SDBIP

According to Overstrand Municipality (2018a: 104), organizational performance is evaluated by means of a top layer SDBIP (municipal scorecard) and detail SDBIP (directorate/departmental scorecard). This is done through a web-based system called IGNITE. The two sections of the SDBIP entails the following: (Overstrand Municipality, 2018a: 104 - 106)

- 1. Municipal scorecard (Top Layer SDBIP)*

The municipal scorecard consolidates service delivery targets set by council and top management, and provides an overall picture of performance for the municipality as a whole.

- 2. Directorate / departmental scorecard (Detail SDBIP)*

The directorate and departmental scorecard (detail SDBIP) captures the performance of each defined directorate or department. The departmental SDBIP provides details of each output for which top management is responsible for; in other words, a comprehensive picture of the performance of that directorate/sub-directorate. It was compiled by senior managers for their directorate and consists of objectives, indicators and targets to give effect to the municipal scorecard (top layer SDBIP) and strategic objectives set out in IDP.

The validity of the municipal scorecard (top layer SDBIP) will be dependent on the accurate information provided in the departmental scorecard (detail SDBIP).

The performance management function, known as strategic services, which is responsible for organizational performance management, is a small component consisting of the senior manager: strategic services and the senior administrative officer: strategic services. In terms of the organogram, they are located within the larger directorate of management services (corporate services), which consists of human resource management, the legal department, ICT, social services, and communication and council support services. The senior manager: strategic services reports to the director: management services.

The two officials in the strategic services section are responsible for training employees (officiating in other functions of the organization) to operate the IGNITE system. In April of each year, the two officials will conduct a workshop for employees and Key Performance Indicators (KPI) owners (managers). In this workshop, training is provided, and relevant employees will establish new KPIs that will reflect in the new SDBIP, which will be approved by council in June of each year. In the new financial year (July), the KPI owners will capture the target information on their SDBIP with proof of evidence (POE); this is done every quarterly. The strategic services department will draft quarterly performance reports based on the SDBIP target information and POE; these reports get presented to council for approval. In hindsight, they are responsible for the co-ordination of the IDP, organizational performance management (SDBIP) and the compilation of the annual report. The strategic services unit also drives compliance monitoring within the organization (Overstrand Municipality, 2018c).

Overstrand Municipality has significantly made an effort to advance in the area of PM&E. According to Overstrand Municipality (2016a: 100), the municipality has used PM&E as a management tool to plan, monitor, measure, and review performance indicators to ensure efficiency, effectiveness, and the impact of service delivery by the Municipality. In 2014, the Municipality adopted an updated performance management framework to adhere to regulation 7 of the Municipal Planning and Performance Management Regulations (Overstrand Municipality, 2018a:108). This

framework describes how the Municipality's performance process, for the organization as a whole, will be conducted, organized, and managed.

Overstrand Municipality has a performance management framework; however, internal control, risk management, and oversight, in the form of the internal audit, still need to be exercised, not only for the credibility of the framework but also to enhance governance.

4.4.2 Internal Control

Internal controls augment the comprehension of governance requirements and the ability to differentiate between good and bad governance (Ncgobo & Malefane, 2017:78). In the pursuit of good governance, the municipality has strategic internal control measures in place like risk management and internal audit. In terms of Republic of South Africa (2003a:74), the accounting officer of a municipality needs to exercise effective financial control by having a risk management system in place. In addition, each municipality must have an internal audit unit to advise the accounting officer on matters relating to internal control (Republic of South Africa, 2003a:152). Overstrand Municipality (2018d: 4) states that risk management is done to improve internal control and operational performance, which will enhance good governance. Furthermore, the benefits of risk management for the municipality include reducing wastage, preventing fraud, and assisting with compliance reporting (Overstrand Municipality, 2018d: 4); these are all elements pertaining to internal control. COSO (1994:4) mentions in Ncgobo and Malefane (2017:77) that internal controls comprise five interrelated components, one of which is risk management. Internal audit's objective is to provide all levels of management with an independent quality assessment of internal controls and administrative processes to ensure strategic objectives are reached (Overstrand Municipality, 2015:4). As stated in Chapter 2, internal auditors of public institutions strengthen internal controls and increase the integrity of governance processes.

4.4.3 Risk Management

Overstrand Municipality's risk management function was performed by the internal audit unit (IAU) until June 2015, (Overstrand Municipality, 2016a: 69). Overstrand

Municipality (2016a:78) states that the IAU kept the strategic risk register up to date on a monthly basis. Overstrand Municipality and the balance of local municipalities within the Overberg District are making use of the Shared Services Charter (SSC) with reference to Risk Management (Overstrand Municipality, 2016b:22). A chief risk officer (CRO) was appointed to serve all five local municipalities within Overberg (based at Overberg District municipality) as from August 2015. A risk officer has been appointed at Overstrand Municipality to support the CRO in his duties, which include assisting the CRO with the implementation of a risk management plan and providing onsite assistance to municipal staff (Overstrand Municipality, 2018d: 8). The primary goal of the CRO is to mitigate risks in the Municipality and identify risk management opportunities (Overstrand Municipality, 2016b: 23). Since the introduction of the SSC model, comprehensive departmental risk assessments have been introduced, which have led to the maximisation of opportunities by contributing to better planning and value-adding initiatives through realistic risk action plans and addressing internal control deficiencies (Overstrand Municipality, 2018b:24).

4.4.4 Internal audit unit (IAU)

The Municipality has its own in-house internal audit function consisting of the chief audit executive, three internal auditors, and one internal audit intern. According to Overstrand Municipality (2015:4), the purpose of this function is to ensure the following:

- Reliability and integrity of information;
- Compliance with policies and procedures;
- Safeguarding of assets;
- Economical and efficient use of resources; and
- Accomplishment of established objectives and goals for operations or programs.
-

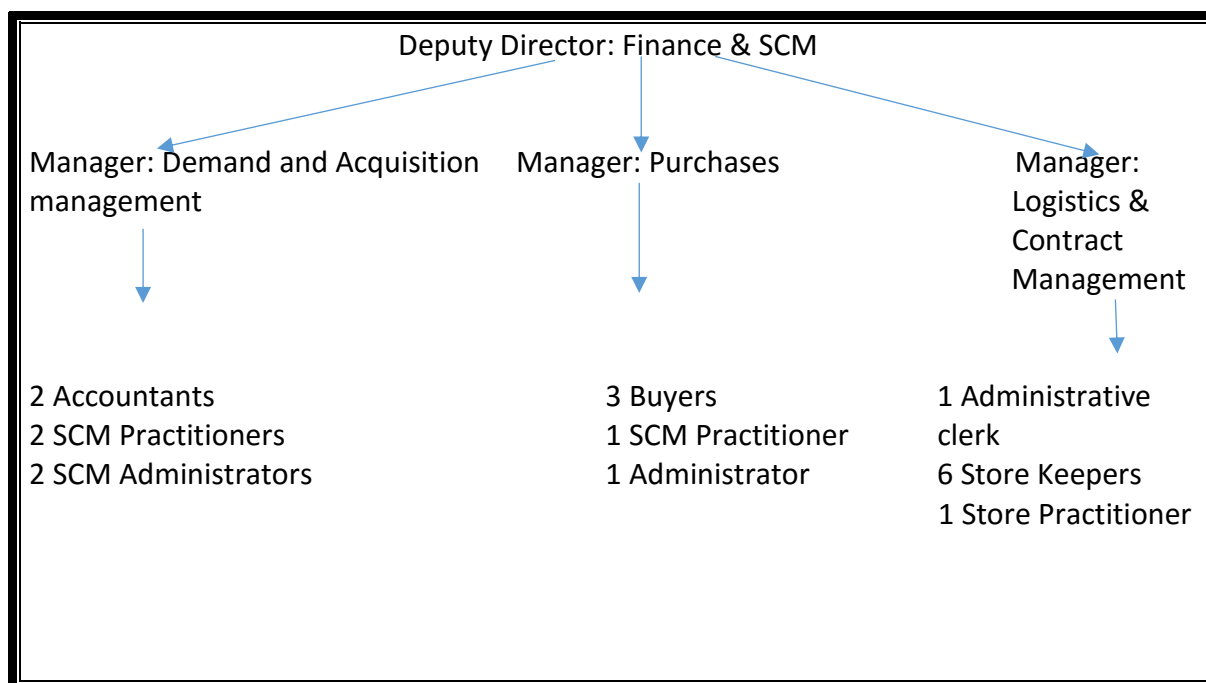
According to Overstrand Municipality (2018a: 108), internal audit performed a statutory compliance review, which included revision of the information contained in the budget/SDBIP, reviewed the IDP and reported thereon. In addition, a compliance review was performed on the submission of the budget/SDBIP, and on the

performance agreements of managers reporting directly to the municipal manager to ensure compliance to the relevant legislative requirements.

Being familiarised with performance management processes and internal control structures through document analysis, this study is one step closer to comprehensively understand the dynamics at Overstrand Municipality in terms of M&E. To further aid this study, the unpacking of Overstrand Municipality's supply chain management, through what is documented, will occur.

4.5 Supply Chain Management

Overstrand Municipality's supply chain management unit (SCMU) is a departmental function within the finance directorate (Overstrand Municipality, 2016b:21). The organogram is depicted in graph 2.



Graph 2: SCMU organogram (Author's own depiction, 2018)

The SCM head directly reports to the director: finance (CFO). Overstrand Municipality's SCM policy and standard operation procedures (SOP's) are aligned with the legislative and regulatory framework. The Municipality's supply chain management unit makes provision for demand management, acquisition management, logistics management, and contract management.

4.5.1 Demand management

Ambe and Badenhorst-Weiss (2011:1107) refer to demand management as the first element of SCM that identifies needs during the strategic planning process. Demand management can also be considered as the initial phase of SCM at Overstrand Municipality, as it entails demand planning (prioritizing) and the formation of specifications for bids. With the support of the CFO and the municipal manager, the supply chain management unit has developed a demand management plan as a strategic tool to implement the budget and reach objectives as set out in the integrated development plan. The demand management plan assists the supply chain management unit with the planning of tender processes. It also assists user-departments with planning, execution, and timely completion of projects aligned with their targets, as set out in the Service Delivery Budget Implementation Plan (SDBIP). The supply chain management unit reports every month to the top management team (TMT) on the status of the demand management plan.

4.5.2 Acquisition management

The acquisition (buying or purchasing) of services and goods by government is considered acquisition management (Bizana, Naude & Ambe, 2015:671). Overstrand Municipality has value thresholds in place, which is the determining factor of how goods and / or services are procured. The procurement of goods and services below R30 000 is done by the manager: purchases and the buyer's division. Procurement of goods and services above R30 000 is done by the manager, demand & acquisition management, and the procurement division.

4.5.3 Logistics Management

Republic of South Africa (2005: 29) states that that a municipality must have an effective system of logistics management to ensure the following: the monitoring of spending patterns; the management of inventory levels; and appropriate standards of internal control and warehouse management. At Overstrand Municipality, the purpose of logistics management is to control the movement and storage of materials in the warehouses, or commonly known as municipal stores. Overstrand Municipality operates three municipal stores in the areas of Gansbaai; Hermanus and Kleinmond, with a stock value of R 6.6 million, (Overstrand Municipality, 2017: 12).

4.5.4 Contract Management

The contract management division is staffed by the manager: contract management and the principle clerk. The manager reports to the deputy director: finance and supply chain management. A municipal service can be provided by a municipality by signing a particular service delivery agreement in terms of Section 76(b) of the Municipal System Act with an external service provider. Moreover, a municipality is responsible for monitoring and assessing the implementation of the agreement, including the performance of the service provider in accordance with section 41 of the Municipal Systems Act. The performance management of suppliers is supported by a web-based system called Collaborator. Upon conclusion of a contract, the principle clerk will create a basic profile of the contractor on Collaborator. The user department is then responsible for further completing the profile on Collaborator with KPIs, which they review on a monthly basis. Performance review tasks are completed the 25th of each month. Scoring is done out of 5 every month, and should a contractor receive less than a 3, it is compulsory for the user-department to add evidence for the evaluation of that month. The contract management and the user-department will liaise in the case of under-performance of a supplier. The manager: contract management drafts performance reports on a monthly and quarterly basis for top management and an annual report for council (Overstrand Municipality, 2018e:10).

According to Overstrand Municipality (2018e: 7); the manager: contract management is also responsible for information management and relationship management.

Total contracts Concluded above R30,000 for 2016/2017	309
Contracts that were amended	14
Contracts that were cancelled	3
Contracts established out of deviations above R30,000	32

(Source: Overstrand Municipality, 2017:4)

Based on the above figure, where 309 contracts above R 30, 000.00 were concluded with external service providers (suppliers), one can conclude that a great amount of municipal (public) funds are spent on external service providers to assist the municipality in executing its constitutional mandate. It is, therefore, imperative that every cent is well spent and that every external service provider is held to account by the municipality to perform at quality standard levels. The performance of external service providers or suppliers, providing goods or conducting duties on behalf of the municipality, has a direct influence on the performance of the municipality. Communities do not complain to suppliers (external service providers) for lack of quality service; municipalities are always held to account.

In wanting to create an M&E system for supply chain management at Overstrand Municipality, one has to review the current performance systems in place. By observing and familiarizing the current systems, a better idea will be established as to what type of empirical data to gather in the next chapter to ensure that the overall objective of this study is reached.

4.6 Overstrand Municipality's Organisational Performance Management System and Supplier Performance Management System

In order to develop the results-based M&E system for SCM at Overstrand Municipality and determine the possible improvements, a comparison has to be made regarding how performance management is currently illustrated in the Municipality. This can be done by reviewing the current organizational performance management system and the supplier performance management system.

4.6.1 Organisational performance system

Based on the reporting done by Overstrand Municipality (2018a) and (2016a) in terms of consecutive "clean audits", the author can undertake that Overstrand Municipality's management emphasizes and prioritizes the pursuit of compliance (at all times) to all relevant regulations and legislation in managing the Municipality. An indication of how the Municipality's current organizational performance management system is compiled to ensure compliance will follow below. The procedures of organization performance management were determined earlier in the chapter. Thus, based on those procedures, the illustration figure below gives an indication on

how the strategic objectives, as set out in SDBIP, are formulated and presented in the annual report. Overstrand Municipality's KPAs are derived from the national KPAs, and the Municipality's strategic objectives are then derived from the municipal KPAs.

National Key Performance Area	Municipal Key Performance Area	IDP Strategic Objectives
Good Governance and Public Participation	Good governance	Encouragement of structured community participation in the affairs of the municipality
Municipal Financial Viability and Management	Optimisation of financial resources	Provision of democratic, accountable and ethical governance
Municipal Transformation and Institutional Development	Good governance	Provision of democratic, accountable and ethical governance
Basic Service Delivery	Basic Service Delivery	Provision and maintenance of municipal services
Local Economic Development	Social upliftment and Economic Development	Promotion of tourism, economic and social development Creation and maintenance of a safe and healthy environment

(Source: Overstrand Municipality 2018a: 182-197)

Having established how municipal strategic objectives are formulated in the top layer SDBIP, the figure below illustrates a strategic extraction of the SDBIP as stated in the annual report. The extraction contains five essential KPIs, which derive from the municipal strategic objectives, and were chosen from the SDBIP extraction, as it covers all directorates and functions of the municipality.

The figure below illustrates how the Municipality currently evaluates and presents organisational performance.

Strategic Objective	KPI	Unit of measurement	Wards	Actual 2015/16	Annual Target	Actual	Corrective Measures
The provision of democratic, accountable and ethical	The percentage of a municipality's budget (training budget) actually	% of the training budget spent on implementation of	All	100%	100%	99,50%	Balance not enough to pay for the last bursary application. Will

governance	spent on implementing its workplace skills plan (actual expenditure divided by the budget allocated)	the WSP					be paid next financial year.
The provision and maintenance of municipal services	Provision of refuse removal, refuse dumps and solid waste disposal to all informal households at least once a week	Number of weekly removal of refuse in informal households (Once per week = 52)	All	52	52	52	Target met
The encouragement of structured community participation in the matters of the municipality	Ward committee meetings held to facilitate consistent and regular communication with residents	Number of ward committee meetings per ward per annum	All	8	8	9	Target well met
The creation and maintenance of a safe and healthy environment	Arrange public awareness sessions on Protection Services	Number of sessions held	All	58	88	88	Target Met
The promotion of tourism, economic and social development	The number of job opportunities created through the EPWP programme and as per set targets (grant agreement - FTE's, translates to 421 work opportunities)	Number of temporary jobs created	All	564	421	828	Target extremely well met

(Source: Overstrand Municipality 2018a: 111-122)

4.6.2 Supplier performance system

In depicting the current supplier performance system (managed by contract management: SCM) of Overstrand Municipality, the figure illustrated below contains six contracts which have been strategically extracted from the supplier performance system (scorecard), and which can also be viewed in the annual report. These contracts have been specifically selected, as they cover all directorates or main functions within the municipality. These contracts will also be used in the final chapter to illustrate the M&E system for SCM, which will facilitate much better

comparisons. The figure below illustrates how the Municipality currently evaluates and present supplier performance.

Service providers utilized according to functional areas per Directorate (2016/2017)						
Contract name	Supplier name	Type of services rendered	Term of contract (in Years)	Performance area	Average rating	Comment and/or corrective action when under performed
LED						
Extension of Contract SC1379/2013:Provision of parking management system for the Hermanus Central Business District	NUMQUE 20 CC	Provision of parking management system	1.0	Back Office and Management Information System	3	Satisfactory
				Submit monthly reports	3	Satisfactory
				Terminals (Handheld devices)	3	Satisfactory

Service providers utilized according to functional areas per Directorate (2016/2017)						
Contract name	Supplier name	Type of services rendered	Term of contract (in Years)	Performance area	Average rating	Comment and/or corrective action when under performed
Finance						
Core financial business system.	BYTES UNIVERSAL SYSTEMS, A DIV OF ALTRON TMT (PTY) LTD	Financial System	3.0	Deliver financial system services within agreed time, cost and quality	2	Under-Performed

Service providers utilized according to functional areas per Directorate (2016/2017)						
Contract name	Supplier name	Type of services rendered	Term of contract (in Years)	Performance area	Average rating	Comment and/or corrective action when under performed
Management Services						
Training: Computer Skills in Microsoft office 2010	KEEP THE DREAM 285	Computer Training	0.9	COMPUTER TRAINING SC1664/2016	4	Good
				TRAINING TO COMMENCE IN AUGUST 2016	4	Good

Service providers utilized according to functional areas per Directorate (2016/2017)						
Contract name	Supplier name	Type of services rendered	Term of contract (in Years)	Performance area	Average rating	Comment and/or corrective action when under performed
Infrastructure & Planning						
Rehabilitation of existing paved roads, Zwelihle, Phase 1, Hermanus.	WEZAN BUILDING AND CIVIL CONSTRUCTION	Construction of roads	0.7	Training provided for local residents employed.	3	Satisfactory
				Budget	3	Satisfactory
				Quality	3	Satisfactory
				Time	3	Satisfactory

Service providers utilized according to functional areas per Directorate (2016/2017)						
Contract name	Supplier name	Type of services rendered	Term of contract (in Years)	Performance area	Average rating	Comment and/or corrective action when under performed
Community Services						
Fleet management system for vehicle tracking, operations monitoring management information system	ALTECH NETSTAR (PTY) LTD	FLEET MANAGEMENT SYSTEM FOR VEHICLE TRACKING, OP M	3.0	COST (PRICE)	3	Satisfactory
				QUALITY	3	Satisfactory
				TIME (DELIVERY)	3	Satisfactory

Service providers utilized according to functional areas per Directorate (2016/2017)						
Contract name	Supplier name	Type of services rendered	Term of contract (in Years)	Performance area	Average rating	Comment and/or corrective action when under performed
Protection Services						

Traffic speed measuring, cameras and back office for fine collection in the Overstrand.	TRAFFIC MANAGEMENT TECHNOLOGY	Traffic speed measuring, cameras and back office	4.6	SC 1579/2015: TRAFFIC SPEED MEASURING, CAMERAS AND BACK OFFICE FOR FINE COLLECTION IN THE OVERSTRAND	3	Satisfactory
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(Source: Overstrand Municipality 2018a:125 – 166)

4.7 Conclusion

It can be concluded from prior discussions in this chapter that Overstrand Municipality is making an effort to have structures in place for M&E (organizational performance management) and supplier performance management. This effort is clearly recognized in the several consecutive “clean audit” reports that acknowledged the following: the Municipality’s performance management framework; established internal control functions (independent internal audit and risk management units); and the distinction of functions and segregation of duties within its SCM unit (Overstrand Municipality, 2018a).

However, based on Chapter 1, as indicated in the problem statement, where communities find it difficult to determine the value municipal activities has had on their livelihoods, Overstrand Municipality’s organizational performance management system indicators indicate whether targets have been either met or not. Moreover, the supplier performance management system illustrates that the Municipality views performance as good, satisfactory, or under-performed. Nevertheless, the question remains whether the existing systems focus on the most important aspects to drive service delivery to citizens. Biased indicators or resistance from user departments, due to lack of knowledge on how to create indicators, or how to properly evaluate performances, may result in systems that focus on less important variables.

This may mean that, although Overstrand Municipality is ticking most of the right boxes in terms of complying with statutory legislative requirements and addressing objectives set out in their IDP, the current supplier performance system may not be adequate enough to reflect the performance of the municipality. To further inform the document review, the next chapter will gather empirical research data to establish the challenges in existing practice, expectations, and possible solutions from relevant internal stakeholders in terms of supplier performance at Overstrand Municipality in order to fully address the research question of this study.

5 CHAPTER 5: STRENGTHS AND LIMITATIONS OF M&E AND SCM AT OVERSTRAND MUNICIPALITY

5.1 Introduction

The previous chapters (1 to 4) are based on a literature review, including the document analysis of Overstrand Municipality, and thus used to establish the context informing the basis and structure of this study. The specific purpose of Chapter 5 is to describe and motivate the research design and research methodology employed to gather the empirical data needed to determine the challenges of existing practice, expectations, and possible solutions, with regard to relevant internal stakeholders and in terms of SCM performance at Overstrand Municipality (objective 4). Welman, Kruger and Mitchell (2008:1) explain that research methodology constitutes the overall logic behind selected research techniques and methods. Research methods are normally referred to as being objective methods and procedures in attaining credible data. The empirical data will be presented in a logical manner, making it possible to use in the achievement of research objective 5 as described in this last chapter.

5.2 Research Methodology

The two categories of research doctrine associated with research methodology, include the quantitative research approach and the qualitative research approach a comparison of which follows below:

Qualitative Approach	Quantitative Approach
Biased to insiders' views	Biased to outsiders' views
Holistic in data collection	Particularistic in data collection
Encompasses small samples for in-depth studies	Encompasses larger numbers (population)
Favours dynamic environment	Favours stable environment
Studies more day-to-day events	Studies more abstract reality
Utilizes flexible and exploratory analysis methods	Utilizes complex structured analysis methods
Depends more on the validity of data	Depends more on the reliability of data

Handles subjective data	Handles objective data
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Source: Welman et al. (2008:8-9)

In line with research objective four and five, the qualitative approach has been chosen in this study, which involves empirical research based on the attitudes, behaviour and experiences of participants with regard to M&E and SCM.

5.2.1 Research Method

According to Welman et al. (2008:52), research methods are procedural plans for the researcher to follow in selection of participants, as well as the collection and analysis of information. The author utilized semi-structured interviews as the research method for the empirical research. Leedy (2005:146) is of the opinion that interviews can produce a great deal of valuable information, such as facts, beliefs, perspectives, feelings, motives, behaviours, and the rationale for actions. Based on this, and on what the author aims to achieve in this study, semi-structured interviews were considered the most appropriate research instrument. All the data gathered this way will be analyzed, interpreted, and integrated according to acceptable research method procedures.

5.2.2 Ethical Clearance

Ethical clearance was obtained from the School of Public Leadership Ethics Committee at Stellenbosch University, and the necessary permission was requested and granted from the municipal manager of Overstrand Municipality prior to conducting empirical research. Solicited consent from the respondents before proceeding with the interviews was also granted. The author undertook to respect the privacy and confidentiality of the respondents by explaining the objectives and the implications of the study, as well as certifying accurate reporting of results. An overview was given to the respondents of what would be asked and how this research could benefit them and their rights as research participants.

Potential respondents who did not wish to participate were allowed to state their preference without any consequences. Furthermore, those who agreed to participate were permitted to withdraw from participating any time they wished to do so. It was

also made clear to the participants that the full research findings would be made available to them.

5.2.3 Limitations to the research

A possible limitation to this research was the availability of identified respondents, as the positions held by respondents in the organization are of such a nature that effective time management is absolutely crucial for them to execute their duties. Thus, the author undertook to conduct the interviews at a time most appropriate for the respondents. However, although the target population for this study initially included top management (municipal manager and six directors), these stakeholders had to be excluded owing to the limitation explained above. Despite the fact that the author and top management depleted every available avenue to conduct interviews, including setting up appointments and rescheduling and, due to the positions held by these employees, whose first priority is always service delivery to the communities, the realization came to the fore that it would not be possible to interview them. However permission was granted by top management to interview their deputies or/and relevant senior managers, who are indeed also suitable and credible as interviewees, as they have a vast amount of municipal experience and are, actually, ideal, as they are exposed to both the operational and strategic levels of the organization.

It was stated to the interviewees that their identity would be withheld; they would be referred to as “respondents”; and random numbers would be allocated to them to identify a particular interviewee, known only to the author of this study. No number has any relation to the position mentioned in this study or how the list of references is compiled.

5.2.4 Sampling and research population

This research study used purposive sampling to enable the researcher to identify key stakeholders believed to have the most relevant and updated information required for this study. The purposive method is preferred owing to the fact that it is convenient and focusses on data sources that are deemed to be knowledgeable

about the research subject (Maylor & Blackmon, 2005: 249). Burger and Silima (2006:656) agree that this sampling method is most suitable in qualitative studies.

Overstrand Municipality comprises a political and administrative governance structure (Oppelt, 2016:36). Semi-structured interviews were conducted with managers in the administrative structure who are considered to be the most relevant and informed about performance management, SCM, and governance at Overstrand Municipality. Furthermore, considering the limitation of this study, the research population consisted of the following:

- (a) Deputy director: infrastructure & planning; (b) senior manager: expenditure and assets; (c) manager: social development; and (d) acting senior manager: legal services: These stakeholders are directly involved with municipal projects and programmes and, as true experts in their respective fields, they can assist with challenges; expectations and recommendations for supplier performances based on their experiences. Their respective reporting is, in most cases, used to assist in informing the public.
- Senior manager: strategic services (IDP and performance management): This stakeholder is responsible for organizational performance management. His/her input in advancing M&E systems at local government is valuable, especially in terms of adding outcome KPIs to the evaluation processes.
- (a) Deputy director: finance and SCM; (b) manager: contract management. These stakeholders determine the challenges experienced on an operational level with supplier performances.
- Chief audit executive (head of internal audit unit). This stakeholder determines how internal control deficiencies negatively affect governance and what an evaluation framework should constitute to enhance governance.

5.3 Interviews and questionnaire design

The aim of the semi-structured interviews was to obtain in-depth views and thoughts of the senior municipal officials with regards to their understanding of M&E and what an effective SCM performance management system should constitute. This entailed identifying the current state, challenges, expectations, and recommendations of these relevant internal stakeholders regarding Overstrand Municipality. Interviews

were conducted at Overstrand Municipality between 27 September 2018 and 04 October 2018.

5.3.1 The development of interview questions

In order to ask the right and relevant type of interview questions, it was decided to align the interview questions with the research question of this study, “*How can an M&E system enhance the governance of supply chain management (SCM) at Overstrand Municipality?*” The author embarked on dividing the research question into four themes: M&E system at Overstrand Municipality; enhancing governance at Overstrand Municipality; SCM at Overstrand Municipality; and further recommendations and remarks. In this section of the study, an explanation for the rationale of the interview questions per theme will firstly be provided, and then the set out of actual interview questions per theme will be explained.

5.3.2 Rationale for interview questions by theme: M&E system at Overstrand Municipality

In order to establish a monitoring and evaluation system in SCM at Overstrand Municipality; the author had to first determine from the selected personnel of Overstrand Municipality their understanding of M&E or performance management in the Municipality. Thereafter, the depiction of the current state of M&E in local government, as discussed in Chapter 3, led to the second question under this theme, as it was important to determine what was deemed as good performance. The third and fourth questions were based on the discussions in Chapter 2, about the need for a results-based M&E system, and in Chapter 4, where it was stated that Overstrand Municipality has a performance management structure (framework or system) in place of which the establishment of the strengths and/or limitations needed to be determined. The explanation in Chapter 2 of what a results-based M&E system constitutes, in relation to the KPIs developed by Overstrand Municipality, led to the last question under the theme “M&E system at Overstrand Municipality”.

5.3.3 Rationale for interview questions by theme: Enhancing governance at Overstrand Municipality

Based on current trends in the media, great emphasis in current times is placed on the type of audit report (clean, unqualified, qualified, disclaimer, adverse) a municipality receives from the Auditor-General. This is used as an indicator to communicate how well a particular municipality is governing and performing in its respective areas, hence the two questions under the theme “enhancing governance at Overstrand Municipality” are posed in the study.

5.3.4 Rationale for interview questions by theme: Supply chain management at Overstrand Municipality

This study is based on evaluating the performance of suppliers / service providers, whom the municipality appoints to perform certain duties on the municipality’s behalf. Due to the possible financial or capacity constraints of Overstrand Municipality, a determination of how important it is for the municipality to appoint the most suitable or most appropriate supplier/service provider needed to be made. Moreover, based on the literature review about the necessity of effective SCM in Chapter 2, the first question under the theme “supply chain management at Overstrand Municipality” was considered important for indicating the significance of this study. The last two questions under this theme were developed and posed in the light of the explanation given in the literature review about the crucial function and challenges of SCM within a municipality and the benefits that a results-based M&E system can offer in this regard,

5.3.5 Rationale for interview questions by theme: Further recommendations and remarks

The only interview question under the theme “further recommendations and remarks”, which was the last one, was developed to determine if there were any other elements that might be useful in enhancing the credibility of this study.

<u>Research question themes</u>	<u>Interview Questions</u>
1. M&E system at Overstrand Municipality	<p>a. In your opinion; what are the main contributing factors which will give effect to the performance of the municipality?</p> <p>b. Do you think being compliant and adhering to legislative and regulatory frameworks automatically indicates good performance? Elaborate please.</p> <p>c. Do you think that Overstrand Municipality has good structures in place to execute its administrative mandate in terms of performance management? What are the main strengths? And what are possible limitations or shortcomings in the existing institutional arrangements?</p> <p>d. How can the limitations you mentioned be overcome?</p> <p>e. What is your understanding of an Output KPI and an Outcome KPI?</p>
2. Enhancing governance at Overstrand Municipality	<p>f. Overstrand Municipality has received several clean audit reports. Do you agree that audit reports represent a good measurer of internal control functions or are there gaps that may not be picked up in an audit report?</p> <p>g. If so, what is needed to fill these gaps</p>
3. Supply chain management at Overstrand Municipality	<p>h. Why do you think it is of utmost importance for Overstrand Municipality to appoint the most appropriate service providers to assist the municipality in fulfilling its mandate?</p> <p>i. Upon evaluating the performance of external service providers, as indicated in your 2018 annual report, do you think the community can easily determine if, and what, value was added, based on the relevant programme / project?</p>

	j. In relation to the SCM process; how do you think KPIs of external service providers should be established?
4. Further recommendations and remarks	k. Are there any other recommendations you may want to suggest for improving the evaluation of external service providers, and thus assisting the enhancement of good governance at Overstrand Municipality?

5.4 Findings from the interviews

The interviews held with respondents furnished valuable data which helped to answer the research question of this study. The findings of this research will now be presented per research question theme.

5.4.1 M&E system at Overstrand Municipality

5.4.1.1 Contributing factors to the performance of the municipality

With regard to their determining and understanding of the main factors that give effect to the performance of a municipality, the eight respondents stated that these factors include the following:

- Financial sustainability, which includes sound financial and project management, good credit control, debt collection, and good, strict budget control;
- The ability to deliver effective services;
- Good governance;
- Good political will and leadership, which are coupled with a stable political environment;
- KPIs established according to the level of service delivery expectations set at political and administrative level;
- Well-defined objectives and SMART goals set against performance requirements as per section 73 of Municipal Systems Act;
- Full compliance with relevant legislative and regulatory requirements;
- Good administrative leadership coupled with skilled staff with high morale and ethics, based on good communication;
- A good performance management framework that is in place, which defines purposes, roles and responsibilities, and can monitor and evaluate performances. It has to be a reliable and simplified system;
- Cultivating a performance management culture in the Municipality (staff must understand and buy-in to performance management);
- The need for a change management function within the Municipality that deals with the re-focussing on developmental achievements. There is also a need for continuous improvement projects, driving out the non-value adding inputs and outputs, which lead to non-deliverability of desired outcomes;

- Aligning KPIs and desired outcomes through demand management efficiency and accuracy. *“Check what is actually being measured”* – Respondent 4

5.4.1.2 Compliance to legislation seen as an automatic indicator of good performance

Seven of the eight respondents stated that being compliant and adhering to legislative and regulatory requirements cannot automatically be an indicator of overall good performance. They noted that this is merely a component of good performance. In particular, Respondent 2 stated that being compliant *“sets the tone and/or the platform for good governance”*. Respondent 3 stated there are many examples of municipalities receiving “clean audits” but not having the ability to deliver services or fully perform on their constitutional mandate. Compliance measures only *“how good you are following the rules”*; it cannot be seen as an indicator of how well a municipality is performing in terms of meeting the needs of a community or the quality of services being rendered. A municipality can perform well in meeting all the statutory requirements but, if out of touch with community and its needs, it will perform poorly in addressing these needs (Respondents 6 & 1). Respondent 4 was also of the opinion that *“compliance does not measure the organisation’s efficiencies and cost-effectiveness; compliance has no correlation to financial viability”*. Communities do not necessarily experience the impact of compliance (Respondent 5); a municipality can spend 98% of its operational budget (which is set as a KPI in SDBIP), but despite having a good spending performance, some communities might still experience unresolved maintenance service delivery issues. Respondent 7 was of the opinion that *“non-compliance must equate to bad performance; as a creature of statute a municipality may only operate within the prescripts of the legislative and regulatory framework that governs it”*.

5.4.1.3 Main strengths and limitations of existing performance management structures

Respondent 1 chose to abstain from answering this question. Respondent 2 and 5 indicated that Overstrand Municipality’s structure is well established, as it makes provision for organizational, individual and contract management performance. Furthermore this system is continuously not only monitored by councillors, an audit

committee, and management but also by external stakeholders. Respondent 2 and 5 did not indicate any limitations of this system. Respondents 3, 4, 6 and 8 indicated both strengths and limitations of the system. Respondent 7 only indicated one limitation.

Strengths

Respondent 2 stated that the municipality is using technology well, in the form of the IGNITE performance management system. According to Respondent 3, the fact that the performance system is being rolled out to the whole organisation is a huge plus. Respondent 4 stated that Overstrand Municipality is fortunate to *have “leadership that is performance management focussed”*. Respondent 2 was also of the opinion that the SDBIP is well executed and well aligned with IDP. Targets are well cascaded down to directorate, departmental and individual level, meaning all hierarchy levels of the organization are clear what their applicable targets of the Municipality are in terms of service delivery (Respondents 6 and 8). The Municipality monitors performance as well as doing performance reviews of suppliers on a monthly basis (Respondent 5).

Limitations

It is fascinating to note that all respondents who indicated the limitations touched on all mentioned aspects, with the exception of Respondent 7. In terms of organizational performance management, respondents stated that there are too many KPIs that are not always “organizational”, which KPIs are supposed to be in essence, but are used instead as a punitive tool to perform certain duties. In terms of individual performance management, respondents reported that there are no incentives for individuals to perform, and everybody gets the same recognition in what is purely a “tick box” exercise. In terms of supplier performance management, respondents stated that the system does not make provision for monitoring and evaluating all suppliers. M&E is done by project managers as a quick, routine activity (“ticking boxes”) with, in most cases, probably limited or no feedback to the suppliers/service providers. Silo effects are created by the rigidity of the organizational structure. The majority of KPIs being measured is purely done for the sake of compliance, and no real attention is given to the actual quality of the product/service being rendered. Performance is not measured against an accurate

needs analysis, owing to a lack of meaningful public participation. Performance evaluations are specialised and costly. Respondent 7 indicated that the system is good, but with any system its effectiveness depends on the human factor.

5.4.1.4 Overcoming limitations

In terms of overcoming limitations; respondents 3, 4, 5, 6, 7 and 8 concluded as follows:

- A review of the performance management system is needed through workshops and individual interaction;
- Performance setup must be done by an independent person: *“you can’t set and review your own targets, it has level of bias”*;
- *“Training and capacity building of existing staff as well as an increase of the staff compliment for performance management”*;
- Methods have to be developed to break down the silo effect by possibly creating more cross-functional service delivery units in order to provide a more rounded end-to-end service. This will avoid having to pass the responsibility from one functionality to the next in order to come to end product or service;
- More attention should be given to the value for money aspect of services/products being obtained in order to enhance sustainability and affordability;
- Making provision in the contract management system so that monthly feedback on assessments can be provided to suppliers/service providers, and managers have to indicate that set conditions were met or not.

5.4.1.5 Understanding the difference between outcome KPI and output KPI

Respondents 1, 2, 3, 4, 5, 6, and 8 had a clear understanding of what the difference is between an Output KPI and an Outcome KPI. Good explanations and many examples were given, but the most appropriate way to summarize was the answer given by Respondent 5 *“Output KPI is tangible, measures the delivery of goods or services, it can be quantified whilst an Outcome KPI is qualitative, measures a change in circumstances”*. Respondent 7 indicated that this question falls outside the field of his/her knowledge and experience.

5.4.2 Enhancing governance at Overstrand Municipality

5.4.2.1 Audit reports as measure to review internal controls

All the respondents were in agreement that, although an audit report is a good measure to review internal control functions; it is based on sampling, and therefore cannot provide 100% assurance that all is well within a municipality in terms of internal control.

5.4.2.2 Filing gaps to enhance internal controls

In determining what is needed to fill these gaps in internal control, various respondents agreed that a lot of factors need to be considered including financial resources, human resources, and the municipality's risk appetite (Respondents 2, 4, 5, 7 and 8). Respondent 1 stated that an alternative is *"to evaluate objectives, if objectives and deliverables are achieved, it provides good evidence to assume that controls which are in place to achieve set objectives are effective"*. Respondent 3 stated that there is a need for a fully capacitated internal audit unit that has direct input/collaboration with management, regarding its approach, thus ensuring that internal control assessments can be done on a regular basis. *"Systems can also be automated as far as humanly possible with the least amount of human intervention to reduce the risk of manipulation of data/information"* (Respondent 6).

5.4.3 Supply Chain Management at Overstrand Municipality

5.4.3.1 The importance of appointing the most suitable service provider

All the respondents were in agreement that appointing the most suitable or most appropriate supplier/service provider is absolutely crucial for the Municipality owing to *"them (service provider) being an extension of the municipality to the community it serves"* (Respondent 2). According to Respondent 3, poor service providers hamper effective service delivery. Having the most suitable or most appropriate service providers performing duties, on behalf of the municipality, will significantly improve the probability of efficient and successful project completion and the subsequent reaching of pre-determined goals (Respondent 8). Furthermore, Respondent 4 stated that *"for the sake of cost-effectiveness, efficiency and risk you have to have the right people doing the work"*. Lastly, Respondent 5 spoke to the concept of good

governance when he/she state that quality services (in the form of getting value for money) must be provided, as the municipality must be able to account for money spent; therefore, the most suitable supplier/service provider needs to perform the tasks.

5.4.3.2 Value determination by communities

There were quite a few differences of opinion. Respondent 1 and 3 agreed that the public must determine if value was added to where they live (should be tangible), based on their needs. Respondent 2 gave a clear and only “*yes, the public can determine value was added*”. Respondent 7 stated that this question was outside the field of his/her knowledge and experience. Respondent 5 stated that the public can partially determine if value was added, as the average rating (for example, “3”) and performance comment (for example, “satisfactory”) are included per contract in the annual report. Respondent 8 stated that the community cannot necessarily determine if value was added by a project/programme based on the performance scorecard of service providers. This respondent also stated that the community cannot determine if value was added, and SMART principles need to be applied in determining what the municipality actually measured and if it has the desired effect (Respondent 4). Lastly, Respondent 6 stated that “*it is relatively easy to determine the quantity or substance of the programmes/projects undertaken, but as there are no real outcome based KPIs, it is difficult to determine exactly what value was added to overall community of Overstrand*”.

5.4.3.3 Establishment of service provider KPIs

Respondents 1, 2 and 3 stated that service provider KPIs should be established based on the level or quality of services, which is needed or expected, and should be measurable. Respondent 4 was of the opinion that SMART principles should be utilized in ensuring that meaningful KPIs are established. Cost effectiveness, efficiency and intended purpose of service should be considered. According to Respondent 5 (2018), the deliverables are determined per contract, the deliverables (product/services) and quality should be specified and not vaguely stated as “*timeous delivery of product within specs quality and cost agree*”. Respondent 6 stated that “*I believe that KPIs of external service providers should not only be*

focussing on output (i.e. number of units delivered) but should also include KPIs to measure the quality and consistency of the product / service delivered, as well as the impact that it has on the quality of life for the Overstrand as a whole". Respondent 7 was of the opinion that *"KPIs should be service provider specific and therefore cannot be generalised into one size fit all"*. Respondent 8 however, pointed out that KPIs could be fairly standard, but should cover the quality of services rendered; completion within the agreed timeframes and budget and, if applicable, compliant with legislation.

5.4.4 Further recommendations and remarks

5.4.4.1 Further recommendations

Respondents 2 and 7 stated they had no further recommendations. Respondent 3 and 8 stated that the only recommendations they had were given already. Respondent 1 stated that *"indicators on how they are measured must be standardised"*. Respondent 4 was of the opinion that *"social responsibility and local economic development should form part of the measurement and rating of suppliers"*. According to Respondent 5, the contract management unit should track underperformance and do a trend analysis of contractor performance. This trend analysis could serve as management information to inform decision making on contract management. Respondent 6 concluded that *"service providers must be evaluated objectively and consistently, without purely focussing on compliance to governing legislation"*. The product/service being delivered must meet the specified norms and standards that will improve the overall quality of life within the Overstrand, while at the same time also being affordable and durable (Respondent 6).

5.5 Conclusion

This chapter indicated how the author went about conducting empirical research. In terms of research methodology, the rationale for selecting a qualitative approach was substantiated, and the research method used was semi-structured interviews. Ethical clearance was obtained and presented by the author, and the limitations of this research were stated. Purposive sampling were conducted, and the motivation for choosing the research population was also presented. In terms of the development of interview questions, the author considered the literature review and

used the research question of this study as the basis for the shaping of the four themes. Respondents were interviewed, and the findings were grouped and presented according to the four themes.

After analyzing the findings of the interviews; in hindsight, one can state that a results-based M&E system would be highly favoured and accepted by management of Overstrand Municipality. Overall, the respondents understood the strengths and weaknesses of the organization, in terms of performance management, and were knowledgeable of what M&E (performance management in local government) and the enhancement of good governance constitute. The author is encouraged by the fact that the respondents were under no illusion as to what is needed to improve M&E in the Municipality. Moreover, the suggested recommendations are realistic, considering the capacity constraints in terms of personnel, such as time and financial aspects. Most importantly, the suggested recommendations of the respondents speak to what a results-based M&E system will address.

In the next chapter; interpretation will be done of the literature review and empirical research findings. Based on these findings, recommendations will be made and the last research objective (5) will be addressed, thus concluding this study.

6 CHAPTER 6: FINDINGS AND RECOMMENDATIONS

6.1 Introduction

In this chapter, an interpretation and discussion of the findings of this study will be provided. The model of a results-based M&E system in SCM at Overstrand Municipality will be presented followed by a discussion of how the findings of this study is applicable to the model. Further recommendations will be made and the conclusion of this study will follow. Ultimately, research objective 5 and the research question of this study will be answered.

6.2 Summary of Chapters

As discussed in Chapter 2, for effective service delivery, a municipality needs to provide high quality services and goods. Procuring these goods and services requires an effective SCM unit. The most important aspect of an effective SCM unit constitutes the following:

- being able to account for funds spend but, more importantly, indicating the value that was added for spending those funds;
- having no, or at least manageable, challenges, which are most adequately addressed by pro-active early detection and treatment

Furthermore, the challenges of SCM in local government, as indicated by Dlamini and Migiro (2016:383); include a lack of control over information technology, restricted human resource capacity, a mismanagement of capital assets, and little to no performance reporting. Ambe and Badenhorst-Weiss (2012: 249) also identify current challenges experienced in the public sector, especially local government, which include the following: a lack of appropriate knowledge, skills and capacity; inadequate planning and linking of demand to the budget; poor monitoring and evaluation of SCM; insufficient accountability; and fraud and corruption. Govender (2013: 821) states that the lack of effective performance management systems and accountability mechanisms has resulted in community discontent with service delivery which adversely affects governance and government legitimacy.

It is for these reasons, a need for a results based M&E system can be motivated. Based on the above challenges, summarized factors, such as good governance

(accountability and transparency) and improving service delivery, are the basis for the need of an M&E system. Munzhedzi (2016a: 2) explains that it is very important to note that public accountability does not only include public expenditure but also reporting on the progress, performance, failures, successes, and the actual versus targeted performances. Furthermore, as noted by Morra-Imas and Rist (2009: 106), a results-based M&E system assists decision-makers and relevant stakeholders to determine whether desired outcomes were achieved.

The author then undertook to determine which M&E system would be the most suitable for a SCM in a municipality, and how it would be applied. Görgens and Kusek (2009: 4-5); Imas and Rist (2009:112); Cloete *et al.* (2014:288) and De Coning (2014) all concur that the ten-step process in developing a results-based M&E system developed by Kusek and Rist (2004) is the most appropriate system that can be used in the public sector. Many benefits are stated for public institutions having a results-based M&E system in place, but what stands are the five stated by Karuiki and Reddy (2017:3):

- accurate baselines, which are used to set realistic targets;
- information, which enhances decision-making and policy development in a municipality;
- increased accountability within municipalities due to municipal functionaries being assessed against agreed performance targets;
- enhanced good governance restoring local government's dignity as the sphere of government closest to the people;
- municipal functionaries, which are more attentive to the significance of understanding a government intervention for effective execution; particularly when goals, inputs, activities, outputs, outcomes and impact are clearly indicated

Chapter 3 revealed how M&E, since its inception in the South African public sector, has developed to where it is today. The literature revealed how DPME has gone about implementing M&E in the South African public sector. In 2005, the GWM&E system was approved by Cabinet, then in 2011, DPME introduced the NEPF, where legislation was approved and DPME provided guidelines for public sector institutions

to conduct evaluations. These guidelines described how the programme logic model (based on the theory of change) could be used as an instrument conducting different evaluations at different stages of the model (system). Furthermore, it is revealed how M&E and its institutionalization into the public sector of South Africa, specifically local government, could become rather challenging. In describing how M&E is currently conducted in local government, the following challenges were noted, such as:

- A lack of understanding, commitment, and political buy-in into an M&E system that measures performance at local government level (Van der Waldt, 2014: 145);
- It is applied and interpreted differently by different municipalities. It is for this reason many municipalities fail to accurately align their IDP with provincial and national growth and development strategies constituting a lack of alignment of priorities between municipalities and other spheres of government (Kariuki & Reddy 2017: 4).
- M&E data collected are normally of poor quality and inaccurate, as municipalities have significant capacity and financial resource limitations (Karuiki & Reddy, 2017: 4);
- Institutionalizing M&E is a great challenge, as the lack of competent technical skilled personnel in M&E is prominent in the local government sphere of South Africa (Karuiki & Reddy, 2017:4);

One of the big challenges in implementing an M&E system in local government is the different formation (compilation) of municipalities in terms of resources and functions. The autonomous management styles are so different from one another, unlike those in the national sphere and provincial sphere, that developing a standardized M&E system can be rather difficult, as there are many factors to consider. The author is of the opinion, however, that most municipalities experience the same underlying challenges, although they may come to the fore in different forms; therefore, it may be possible to develop a standardized M&E system for municipalities. For the sake of uniformity in local government; the author is of the opinion that the LGMIM offers good guidelines on which to base an M&E system, as it has established roles and responsibilities for relevant stakeholders as well as a process cycle of functions between relevant stakeholders including the different spheres of government. By

analyzing the literature the author aims to establish a standardized approach to performance evaluations in municipalities.

The legislative and regulatory frameworks reviewed in Chapter 3 provide compliance guidance to municipalities in the pursuit of effectively executing their mandate. All strategies, innovations or procedures, which will enhance service delivery, must conform and fall within the prescription of the stated legal framework. The review conducted in Chapter 3 also depicts the internal control requirements of SCM that must be exercised to ensure compliance to section 217 of the Constitution in the pursuit of good governance.

As indicated in chapter 4, a document analysis was done on the unit of analysis, Overstrand Municipality. This analysis revealed that the Municipality is one of only 33 out of total of 257 municipalities in South Africa, who have received “clean audits” for the 2016/17 financial year (Auditor-General, 2018: 1-2). Moreover, this is the Municipality’s fifth consecutive “clean audit” (Overstrand Municipality, 2018a:26). The Municipality spent 98% of its capital budget and met 85% of their KP’s (Overstrand Municipality, 2018a:26). This chapter further revealed that Overstrand Municipality has a performance management framework, established internal control functions and the distinction of functions and segregation of duties within its SCM unit (Overstrand Municipality, 2018a). It is shown in this chapter how Overstrand Municipality exercises internal control by specifically looking at the internal audit unit and risk management unit’s roles and responsibilities. Furthermore, the current state of SCM at Overstrand Municipality is shown.

Overstrand Municipality’s organizational performance management system indicators only illustrate whether targets have been met or not. According to Overstrand Municipality (2018a: 104), organizational performance is evaluated by means of a top layer SDBIP (municipal scorecard) and detail SDBIP (director/departmental scorecard). This is done through a web-based system called IGNITE. The 2 section of the SDBIP entails the following: (Overstrand Municipality, 2018a: 104 - 106)

- Municipal scorecard (Top Layer SDBIP) - consolidates service delivery targets set by council and top management; providing an overall picture of performance for the municipality as a whole
- Directorate / departmental scorecard (Detail SDBIP) - the directorate and departmental scorecard captures the performance of each defined directorate or department. The departmental SDBIP provides detail of each output for which top management are responsible for.

The Municipality's supplier performance management system illustrates that the Municipality views performance as "good", "satisfactory" or "under-performed", but what does this mean to the normal citizen of Overstrand Municipality? Unfortunately, this is not only an Overstrand Municipality phenomenon and the situation is the same in most municipalities throughout South Africa. One can, therefore, conclude that the institutional arrangements in terms of contract management lack capacity and indicators to evaluate suppliers should not be left to user departments to establish. A municipality runs the risk of biased indicators or resistance from user departments owing to a lack of knowledge on how to create indicators or how to properly evaluate performances.

Although Overstrand Municipality is ticking most of the right boxes in terms of complying with statutory legislative requirements and addressing objectives set out in their IDP, one has to ask the question whether the current supplier performance system is adequate enough to reflect true performance, in the sense of providing meaningful information and indicating that value has been added. Moreover, it is questionable whether the current system holds relevant programme/project municipal officials accountable. Based on the document analysis and Overstrand Municipality's current resource constraints, especially financial and human capacity, the author believes that it would be rather challenging to institutionalize M&E.

In Chapter 5, empirical research was conducted through semi-structured interviews with eight relevant employees of Overstrand Municipality, who were believed to be involved in realizing research objective 4. Although the positions and identities of the employees are known to the author, to obtain credible and honest data, the author

undertook not to link responses to identity, and therefore they were referred to as “Respondents”. The author developed questions based on four themes within the research question: the M&E system at Overstrand Municipality; enhancing governance at Overstrand Municipality; SCM at Overstrand Municipality; and other general themes.

Respondents offered interesting perspectives on the factors needed for the performance of a municipality, which transcends the limited compliance mindset often adopted. Respondents emphasized the importance of good governance, financial sustainability, ability to deliver services, political will, well defined KPIs and objectives, a good performance management framework, a performance culture (“buy in”) in the Municipality, and the driving out of “*non-value outputs*”. The latter refers to outputs emphasised by the Municipality that failed, however, to provide clarity regarding the value they added for the intended beneficiaries. All of these factors can be addressed through an effective results-based M&E system. In addressing the above stated factors, advantages presented by an effective results-based M&E system will deliver meaning to outputs (stating what value, or lack thereof, was added by an intervention or action), the provision of information for improved decision making hence better governance and improved financial management, the ability to identify what true performance constitute can give effect to the greater establishment of KPI’s and an effective performance management framework, which should result in a positive performance culture. Seven of the eight respondents believed that being compliant by adhering to legislation does not automatically indicate an overall indicator of good performance, as it is only a component of it. Municipalities can no longer rely on AG audit opinions (reports) as indicators that they are “on the right path”. The respondents felt that a key strength of the M&E system was the roll out of a technological system throughout the whole organization. Limitations listed by respondents included performance being done as routine and compliant activities, KPIs established in terms of outputs only, performance not measured against accurate needs analysis. This coincided with the challenges mentioned in the literature review. The respondents’ recommendations for these limitations included the need for objective evaluations and focusing on receiving services and/or products from service providers, thus value of a high quality nature for money. In collaboration with management, KPIs for the results

based M&E system could be established, as most of the respondents knew what the difference was between an Output KPI and an Outcome KPI.

In terms of the second theme, enhancing governance at Overstrand Municipality, respondents agreed that audit reports cannot only be used as a mechanism to evaluate internal controls and decision-making tools. The results based M&E system could be extremely beneficial in this regard to Overstrand Municipality. Again this coincides with the literature review that revealed that the results-based M&E system will provide information for internal control, decision making, and encourage transparency and accountability, leading to more participation from the community, which ultimately leads to having accurate needs addressed. Overall, this will lead to greater trust from the community, less public unrest and conflict between the Municipality and its citizens.

In terms of the third theme, SCM at Overstrand Municipality, all respondents deemed it critical that the Municipality appoint the most suitable or appropriate service providers to conduct tasks on their behalf. A difference of opinions was noted when respondents were confronted with the aspect of whether, based on the supplier performance scorecard in the annual report, communities can determine if, and what, value was added. One respondent, for example, stated “yes, the community can determine value based on the scorecard in the annual report”, but did not elaborate how. Two others stated that the community can determine, based on outputs, if the project / programme is completed, but seeing that there are no outcome KPIs, the community cannot determine what value was added. Again, in asking how the KPIs of service providers should be established, it was noted this is very similar to what Kusek and Rist (2004) describe in their ten-step system. In other words, baseline data must be accurately gathered, and then it must be determined what the envisaged end result must be, based on the needs gathered from the baseline data. Furthermore, measurable indicators and data gathering measures must be established to get to the envisaged end result.

In offering final recommendations respondents indicated that the evaluations of suppliers should be done systematically, objectively and provide credible

information. In addition, emphasis should be placed on the value gained from spending municipal funds.

These findings informed the development of a proposed model of a results-based M&E system in SCM for Overstrand Municipality to address mentioned challenges and recommendations. The proposed model is discussed in the next section.

6.3 Model of Proposed Results-based M&E system in Supply Chain

Management of Overstrand Municipality

Informed by Görgens and Kusek (2009:4-5); Cloete *et al.* (2014: 290-299) and De Coning's (2014) portrayal of Kusek and Rist's ten-steps system as a guideline, the following M&E system is proposed. The model will firstly speak to the institutional arrangements of the system in terms of human resources, organizational arrangements, good governance, intergovernmental relations, and participation. This will be followed by a recommended process description and finally a suggested scorecard for supplier performance evaluation. The author's aim is to present the most pragmatic M&E system, which can be realistically utilized in practice for contract management at Overstrand Municipality. This means that all type of capacity constraints, such as human, financial and time limitations, must be considered when proposing a results-based system for M&E in SCM at Overstrand Municipality.

6.3.1 Institutional Arrangements

Based on the document analysis in Chapter 4 and research conducted in Chapter 5, it can be stated that Overstrand Municipality already has a performance management orientated "appetite", owing to its having a performance management framework in place. This is encouraging, as it shows that the municipality is not in a "critical crisis state" in terms of performance management. If one considers the factors of performance and the limitations of Overstrand Municipality in terms of performance management, illustrated in Chapter 5, the Municipality needs the appropriate expertise to guide it in enhancing its current supplier performance management system to properly reap the benefits of evaluating supplier performances.

It is for this reason that the author recommends that a dedicated and skilled internal M&E practitioner be appointed and located within the performance management unit of Overstrand Municipality. This practitioner needs to work closely with the contract management unit in SCM. Although the study refers to developing an M&E system “in” SCM, this merely means the practitioner will be more involved with SCM processes. Unlike the current setup of supplier performance management, as stated in Chapter 4, to ensure credibility, objectivity and validity of information, the practitioner cannot be located within the contract management unit. The practitioner will be appointed as a manager and report directly to the senior manager: IDP and performance management. The responsibilities of the practitioner will include gathering baseline data, managing (co-ordinating between departments) the M&E system, and reporting (making recommendations) on evaluations done. The M&E responsibilities will also include initiating capacity building initiatives to assist Overstrand Municipality in becoming knowledgeable in M&E. This is crucial, as the practitioner will heavily rely on user departments’ (functions’) support to conduct credible evaluations. These tasks will be further explained in the process description of the M&E system. When the M&E system is well established and has the “buy in” of all relevant stakeholders, the Municipality can consider participating in the LGMIM programme to assist in achieving uniformity and standardization with reference to reporting between the three spheres of government and other concerned stakeholders in terms of M&E, much like mSCOA currently. The M&E practitioner will be the co-ordinator from the municipality’s side. The reporting, done by the M&E practitioner, can be used to inform the public how value was added in terms of spending of municipal funds. The reporting can also be used as a reference for future decision-making in terms of priority needs and/or the development of strategies.

6.3.2 Process description

As stated in Chapter 4; the demand management plan derives from the budget and objectives set out in the IDP of the municipality. Moreover, the M&E practitioner should be involved in all capital projects as well as other programmes deemed as high priority in the demand management plan. At the compilation stage of the demand management plan, and based on the needs identified in the IDP and annual budget, the M&E practitioner, in collaboration with the user department and SCM,

should determine the strategic objectives of specified projects or programmes. The practitioner can also gather any other baseline data by specified means as depicted by Cloete *et al.* (2014:293) in Chapter 2. At the specifications stage of a prospective project/programme/service, proper outcome KPIs as well as output KPIs should be established by the M&E practitioner, contract management and the user department (municipal project/programme owner). It will be the responsibility of the user department and contract management to see that activities are monitored and evaluated at the implementation stage. This is to ensure everything is still on track (in terms of, for example, time and cost) or take corrective measures to make sure all is heading in the right direction. This must be reported to the M&E practitioner on a monthly basis; the M&E practitioner will assist if necessary.

Upon the conclusion of the project/programme; the M&E practitioner will conduct firstly an output evaluation and then an outcome evaluation based on the pre-determined goals and KPIs. The information to conduct the evaluations will be provided by the contract management unit of SCM. The M&E practitioner also reserves the right to obtain information from other relevant stakeholders to conduct credible evaluations.

The M&E practitioner will draft evaluation reports and present them to a monitoring and evaluation committee consisting of the following: the accounting officer (or delegated authority); CFO; director: management services; senior manager: SCM; manager: contract management; senior manager: IDP and performance management; and the relevant director of projects/programmes completed. The M&E committee will review the findings in these reports, then use the recommendations as the basis for making further decisions. These evaluation reports will then finally be presented to council and findings made public. Output evaluations can be reported, on a monthly basis and, based on the type of outcome evaluation, these can be reported quarterly.

6.3.3 Performance scorecard of supplier (service provider evaluation)

This is the last component of the system. In Chapter 2, under the sixth step in designing a results-based M&E system, Cloete *et al.* (2014) observe that evaluation results need to be shown in a meaningful way to the public to enable better

understanding and interpretation. Furthermore, in Chapter 4, an extract from the 2018 annual report indicates how Overstrand Municipality makes results available to the public in the form of a service provider scorecard. Based on De Coning's (2014) summary of a results-based system in Chapter 2, the author created a supplier performance scorecard, summarizing the findings of evaluations.

For comparison purposes, the author used the same contracts (tenders) as extracted from the supplier scorecard of Overstrand Municipality's 2018 annual report in Chapter 4. It is believed, by presenting credible, accurate and meaningful information like this on a scorecard to the communities, governance, specifically accountability and transparency, will be enhanced as stated in Chapter 2. It is, therefore, clear why good governance, as a motivating factor, and the need to improve service delivery are factors determining why a need for an M&E system is justified, as explained in Chapter 2.

Performance scorecard of supplier (service provider evaluation)

<u>Contract Name</u>	<u>Supplier Name</u>	<u>Type of Service Rendered</u>	<u>Output</u>	<u>Indicator (Output)</u>	<u>Outcome</u>	<u>Indicator (outcome)</u>	<u>Data Source</u>	<u>Rating 1 – 5</u>
Extension of contract SC1739/2013: Provision of parking management system for Hermanus CBD	NUMQUE 20 CC	Provision of Parking Management System	<ul style="list-style-type: none"> - Quality of terminals (hand held devices) -Quality of devices on parking bay floor to scan - Income receive from parking bays in CBD - Trained staff operating system -Acceptance of system by staff & public 	<ul style="list-style-type: none"> - Back office and management information system - Internal controls and reporting on monthly income - Number and type of queries from public -Number and type of queries made by staff -Competence testing 	<ul style="list-style-type: none"> - Motivated staff - High quality / productive work -Attainment of strategic goals - Economic growth 	<ul style="list-style-type: none"> - Reduction or increase in % of staff turnover - Reduction or increase in % of stakeholder concerns - Reduction or increase in % of car break- ins 	<ul style="list-style-type: none"> - Organisational performance assessment reports - Feedback of relevant stakeholders including Hermanus SAPD 	
Core Financial business system	BYTES UNIVERSAL SYSTEMS, A DIV OF ALTRON TMT (PTY) LTD	Financial System	<ul style="list-style-type: none"> - Quality of financial system to conduct daily operations - Complying to legislative and regulatory frameworks in terms of financial management 	<ul style="list-style-type: none"> - Number and type of queries from public - Number and type of queries made by staff; resolved - Number and type of queries from other relevant stakeholders 	<ul style="list-style-type: none"> - Financial sustainability - Financial credibility - Public trust - Staff turnover - Quality of service delivery 	<ul style="list-style-type: none"> - Proper internal controls - Provision of accurate financial data - % of financial misconduct or corrupt activities - Interruption 	<ul style="list-style-type: none"> - Internal Audit reports - Auditor-General audit opinion - Input from ratepayers association - Input from business chambers - Input from public at large - Overstrand Municipality Human resource department 	

				- Accuracy of financial reporting		in provision of services		
Training: Computer skills in Microsoft Office 2010	KEEP THE DREAM 285	Computer Training	-Trained & skilled staff - Training done within set timeframes	- Number of staff found competent on assessment - Completion & assessment of training within timeframes as per contract	- Increase in quality and productivity of work - Increase in morale of employees - Decrease of stakeholder complaints	- % increase in skilful employees - % increase in employee performance ratings - % decrease in stakeholder complaints	- Skills development plan - Training requirements plan - Performance management system - Number of complaints received by municipality	
Rehabilitation of existing paved roads, Zwelihle, Phase 1, Hermanus	WEZAN BUILDING AND CIVIL CONSTRUCTION	Construction of roads	-Quality of roads rehabilitated within Zwelihle -Timeframes to rehabilitate road within Zwelihle	-Findings on inspection of roads by employer specialists, cost included -Completion of rehabilitation within timeframes as per contract	- Economic growth - Access to public and private institutions - Crime reduction	- % of SMME's - % of work and school attendance - % of ill / sick people - police visibility - % increase in employment	- Hermanus Business Chamber - Western Cape Education Department - Department of Health - SAPS	
Fleet Management System for vehicle tracking, operations monitoring management information	ALTECH NETSTAR (PTY) LTD	Fleet management system for vehicle tracking	-Quality of fleet management system in terms of accuracy of vehicle tracking; -Trained staff operating system	-Findings on assessment of system by employer specialists in terms of accuracy and cost	- Increase in quality and productivity of work - Cost savings - Increase in account-	- Number of calls responded to and resolved - % of negligent fleet insurance	- Operational department reports - Protection services reports - Fleet management reports - Insurance department reports	

system				<ul style="list-style-type: none"> -Number and type of queries made by staff -Competence testing 	<ul style="list-style-type: none"> ability taken by staff - % complaints by the public 	<ul style="list-style-type: none"> claims - % of negligent cases opened against staff - % complaints received from public 	<ul style="list-style-type: none"> - Labour relations reports - number of complaints received by municipality 	
Traffic speed measuring, cameras and back office for fine collection in the Overstrand	TRAFFIC MANAGEMENT TECHNOLOGY	Traffic speed measuring, cameras and back office for fine collection	<ul style="list-style-type: none"> -Quality of cameras in terms of speed measuring and back office operations - Income from fine collections -Trained staff operating system 	<ul style="list-style-type: none"> -Findings on assessment of cameras by employer specialists in terms of measuring speed - Reporting on collection of number and amounts (rand value) of fines -Number and type of queries received from public -Number and type of queries made by staff -Competence testing 	<ul style="list-style-type: none"> - Reduction in vehicle, specifically speeding accidents - % collection rate of fines 	<ul style="list-style-type: none"> - % of vehicle accidents, including speeding accidents - Amount of money received due to fines in comparison with previous years 	<ul style="list-style-type: none"> - SAPS - Traffic Department - Income Department of the municipality 	

Rating Key

1 – Bad; 2 – Under performed; 3 – Satisfactory; 4 – Good; 5 – Very good

6.4 Further Recommendations

The reality is, Overstrand Municipality may not be able to appoint an M&E practitioner in the immediate future owing to resource constraints. As explained earlier, Overstrand Municipality's performance management system is not in a critical crisis mode. Therefore, it actually does not need to appoint an M&E practitioner in the immediate future. However, components of the above system can still be utilized in the existing supplier performance management functional setup of the municipality. This can be done by utilizing the programme logic model, as explained by Cloete *et al.* (2014) in Chapter 3. The question is how this will practically work.

In using the guidelines and assistance provided by DPME; the existing institutional arrangements of Overstrand Municipality can remain in place, as discussed in Chapter 4. However, there will be a need for adjustments in the process and activities of the contract manager. Based on the needs identified in the IDP and the available budget, the contract manager will have to be involved when the demand management plan, and later when specifications of projects/programmes, are drafted, as this constitute the diagnostic and design evaluations at the design and input stages. When the programme/project is underway, the contract manager can request from the user department managers (project/programme manager) regular progress reports, as he can then do implementation and economic evaluations for the duration of the period when the project/programme is in the activity and output stages. The contract manager can then conduct outcome evaluations based on information received from collaborating with the relevant stakeholders (user departments, performance management personnel, suppliers and intended beneficiaries). The results can then be depicted in a performance scorecard, as shown above, and presented to management, council and, ultimately, the community (the current reporting lines).

The above recommendation will ultimately be more economical in terms of not having to appoint an M&E specialist. However, this recommendation automatically suggests that the contract manager has a specialized skill in M&E, that he/she will

have time to conduct all mentioned functions, and that he/she will have the necessary co-operation from relevant stakeholders, which unfortunately is not always the case. The main aim of this study is to develop an M&E system, which will indicate whether work performed by a supplier/service provider is of quality, added value and what the actual value being added was. The document analysis in Chapter 4 and the empirical findings in Chapter 5 indicate that, unfortunately, value cannot be determined with the current performance management structures in place.

The last recommendation is that the current existing practice stays in place but that added measurable outcome KPI's are designed and instituted along with the current output KPIs. This would be the most cost effective manner to determine value-added work. However, with this recommendation, certain questions will arise, based on the limitations of the current system indicated by the empirical research in Chapter 5:

- Will the municipality utilize this data (results) in the most effective manner?
- Are the outcome KPIs based on the correct variables of needs?
- Are the data credible?
- Will proper collaboration between departments be enhanced?
- Will governance be enhanced?

6.5 Conclusion

Most importantly, Overstrand Municipality has acknowledged the significance of performance management in its organization. They have invested time, structures, policy, strategy, and the correct approach in trying to achieve the full benefit performance management can attribute. Overstrand Municipality has identified holistically the importance of the three performance areas: organization; individual and supplier performance; and how these areas influence the ability to deliver effective services to its community. However, as revealed by the literature review in Chapters 2–4 and the empirical research conducted in chapter 5, local government needs clear guidance to implement a standardized and proper M&E. Furthermore, much like any other municipality in South Africa, Overstrand Municipality has its fair share of unsatisfied communities and public unrests. Based on the findings and recommendations made in Chapter 6, the author is of the opinion that results based

M&E system with credible evaluations, would greatly assist in communicating and building relationships with the public.

Overstrand Municipality can gain so much more community trust, respect, understanding and public participation just by illustrating credible and meaningful performance. Ticking the right boxes in terms of legislative compliance and efficient outputs should be considered important, but even more so, to indicate (illustrate) the value its actions has had on the community in evaluating projects/programmes in their true form. Also being able to indicate the enhancement of governance (by being accountable, transparent and making correct decisions), not only through the Auditor-General's opinion, but also through credible evaluations, will be considered most beneficial to Overstrand Municipality. Performance goes beyond just being compliant; therefore, having a tool, which can assist in effective decision-making, would ultimately lead to the improvement of quality of life for Overstrand residents.

As SCM has become a crucial instrument in the enhancement of economic growth, the partnership between Overstrand municipality and its suppliers play an integral part of effective service delivery. It is for this reason imperative that real value of actions must be determined and relevant stakeholders must be held accountable if delivery (performance) can't be made on expected value or needs. An effective M&E system is an adequate tool to make this determination.

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8 Annexure A: Interview Questions

Developing a Monitoring and Evaluation System in Supply Chain Management at Overstrand Municipality

1. In your opinion; what are the main contributing factors which will give effect to the performance of the municipality?
2. Do you think being compliant and adhering to legislative & regulatory frameworks automatically indicates good performance? Elaborate please
3. Overstrand municipality has received several clean audit reports. Do you agree that audit reports represent good internal control functions or are there gaps that may not be picked up in an audit report?
4. If so, what is needed to fill these gaps?
5. Why do you think it is of utmost importance for Overstrand municipality to appoint the most appropriate service providers to assist the municipality in fulfilling its mandate?
6. Do you think that Overstrand municipality have good structures in place to execute their administrative mandate in terms of performance management? What are the main strengths? And what are possible limitations or shortcomings in the existing institutional arrangements?
7. How can the limitations you mentioned be overcome?
8. Upon evaluating the performance of external service providers; as indicated in your 2018 annual report, do you think the community can easily determine if and what value were added based on the relevant programme / project?
9. What is your understanding of an Output KPI and an Outcome KPI?
10. In relation to the SCM process; how do you think KPI's of external service providers should be established?
11. Any other recommendations you may want to suggest to improve the evaluation of external service providers and thus assist the enhancement of good governance at Overstrand municipality

9 **Annexure B: Approval of Stellenbosch University (SPL) ethics committee**



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13 September 2018

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To Whom It May Concern

SCHOOL OF PUBLIC LEADERSHIP (SPL)

This letter is to certify that Carl Oppelt [19682239] research has been approved internally by the School of Public Leadership Ethics Committee and that he is now awaiting the official letter from the Research Ethics Committee (REC). The SPL therefore confirm that Mr Carl Oppelt can continue with his data gathering and findings.

[Stellenbosch University, School of Public Leadership]

A handwritten signature in black ink, appearing to read 'Werner Burger', written over a faint circular stamp or watermark.

Mr Werner Burger

Date: 13 September 2018