

2010/2011  
ENDUMENI TURNAROUND STRATEGY  
REPORT 1<sup>ST</sup> QUARTER  
ACTION PLAN

*3. Performance Management System (PMS)*

No.	Priority Turn Around Focal Area	Capacity Assessment Findings	March 2010 (Current Situation/ Baseline) Intervention Logic	Target for December 2010 (Changed Situation)	Municipal Action	Unblocking Action Needed from other Spheres and Agencies (e.g. intervention or technical support)	Start Date	End Date	Means of Verification for each activity/ process	Human Resource allocated	Budget (,00)		Quarterly Progress
											Allocated	Projected	
<b>3. PERFORMANCE MANAGEMENT SYSTEM</b>													
3.1	S57 appointed with signed contracts	PM contracts in place	All sec 57 appointed and signed performance agreements for year 2009/10	New performance agreements signed for 2010/11	Revise PM framework Revise organizational scorecard and align with IDP Draft S57 performance Contracts Draft PM plan and align with SDBIP Table the prepared agreements before council for consideration and adoption	N/A	01 April 2010	30 June 2010	Signed agreements	Mr. Maltman	R00.000	R00.000	Status as at 23/07/2010 C10/23/03/10  Find copy of approved Performance Framework Plans & Contracts

**Performance Management Framework  
for the  
Endumeni Municipality**



**JUNE 2010**

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## 1. Introduction

The Municipal Planning and Performance Management Regulations stipulates that a municipality's Performance Management System (PMS) must entail a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

In line with the said legal requirement this framework is a policy document that will set out the requirements that the Endumeni Municipality's PMS will need to fulfill, the principles that informed its development and subsequent implementation, the preferred performance model of the Municipality, the process by which the system will work, the delegation of responsibilities for different roles in the process and a plan for the implementation of the system.

## 2. The legislative framework for performance management

At the commencement of the project to develop a PMS for the Municipality a plan was compiled setting out the steps to be followed in the process. The said process plan includes a detailed reference to the legislative and policy framework informing municipal performance management and a copy of the document is attached as **Annexure "B"**.

The major PMS policy instruments is the 1998 White Paper on Local Government supported by the Batho Pele principles, which policies was given legal stature through the adoption of the Municipal Systems Act in 2000 (Act 32 of 2000). The said Act requires all municipalities to:

- Develop a performance management system
- Set targets and monitor and review the performance of the Municipality based on indicators linked to their Integrated Development Plan (IDP)
- Publish an annual performance report on performance of the Municipality forming part of its annual report as per the Municipal Finance Management Act (MFMA).
- Incorporate and report on a set of general (sometimes also referred to as national) indicators prescribed by the Minister responsible for local government

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- Conduct, on a continuous basis, an internal audit of all performance measures
  - Have their annual performance report audited by the Auditor-General
  - Involve the community in setting indicators and targets and reviewing municipal performance

The Minister responsible for local government published the Municipal Planning and Performance Management Regulations (2001) in terms of the Municipal Systems Act setting out in detail the requirements for a municipal PMS. This includes a provision that key performance indicators must be set for every service provider that a service level agreement has been entered into. The Regulations also contain the general indicators prescribed by the Minister responsible for local government and have been attached as **Annexure "C"**.

It is also important to note that the MFMA contains various important provisions related to municipal performance management. It requires municipalities to annually adopt a Service Delivery and Budget Implementation Plan (SDBIP) with service delivery targets and performance indicators. Whilst considering and approving the annual budget the Municipality must also set measurable performance targets for each revenue source and vote. The Municipality must lastly compile an annual report, which must include a performance report compiled in terms of the Systems Act. In terms of a circular issued by National Treasury provision is also made for the compilation on an annual basis of departmental SDBIPs.

### **3. Performance management and measures at various levels**

Performance management can be applied to various levels within any organisation. The legislative framework as set out above provides for performance management at various levels in a municipality including organisational (sometimes also referred to as municipal, corporate or strategic) level, departmental (also referred to as services, operational or section/team) level and lastly, individual level. These levels are however integrated and interdependent on each other. In addition the legislation requires that the performance of service providers be monitored through the setting of appropriate key performance indicators.

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**Strategic (Organisational) Performance linked to the integrated development plan (IDP) of a municipality**

At this level the performance of the municipality is measured and managed against the progress made in achieving the strategic objectives as set out in the integrated development plan (IDP) of the municipality. This is done on the basis of key performance indicators and targets set for each of the IDP objectives of a municipality. Given that an IDP has a five-year timespan the measures set at this level should be of a strategic and mostly long-term nature with an outcome and impact focus.

The measures set for the Municipality at organisational level is captured in an organisational scorecard structured in terms of the preferred performance management model of the Municipality (see chapter 6). A copy of the said scorecard is attached as Annexure "A".

**Operational (Departmental) Performance linked to the Service Delivery and Budget Implementation Plan (SDBIP) of a municipality**

The validity of the strategy of the municipality and the extent to which it is successfully implemented is also measured and managed at operational (sometimes also referred to as departmental) level. At this level this is achieved by measuring the progress made with service delivery and implementing the budget of the municipality through service delivery measures and targets captured in the annual service delivery and budget implementation plan (SDBIP) of a municipality. Given that a SDBIP has a one-year timespan the measures set at this level should be of a operational and short to medium-term nature with an input (budget) and output (service delivery) focus.

**Individual Performance linked to OPMS and the individuals key performance areas and job descriptions**

The performance of individuals is measured against personal performance targets, which are set in accordance with job descriptions and their roles linked to the strategy of the municipality and the business plans (SDBIP's) of the operational units (departments) at a municipality. At section 57 level the 2006 Municipal Performance Regulations for Municipal Managers and Managers reporting directly to Municipal Managers has put in place a legislative framework for linking the individual performance of section 57 Managers to the strategy and operations of a municipality.

By cascading performance measures from organisational to operational to individual level, both the IDP and the SDBIP form the link to individual performance management. This ensures that performance management at the various levels relate to one another, which is a requirement of the 2001 Municipal Planning and Performance Regulations. The MFMA specifically requires that the annual performance agreements of managers must be linked to the SDBIP of a municipality and the measurable performance objectives approved with the budget.

### **The performance of service providers**

It is important that as per the legal requirements the performance of service providers be monitored and reviewed on an ongoing basis. Measures have been included on the organisational scorecard (see **Annexure A**) that will assist the Municipality to monitor and review the performance of its major long-term service providers such as Rural Metro in addition to all shorter terms service providers, the contract value of which exceeds R 500 000 in any particular financial year.

## **4. Objectives of the Performance Management System**

As indicated in the previous chapter the Municipality's PMS is the primary mechanism to monitor, review and improve the implementation of its IDP and to gauge the progress made in achieving the objectives as set out in the IDP. The PMS process plan includes the following objectives that the system should in addition fulfill:

### ***Facilitate increased accountability***

The performance management system should provide a mechanism for ensuring increased accountability between the local community, politicians, the Municipal Council and the municipal management team.

### ***Facilitate learning and improvement***

The PMS should facilitate learning in order to enable the Municipality to improve delivery.

### ***Provide early warning signals***

It is important that the system ensure decision-makers are timeously informed of performance related risks, so that they can facilitate intervention, if necessary.



***Facilitate decision-making***

The performance management system should provide appropriate management information that will allow efficient, effective and informed decision-making, particularly on the allocation of resources.

The functions listed above are not exhaustive, but summarise the intended benefits of the system. These intended functions should be used to evaluate and review the performance management system on a regular basis (see chapter 9).

## **5. Principles governing the PMS of the Municipality**

The process of developing a performance management system for the Municipality was guided by the process plan, which includes the principles that informed the development of the Municipality's PMS. The said principles are the following:

***simplicity*** so as to facilitate implementation given any current capacity constraints,

***politically acceptable*** to all political roleplayers,

***administratively managed*** in terms of its day-to-day implementation,

***implementable*** within any current resource constraints,

***transparency and accountability*** both in terms of developing and implementing the system,

***efficient and sustainable*** in terms of the ongoing implementation and use of the system,

***public participation*** in terms of granting citizens their constitutional right to participate in the process,

***integration*** of the PMS with the other management processes within the Municipality,

***objectivity*** based on credible information and lastly,

***reliability*** of the information provided on the progress in achieving the objectives as set out in its IDP.

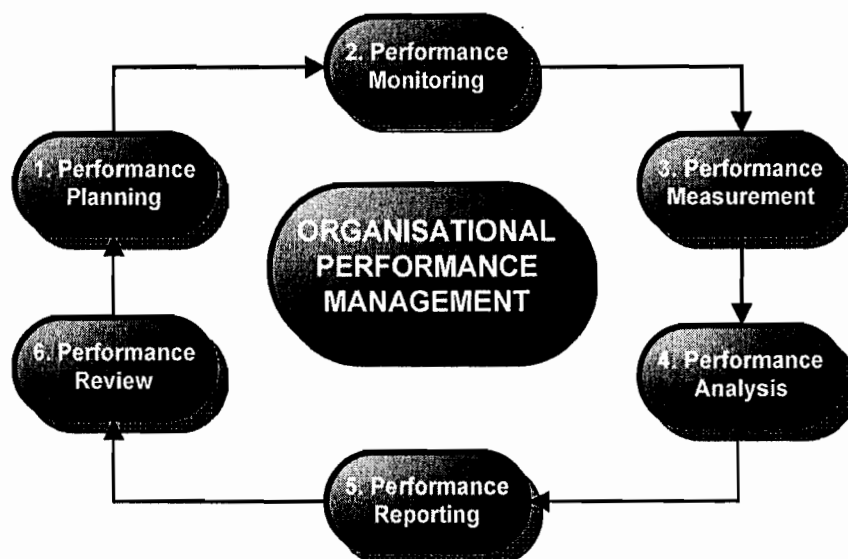
## 6. Preferred performance management model

A performance management model can be defined as the grouping together of performance indicators, sometimes based on the type of indicator, into logical categories or groups (often called perspectives), as a means to enhance the ability of an organisation to manage and analyse its performance. As such a model provides a common framework for what aspects of performance is going to be measured and managed. It further ensures that a balanced set of measures are employed that are not relying on only one facet of performance and therefore not presenting a holistic assessment of the performance of an organisation.

A number of performance models are available and any of them could be applied by the Municipality. The available models include the Municipal Scorecard, Balanced Scorecard and the Key Performance Area Model. The Municipality has chosen the Key Performance model. In the said model all indicators are grouped together under the national key performance areas as per the Systems Act and the local key performance areas as per the Endumeni IDP. The said Model therefore enables the Municipality to assess its performance based on the national and its own local key performance areas.

## 7. The process of managing performance

The annual process of managing performance at organisational level in the Municipality involves the steps as set out in the diagram below:



The following table spells out in more detail the role of all relevant roleplayers in each of the above steps:

PERFORMANCE MANAGEMENT CYCLE					
Performance Planning	Performance Monitoring	Performance Measurement	Performance Analysis	Performance Reporting	Performance Review
<p><b>Citizens and Communities</b></p> <ol style="list-style-type: none"> <li>1. Be consulted on their needs</li> <li>2. Participate in the development of the long term vision for the area</li> <li>3. Influence the identification of priorities</li> <li>4. Be consulted on the adoption of the Municipality's performance management framework</li> <li>5. Be consulted on the mechanisms, systems and processes for performance management as set out in the performance management framework</li> <li>6. Be consulted on and influence the choice of indicators and the setting of targets</li> </ol>	<ol style="list-style-type: none"> <li>1. As part of the community's general oversight role review whether performance monitoring has taken place as provided for in this Framework (see section 7.2)</li> </ol>	<ol style="list-style-type: none"> <li>1. As part of the community's general oversight role review whether performance measurement has taken place as provided for in this Framework (see section 7.3)</li> </ol>	<ol style="list-style-type: none"> <li>1. As part of the community's general oversight role review whether performance analysis has taken place as provided for in this Framework (see section 7.4)</li> <li>2. Be involved in the analysis process when required</li> </ol>	<ol style="list-style-type: none"> <li>1. As part of the community's general oversight role review whether performance reporting has taken place as provided for in this Framework (see section 7.4)</li> <li>2. Attend meetings of Council/Exco where the performance scorecards are to be reviewed</li> <li>3. As part of the community's general oversight role monitor that where targets have not been met corrective action are taken</li> <li>4. Be kept informed about how the Municipality performed to date against targets set (in-year reporting)</li> <li>5. Be informed about and provided with the Municipality's annual report (year-end reporting) and citizens report if compiled</li> <li>6. Make representations on the Municipality's annual report as tabled</li> </ol>	<ol style="list-style-type: none"> <li>1. Be given the opportunity to participate in the review of municipal performance (see section 7.5.2)</li> <li>2. Be given the opportunity to participate in the deliberations of the Municipal Oversight Committee if established</li> <li>3. Be given the opportunity to influence the outcome of the oversight report</li> <li>4. Be given an opportunity to influence what areas needs to be focused on in the next planning cycle</li> <li>5. Be given the opportunity to suggest new indicators and targets</li> </ol>

PERFORMANCE MANAGEMENT CYCLE					
Performance Planning	Performance Monitoring	Performance Measurement	Performance Analysis	Performance Reporting	Performance Review
<p>1. Facilitate the development of a long-term vision.</p> <p>2. Develop strategies to achieve vision</p> <p>3. Identify priorities</p> <p>4. Participate in the IDP process</p> <p>5. Adopt the Municipality's performance management system</p> <p>6. Adopt indicators and targets as recommended by Exco</p> <p>7. Participate in the annual review of the Municipality's performance management system and agree on any amendments thereto.</p>	<p>1. As part of the Council's general oversight role review whether performance monitoring has taken place as provided for in this Framework (see section 7.2)</p>	<p>1. As part of the Council's general oversight role review whether performance measurement has taken place as provided for in this Framework (see section 7.3)</p>	<p>1. As part of the Council's general oversight role review whether performance analysis has taken place as provided for in this Framework (see section 7.4)</p> <p>2. Be involved in the analysis process when required</p>	<p>1. As part of the Council's general oversight role review whether performance reporting has taken place as provided for in this Framework (see section 7.4)</p> <p>2. Attend meetings of Exco where the performance scorecards are to be reviewed</p> <p>3. As part of the Council's general oversight role monitor that where targets have not been met corrective action are taken</p> <p>4. Receive and consider the report from Exco on the review of the performance of the Municipality for the previous six-months</p>	<p>1. Review the decisions taken by Exco in considering the six-monthly performance report.</p> <p>2. Serve on the oversight committee if established</p> <p>3. Fulfill its oversight role over the Executive and Administration by considering the annual report and adopting an oversight report</p> <p>4. Influencing what areas needs to be focused on in the next planning cycle</p> <p>5. Suggesting new indicators and targets</p>

Municipal Council

PERFORMANCE MANAGEMENT CYCLE					
Performance Planning	Performance Monitoring	Performance Measurement	Performance Analysis	Performance Reporting	Performance Review
<p>1. Play the leading role in providing strategic direction and developing strategies and policies for the organisation</p> <p>2. Manage the development of the IDP</p> <p>3. Recommend indicators and targets to Council</p> <p>4. Manage the development of the Municipality's performance management system</p> <p>5. Assign responsibilities to manage the development of the performance management system to the Municipal Manager</p>	<p>1. Review whether performance monitoring has taken place as provided for in this Framework (see section 7.2) - Exco member responsible for each Department to work closely with HOD in ensuring that regular performance monitoring takes place.</p>	<p>1. Review whether performance measurement has taken place as provided for in this Framework (see section 7.3)</p> <p>2. Take appropriate action against those HODs who on a regular basis do not meet the reporting deadlines</p>	<p>1. Consider the analysis of performance as set out in the six-monthly performance scorecards by the senior management team (see section 7.4 and 7.5.1)</p> <p>2. Decide whether the causal reasons for poor performance have been captured adequately through the analysis process</p>	<p>1. Consider the six-monthly performance reports submitted by the management team (see section 7.5.1)</p> <p>2. Monitor the drafting of the annual report and ensure that it is submitted to Council through the Mayor within seven months after each financial year (see section 7.5.2)</p>	<p>1. Conduct the Six-monthly reviews of municipal performance, determining whether targets had or had not been met, what the causal reasons were and to adopt appropriate response strategies based on recommendations by the management team</p> <p>2. Submit a report to Council on the review undertaken of the Municipality's performance (see section 7.5.1)</p> <p>3. Decide what areas needs to be focused on in the next planning cycle</p> <p>4. Suggesting new indicators and targets</p>
<b>Executive Committee</b>					

PERFORMANCE MANAGEMENT CYCLE					
Performance Planning	Performance Monitoring	Performance Measurement	Performance Analysis	Performance Reporting	Performance Review
<p>Assist the Municipal Manager in/to:</p> <ol style="list-style-type: none"> <li>1. Providing strategic direction and developing strategies and policies for the organisation</li> <li>2. Managing the development of the IDP</li> <li>3. Develop service plans for their Departments and ensure that it is integrated within the strategy of the organisation</li> <li>4. Managing the development of the Municipality's performance management system as delegated by Exco</li> <li>5. Identify and propose indicators and targets</li> </ol>	<ol style="list-style-type: none"> <li>1. Monitor performance against targets set as provided for in this Framework (see section 7.2)</li> <li>2. Take interim action in instances where targets are not going to be met (see section 7.2)</li> <li>3. Get line Managers in Department to monitor the performance of their sectors (see section 7.2)</li> </ol>	<ol style="list-style-type: none"> <li>1. Measure performance according to agreed indicators and targets on a six-monthly basis as provided for in this Framework (see section 7.3)</li> </ol>	<ol style="list-style-type: none"> <li>1. Analyse and capture the underlying reasons why targets have/have not been met as provided for in this Framework (see section 7.4)</li> <li>2. Where targets have not been met compile a draft recommendation with proposed corrective action (see section 7.4)</li> <li>3. Submit measurements, analysis and proposed corrective action via the OPMS Manager to the senior management team (see section 7.4)</li> <li>4. Participate in the meeting of senior management at which the completed performance report is discussed (see section 7.4)</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure that a quality six-monthly performance report is submitted to Exco (see section 7.5.1)</li> <li>2. Compile the annual performance report for his/her Department (see section 7.5.2)</li> <li>3. Provide input and assist in the compilation of the Municipality's annual report (see section 7.5.2)</li> </ol>	<ol style="list-style-type: none"> <li>1. Attend the Exco meeting at which the six-monthly performance report is reviewed and answer any questions Exco might have re the content of the report</li> <li>2. Attend the Council meeting at which Exco reports on the decisions taken in respect of the six-monthly performance report and answer any questions Council might have</li> <li>3. Participate in the annual process to review the performance of Council (see section 7.5.2)</li> </ol>
<b>Municipal Manager and Head of Departments</b>					

The balance of this chapter looks at each of the steps in more detail and how they will unfold in the process of managing performance in the Municipality. Although the steps and what follow relates mainly to performance management at organisational level, the principles and approaches as espoused could also be applied to performance management at departmental level.

## **7.1 Performance Planning**

The performance of the Municipality is to be managed in terms of its IDP and the process of compiling an IDP and the annual review thereof therefore constitutes the process of planning for performance. It should be noted that the last component of the cycle is that of performance review and the outcome of such a review process must inform the next cycle of IDP compilation/review by focusing the planning processes on those areas in which the Municipality has under-performed.

## **7.2 Performance monitoring**

Performance monitoring is an ongoing process by which a Manager accountable for a specific indicator as set out in the organisational scorecard (or a service delivery target contained in a departmental scorecard or annual SDBIP) continuously monitors current performance against targets set. The aim of the monitoring process is to take appropriate and immediate interim (or preliminary) action where the indication is that a target is not going to be met by the time that the formal process of performance measurement, analysis, reporting and review is due.

In the instance of Endumeni it is recommended that the organisational and departmental scorecards of the Municipality be reported on a six monthly basis to the Executive Committee. Performance monitoring requires that in between the said formal cycle of performance measurement appropriate action be taken should it become evident that a specific performance target is not going to be met. It is therefore proposed that at least on a monthly basis Managers track performance trends against targets for those indicators that lie within the area of accountability of their respective Departments as a means to early on identify performance related problems and take appropriate remedial action.

It is further recommended that each Manager delegate to the direct line manager the responsibility to monitor the performance for his/her sector. Such line managers are, after all, best placed given their understanding of their sector to monitor on a regular basis whether targets are being met currently or will be met in future, what the contributing factors are to the level of performance and what interim remedial action needs to be undertaken.

### **7.3 Performance measurement**

Performance measurement refers to the formal process of collecting and capturing performance data to enable reporting to take place for each key performance indicator and against the target set for such indicator. Given the fact that initially at least the Municipality will have to rely on a manual process to manage its performance provision has been made in the organisational and departmental scorecards for the name of an official responsible for reporting on each indicator (please note that this might not necessarily be the same official accountable for performance on an indicator).

The said official will, when performance measurement is due, have to collect and collate the necessary performance data or information and capture the result against the target for the period concerned on the organisational scorecard and report the result to his/her Manager making use of the said scorecard after completing the next step (see performance analysis below).

### **7.4 Performance analysis**

Performance analysis involves the process of making sense of measurements. It requires interpretation of the measurements as conducted in terms of the previous step to determine whether targets have been met and exceeded and to project whether future targets will be met or not. Where targets have not been met performance analysis requires that the reasons therefore should be examined and corrective action recommended. Where targets have been met or exceeded, the key factors that resulted in such success should be documented and shared so as to ensure organisational learning.

In practice the aforementioned entails that the Manager responsible for each indicator will have to, after capturing the performance data against targets on the organisational or departmental scorecards, analyse the underlying reasons why a target has/has not been met and capture a summary of his/her findings on the scorecard. The Manager will thereafter have to compile a draft recommendation in terms of the corrective action proposed in instances where a target has not been achieved and also capture this on the relevant scorecard.



Provision has been made on the reporting format of the organisational and departmental scorecards to capture both the 'reason for the performance status' (in other words the results of the analysis undertaken) and the 'corrective action' proposed.

The organisational and departmental scorecards as completed must then be submitted to a formal meeting of the senior management team for further analysis and consideration of the draft recommendations as captured by the relevant Managers. This level of analysis should examine performance across the organisation in terms of all its priorities with the aim to reveal and capture whether any broader organisational factors are limiting the ability to meet any performance targets in addition to those aspects already captured by the relevant Manager.

The analysis of the organisational and departmental scorecards by senior management should also ensure that quality performance reports are submitted to the Executive Committee and that adequate response strategies are proposed in cases of poor performance. Only once senior management has considered the scorecards, agreed to the analyses undertaken and captured therein and have reached consensus on the corrective action as proposed, can the organisational and departmental scorecards be submitted to the Executive Committee for consideration and review.

## **7.5 Performance reporting and review**

The next two steps in the process of performance management namely that of performance reporting and performance review will be dealt with at the same time. This section is further divided into three sections dealing with the requirements for in-year versus annual reporting and reviews respectively and lastly a summary is provided of the various reporting requirements.

### **7.5.1 In-year performance reporting and review**

The submission of the scorecards to the Executive Committee for consideration and review of the performance of the Municipality as a whole is the next step in the process. The first such report is a major milestone in the implementation of any PMS and it marks the beginning of what should become a regular event namely using the performance report as a tool to review the Municipality's performance and to make important political and management decisions on how to improve.

As indicated earlier it is recommended that the organisational and departmental scorecards be submitted to the Executive Committee for consideration and review on a six monthly basis.

The reporting should therefore take place in January (for the period July to the end of December and July (for the period January to the end of June).

The review in January will coincide with the mid-year performance assessment as per section 72 of the MFMA. The said section determines that the accounting officer must by 25 January of each year assess the performance of the municipality and report to the Council on inter alia its service delivery performance during the first half of the financial year and the service delivery targets and performance indicators as set out in its SDBIP.

Performance review is the process where the leadership of an organisation, after the performance of the organisation have been measured and reported to it, reviews the results and decided on appropriate action. The Executive Committee in reviewing the organisational and departmental scorecards submitted to it will have to ensure that targets committed to in the scorecard have been met, where they have not, that satisfactory and sufficient reasons have been provided by senior management and that the corrective action being proposed is sufficient to address the reasons for poor performance. If satisfied with the corrective action as proposed these must to be adopted as formal resolutions of Council, minuted and actioned accordingly.

### **7.5.2 Annual performance reporting and review**

On an annual basis a comprehensive report on the performance of the Municipality also needs to be compiled. The requirements for the compilation, consideration and review of such an annual report are set out in chapter 12 of the MFMA. In summary it requires that:

- All municipalities for each financial year compile an annual report
- The annual report be tabled within seven months after the end of the financial year
- The annual report immediately after it has been tabled be made public and that the local community be invited to submit representations thereon
- The municipal Council consider the annual report within nine months after the end of the financial year and adopt an oversight report containing the council's comments on the annual report
- The oversight report as adopted be made public

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- The annual report as tabled and the Council's oversight report be forwarded to the Auditor-General, the Provincial Treasury and the department responsible for local government in the Province
  - The annual report as tabled and the Council's oversight report be submitted to the Provincial legislature.

The oversight report to be adopted provides the opportunity for full Council to review the performance of the Municipality. The requirement that the annual report once tabled and the oversight report be made public similarly provides the mechanism for the general public to review the performance of the Municipality. It is however proposed that in an effort to assist the public in the process and subject to the availability of funding, a user-friendly citizens' report be produced in addition to the annual report for public consumption. The citizens' report should be a simple, easily readable and attractive document that translates the annual report for public consumption.

It is also proposed that annually a public campaign be embarked upon to involve the citizens of the Municipality in the review of municipal performance over and above the legal requirements of the Municipal Systems Act and the MFMA. Such a campaign could involve all or any combination of the following methodologies:

- Various forms of media including radio, newspapers and billboards should be used to convey the annual report.
- The public should be invited to submit comments on the annual report via telephone, fax and email.
- Public hearings could be held in a variety of locations to obtain input of the annual report.
- Making use of existing structures such as ward and/or development committees to disseminate the annual report and invite comments.
- Hosting a number of public meetings and roadshows at which the annual report could be discussed and input invited.
- Producing a special issue of the municipal newsletter in which the annual report is highlighted and the public invited to comment.
- Posting the annual report on the council website and inviting input

The public review process should be concluded by a formal review of the annual report by the IDP Representative Forum of the Municipality.

Lastly it should be mentioned that the performance report of a municipality is only one element of the annual report and to ensure that the outcome thereof timeously inform the next cycle of performance planning in terms of an IDP compilation/review process, it is recommended that the annual performance report be compiled and completed as soon after the end of a financial year as possible but ideally not later than two months after financial-year end.

### 7.5.3 Summary of various performance reporting requirements

The following table, derived from both the legislative framework for performance management and this PMS framework, summarises for ease of reference and understanding the various reporting deadlines as it applies to the Municipality:

<b>Report</b>	<b>Frequency</b>	<b>Submitted for consideration and/or review to</b>	<b>Remarks</b>
1. Departmental SDBIPs	Continuous	Manager of Department	See MFMA Circular 13 of National Treasury for further information
2. Monthly budget statements	Monthly	Mayor (in consultation with Exco)	See sections 71 and 54 of the MFMA
3. Departmental scorecards	Six monthly	Executive Committee	This PMS framework (see section 7.5.1 above)
4. Organisational Scorecard	Six monthly	Executive Committee	This PMS framework (see section 7.5.1 above)
5. SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor (in consultation with Exco)	See sections 72 and 54 of the MFMA
6. Performance report	Annually	Council	See section 46 of the Municipal Systems Act as amended. Said report to form part of the annual report (see 7 below)
7. Annual report	Annually	Council	See chapter 12 of the MFMA

## 8. The auditing of performance measures

### 8.1 The role of internal audit in terms of performance management

The MFMA requires that the Municipality must establish an internal audit section which service could be outsourced depending on its resources and specific requirements. Section 45 of the Municipal Systems Act stipulates that the results of the Municipality's performance measures must be audited by the said internal audit section as part of the internal auditing process and annually by the Auditor-General.

The Municipal Planning and Performance management Regulations stipulates that internal audit section must on a continuous basis audit all performance and the auditing must include an assessment of the following:

- (i) The **functionality** of the municipality's performance management system.
- (ii) Whether the municipality's performance management system **complies** with the Act.
- (iii) The extent to which the municipality's performance measurements are **reliable** in measuring the performance of municipalities by making use of indicators.

Each of the aforementioned aspects will now be looked at briefly.

#### Functionality

To function could be defined as a proper or expected activity or duty or to perform or operate as expected (Chambers Handy Dictionary). This could also be applied to the operation of any system such a PMS. The internal audit section must therefore on a regular basis audit whether the PMS of the Municipality is functioning as developed and described in this framework.

## **Compliance**

To comply can be defined as to act in the way that someone else has commanded or wished (Chambers Handy Dictionary). In this respect it is clear that the legislature wishes to ensure that the Municipality's PMS complies strictly with the requirements of the Systems Act, Regulations and the MFMA. This compliance check would require that the Municipality's internal audit unit, at least on an annual basis, verifies that the Municipality's PMS complies with the said legal requirements.

## **Reliability**

To rely could be defined as to trust or depend (upon) with confidence. Reliability in the context of PMS refers to the extent to which any performance measures reported upon could be seen as being reliable, e.g. if the performance target was to build 500 houses and it is reported that the target has been met or exceeded, it must be established whether the information is factually correct or only an estimation or even worse, purposeful misrepresentation. Undertaking a reliability audit will entail the continuous verification of performance measures and targets reported upon. This will require that the Municipality sets in place a proper information management system (electronically or otherwise) so that the internal audit section is able to access information regularly and to verify its correctness.

The Municipality's internal auditors must submit quarterly reports on the audits undertaken to the Municipal Manager and the Audit Committee.

## **8.2 Audit Committee**

The MFMA and the Municipal Planning and Performance Management Regulations require that the municipal council establish an audit committee consisting of a minimum of three members, where the majority of members are not employees of the municipality. No Councillor may be a member of an audit committee. Council shall also appoint a chairperson who is not an employee.

The Regulations gives municipalities the option to establish a separate performance audit committee whereas the MFMA provides only for a single audit committee. The operation of this audit committee when dealing with performance management is governed by section 14 (2-3) of the Regulations which require that the audit committee must:

- review the quarterly reports submitted to it by the internal audit unit

- review the municipality's PMS and make recommendations in this regard to the Council of the Municipality
- at least twice during a financial year submit an audit report to the municipal Council

In order to fulfill their function a performance audit committee may, according to the MFMA and the Regulations,

- communicate directly with the council, municipal manager or the internal; and external auditors of the municipality concerned;
- access any municipal records containing information that is needed to perform its duties or exercise its powers;
- request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
- investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

The Municipality has already established an Audit Committee and it is recommended that their responsibility in terms of performance management be as set out in the MFMA, Regulations and this framework as well as the Council's manual for the evaluation of Section 57 Managers.

### **8.3 Performance Investigations**

The Audit Committee should also be able to commission in-depth performance investigations where there is either continued poor performance, a lack of reliability in the information being provided or on a random ad-hoc basis. The performance investigations should assess:

- The reliability of reported information
- The extent of performance gaps from targets
- The reasons for performance gaps
- Corrective action and improvement strategies

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While the internal audit section may be used to conduct these investigations, it is preferable that external service providers, preferably academic institutions, who are experts in the area to be audited, should be used. Clear terms of reference will need to be adopted by the Council for each such investigation.

## **9. General issues relating to performance management**

The following is some general issues related to performance management that needs to be taken into consideration in implementing the PMS of the Municipality:

### **9.1 Annual review of the Performance Management System**

As stated earlier, one of the functions of the audit committee is to on at least an annual basis, review the PMS of the Municipality and the individual performance management manual for Section 57 Employees. It is envisaged that after the full cycle of the annual review and reporting is complete and the audit committee has met as required; the internal audit section will compile a comprehensive assessment/review report on whether the Municipality's PMS meets the system objectives and principles as set out in this framework and whether the system complies with the Systems Act, PMS Regulations and the MFMA. This report then needs to be considered by the audit committee and any recommendations on amendments or improvements to be made to the PMS, submitted to the Executive Committee for consideration.

The Municipal Systems Act requires the Municipality also annually evaluate its PMS. The review undertaken by the audit committee and its recommendations could serve as input into this wider municipal review of the PMS and it is proposed that after the full cycle of the annual review is complete; the Municipal Manager will initiate an evaluation report, taking into account the input provided by departments. The report will then be discussed by the Management Team and finally submitted to the Council for discussion and approval.

### **9.2 Amendments to key performance indicators and targets**

The Municipality will have to adopt a policy on amendments to indicators and targets. It is recommended that such amendments may be proposed but will be subject to the approval of the Executive Committee in consultation with the Municipal Manager.



### **9.3 Integrating PMS with the Council's existing management cycle**

International best practice indicates that PMS stand the best chance to succeed if it is integrated with the current management cycle of the Municipality. The purpose of such a cycle would be to guide the integration of important processes such as the strategic planning or development process in terms of the IDP methodology, the annual budget process and the formal process of evaluating and assessing Council's performance in terms of the approved PMS and this framework. An example of such an integrated cycle is attached as **Annexure "D"** and it is recommended that the Municipality develop and adopt a similar cycle that suitable to its own circumstances and requirements.

### **9.4 Institutional arrangements**

The implementation of the PMS in terms of this framework would require co-ordination and it is recommended that at organisational level this be the task of the Manager responsible for the IDP. This is not to say that it would be the said person's responsibility to measure, analyse and report on performance but only to ensure that this happens and that material is collated and available for analyses and review as per this framework on behalf of the Municipal Manager.

At an individual level the responsibility for co-ordination, administration and record keeping should be the responsibility of the Manager responsible for human resource management.

The Municipality also needs to ensure that its internal audit section is capacitated to deal with the additional responsibilities it has in terms of performance management over and above its traditional financial audit responsibilities.

## **10. Conclusion**

In conclusion it must be emphasised that there are no definitive solutions to managing municipal performance. The process of implementing a performance management system must be seen as a learning process, where the Municipality must continuously improve the way the system works to fulfil the objectives of the system and address the emerging challenges from a constantly changing environment.

IDP Indicator No.	National IDP	Municipal Transformation and Institutional Development	Strategic Objective	Measurable Objective/Output	Performance Measure	Demand	Baseline 2008/2009	2009/2010	2010/2011	Target	Q1	Q2	Q3	Q4	Responsible Department	Financial Implication	Wards	Comments
IDP 27		Municipal Transformation and Institutional Development	To provide effective and efficient Human Resources Management Services	Approved programme Levels of black staff employed in management	Date Number of black staff	23	2008/09	13	10	0	0	0	0	Corporate Services/ AI Corporate Services				
IDP 27				Women employed by the municipality	Number of women	150	114	0	0	0	0	0	0	Corporate Services				
IDP 27				Youth employed by the municipality	Number of youth	70	0	0	0	0	0	0	0	Corporate Services				
IDP 27				Disabled staff employed by the municipality	Number of staff	1	0	0	0	0	0	0	0	Corporate Services				
IDP 27				Annual Approved Workplace Skills Plan	Date	2010/2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Corporate Services				
IDP 27				Budget Spent on Workplace Skills Plan	Percentage spent	100%	23%	0%	10%	10%	10%	10%	10%	AI AI / Council				
IDP 27				Ensure internal decision making processes are efficient and effective	Average time spent between an item tabled and decision taken	Immediate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Council				
IDP 27				% attendance of councillors at meetings	% attendance of councillors at meetings	100%	100%	100%	100%	100%	100%	100%	100%	Council				
IDP 27				Surveys conducted	Number of surveys	1	1	0	1	0	0	0	0	Operations / Corporate Services/ AI				
IDP 27				IDP Review	Date of approval	30-Jun-09	30-Jun-09	N/A	N/A	N/A	N/A	N/A	N/A	Planning & Development/ AI				
IDP 27				Spatial Development Framework	Date of approval	30-Jun-10	30-Jun-09	N/A	N/A	N/A	N/A	N/A	N/A	Planning & Development/ AI				
IDP 27				Disaster Management Plan	Yes/No	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A	Community Services				
IDP 27				Approved Mid-Term Expenditure Framework	Yes/No	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A	Financial Services				
IDP 27				Environmental Management Plan	Date	30-Jun-10	30-Jun-09	N/A	N/A	N/A	N/A	N/A	N/A	Planning & Development				
IDP 27				Fire Management Plan	Yes/No	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A	Operations / AI				
IDP 27				Performance Management Systems	Yes/No	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A	Office of MM / Corporate Services/ AI				
IDP 27				SS7 Performance Agreements	Number of agreements	4	4	4	4	0	0	0	0	Office of MM / Corporate Services/ AI				
IDP 27				Adopted Annual Report	Date	09-Jan	09-Jan	N/A	N/A	N/A	N/A	N/A	N/A	Office of MM / Operations				
IDP 27				Annual Performance Report	Date	09-Jan	09-Jan	N/A	N/A	N/A	N/A	N/A	N/A	Office of MM				
IDP 27				Implementation of the National Municipal Turn Around Strategy	Date prepared	May 10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Office of MM				
IDP 27				Communication Strategy	Date achieved	Dec-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Office of MM				
IDP 27				Results of surveys	Yes/No	No	No	N/A	N/A	N/A	N/A	N/A	N/A	Operations/ AI				
IDP 27				Annual review of systems	Yes/No	Yes	Yes	13/02/2006	N/A	N/A	N/A	N/A	N/A	Operations				
IDP 27				Households with access to basic water	Number of Households	13755	13755	600	0	0	0	0	0	Technical Services				
IDP 27				New water connections	Number of new connections	13755	200	600	0	0	0	0	600	Technical Services				
IDP 27				Households with access to basic sanitation	Number of Households	13755	13755	600	0	0	0	0	0	Technical Services				
IDP 27				New sanitation connections	Number of new connections	13755	200	600	0	0	0	0	600	Technical Services				
IDP 27				Households with access to electricity	Number of Households	13755	13755	600	0	0	0	0	0	Technical Services				
IDP 27				New electrical connections	Number of new connections	13755	200	600	0	0	0	0	600	Technical Services				
IDP 27				Integrated Electricity Programme	Date	13755	200	600	0	0	0	0	600	Technical Services				
IDP 27				Households with access to weekly waste disposal services	Number of Households	13755	13755	600	0	0	0	0	0	Technical Services				
IDP 27				Management of Landfill Sites	Cubic meters of waste processed	13755	200	600	0	0	0	0	600	Technical Services				
IDP 27				Households with access to weekly waste disposal services	Number of new households	13755	200	600	0	0	0	0	600	Technical Services				
IDP 27				Upgrade Waste removal	Date	Jun-11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Technical Services				
IDP 27				Solida Waste Plan	Date	Jun-11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Technical Services				
IDP 27				Households with access to free basic water	Number of Households	13755	13755	600	0	0	0	0	0	Technical Services				
IDP 27				Households with access to free basic sanitation	Number of Households	13755	13755	600	0	0	0	0	0	Technical Services				



ENHANCING MUNICIPALITY ORGANISATIONAL BOARD 2018/19

IDP27-29	Strategy	100%	50%	50%	50%	50%	50%	50%	50%	Internal Audit
IDP27-29	To ensure that all revenue of the municipality is accounted for	30 days	30 days	N/A	N/A	N/A	N/A	N/A	N/A	Financial Services
IDP27-29	Amount invoiced/billed to customers									Financial Services
IDP27-29	Ratio	17.1	17.1	17.1	17.1	17.1	17.1	17.1	17.1	Financial Services
IDP27-29	Outstanding service debtors to revenue	44	44	44	44	44	44	44	44	Financial Services
IDP27-29	Cost coverage ratio	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	Financial Services
IDP27-29	Total revenue received from grants and subsidies	32,411,000	32,411,000	11,764,313	8,615,200	8,512,137	8,512,137	519,250	519,250	Financial Services
IDP27-29	Total of grants and subsidies spent	100	100%	100%	100%	100%	100%	100%	100%	Financial Services
IDP27-29	Percentage operating budget of total budget	87.4%	87.4%	87.4%	87.4%	87.4%	87.4%	87.4%	87.4%	Financial Services
IDP27-29	Percentage salaries and wages budget (including benefits) of total budget	39.31	39%	39%	39%	39%	39%	39%	39%	Financial Services
IDP27-29	Percentage own revenue contribution to total budget	84.64	84.64	84.64	84.64	84.64	84.64	84.64	84.64	Financial Services
IDP27-29	Compliance with MFMA requirements	100	100%	100%	100%	100%	100%	100%	100%	Financial Services
IDP27-29	Fixed Asset Register reconciled with General Ledger	100	100%	100%	100%	100%	100%	100%	100%	Financial Services
IDP27-29	Compliance with GRAP	100	100%	100%	100%	100%	100%	100%	100%	Financial Services
IDP27-29	Payment of creditors	30	30	30	30	30	30	30	30	Financial Services
IDP27-29	Actual vs Budget	0	0%	0%	0%	0%	0%	0%	0%	Financial Services
IDP27-29	Procurement Planning	-	-	-	-	-	-	-	-	Financial Services
IDP27-29	SCM performance reporting	MONTHLY	MONTHLY	MONTHLY	MONTHLY	MONTHLY	MONTHLY	MONTHLY	MONTHLY	Financial Services
IDP27-29	Functional Bid Committees	21	21	21	21	21	21	21	21	Financial Services
IDP27-29	Compliance with SCM Regulations	100	100%	100%	100%	100%	100%	100%	100%	Financial Services
IDP27-29	Number of appeals upheld	0	0	0	0	0	0	0	0	Financial Services
IDP27-29	Debt recovery	20	20%	20%	20%	20%	20%	20%	20%	Financial Services
IDP27-29	Capital budget spent on IDP projects	100	100%	100%	100%	100%	100%	100%	100%	Community Services/ All
IDP27-29	To manage health issues	3	3	3	3	3	3	3	3	Community Services/ All
IDP26	Community & Social Services	12	12	12	12	12	12	12	12	Community Services
IDP26	Held meetings by professional nurses									Community Services
IDP26	Meetings held by ethnic committees	4	4	4	4	4	4	4	4	Community Services
IDP26	Conduct Drug inspections	4	4	4	4	4	4	4	4	Community Services
IDP26	Mission critical campaigns	4	4	4	4	4	4	4	4	Community Services
IDP26	From books to Library	157000	157000	157000	157000	157000	157000	157000	157000	Community Services
IDP26	Conduct Educational Programmes	12	12	12	12	12	12	12	12	Community Services
IDP26	Creation of Housing Forum	Apr-10	Apr-10	Apr-10	Apr-10	Apr-10	Apr-10	Apr-10	Apr-10	Community Services
IDP25	To create a safer road and traffic environment for all road users	100%	100%	100%	100%	100%	100%	100%	100%	Community Services
IDP25	Implementation of road marking and signs	4	4	4	4	4	4	4	4	Community Services
IDP25	Conduct school road safety awareness campaign	4	4	4	4	4	4	4	4	Community Services
IDP25	Coordination of Youth Development Opportunities	20	20	20	20	20	20	20	20	Community Services
IDP 26	Number of events	20	20	20	20	20	20	20	20	Community Services
IDP 26	Number of functions	1	1	1	1	1	1	1	1	Community Services
IDP 26	Collate and establish Computer Database of all archives	To be quantified	2000	500	500	500	500	500	500	Operations

KEY:  
 Priority  
 Vans  
 Additional /Departmental

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Endumeni Municipality

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# Process Plan for the Review of a Performance Management System for the Endumeni Municipality

July 2009

ENDUMENI MUNICIPALITY  
PERFORMANCE MANAGEMENT PROCESS PLAN

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## 1. Introduction

The drafting of a Performance Management System (PMS) in terms of Chapter 6 of the Municipal System Act 32 of 2000 will involve an extensive process, to ensure that the system complies with legislative and policy requirements, especially in terms of the Constitution.

A wide range of role players from outside as well as inside the Endumeni Municipality will be involved in the development and implementation of a Performance Management System (PMS). The process plan of the municipality will indicate these role players as well as roles and responsibilities of these role players.

A brief look at the elements that will be covered in the process plan will be provided and a comprehensive, or detailed, description of the elements or requirements will be provided. These elements contained within the plan involve the following:

- The **legislative requirements** for the preparation and implementation of a PMS will be briefly discussed under this section to provide the role players as well as senior managers with the background knowledge on to these requirements, which will indicate the municipality's responsibility in terms of PMS.
- At this stage of the process plan it can be useful to determine the **general principles** relating to performance management systems and some generally accepted principles will be indicated.
- **Roles and responsibilities** have to be clarified in advance to ensure that role players that will be inheriting responsibilities will adhere to these, and that internal human resources could be allocated accordingly.
- **Organisational arrangements** have to be established and decisions on the membership of teams, committees and forums have to be made.
- A **detailed programme** needs to be developed which will indicate the envisaged planning and development activities for the development and implementation of a PMS in terms of the legislative requirements. This detailed programme will include the planning and development activities, a timeframe, and some of the resource requirements for the programme of development of PMS.

## 2. Legislative requirements

The legislative and policy framework for PMS includes the Constitution, The Municipal Systems Act, the Municipal Finance Management Act, Municipal Planning and Performance Management Regulations, The White Paper on Local Government and Batho Pele principles. The main regulatory mechanism for PMS is Chapter 6 of the MSA and the related Municipal Planning and Performance Management Regulations.

### **The White Paper on Local Government (1998)**

The White Paper on Local Government (1998) suggested that local government should introduce the idea of *performance management systems*. The White Paper noted that,

*"Involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities may prioritise the amount of time it takes a municipality to answer a query; others will prioritise the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased, and public trust in the local government system enhanced" (The White Paper on Local Government, 1998).*

### **Batho Pele (1998)**

Similarly, the White Paper on Transforming Public Service Delivery (Batho Pele) puts forward eight principles for good public service:

#### **Consultation:**

Citizens should be consulted about the level and quality of public service they receive, and, where possible, should be given a choice about the services which are provided.

#### **Service standards:**

Citizens should know what standard of service to expect.

#### **Access:**

All citizens should have equal access to the services to which they are entitled.

#### **Courtesy:**

Citizens should be treated with courtesy and consideration.



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**Information:**

Citizens should be given full and accurate information about the public services they are entitled to receive.

**Openness and transparency:**

Citizens should know how departments are run, how resources are spent, and who is in charge of particular services.

**Redress:**

If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made citizens should receive a sympathetic, positive response.

**Value-for-money:**

Public services should be provided economically and efficiently in order to give citizens the best possible value-for-money.

*"Importantly, the Batho Pele White Paper notes that the development of a service-oriented culture requires the active participation of the wider community. Municipalities need constant feedback from service-users if they are to improve their operations. Local partners can be mobilised to assist in building a service culture. For example, local businesses or non-governmental organisations may assist with funding a helpline, providing information about specific services, identifying service gaps or conducting a customer survey" - The White Paper on Local Government (1998).*

**The Municipal Systems Act (2000)**

Government has taken this idea forward in the Municipal Systems Act (2000), which requires all municipalities to:

- ⊕ Develop a performance management system
- ⊕ Set *targets*, monitor and *review performance* based on indicators linked to their IDP
- ⊕ Publish an *annual performance report* on performance for the councillors, staff, the public and other spheres of government
- ⊕ Incorporate and report on a set of *general indicators* prescribed nationally by the minister responsible for local government
- ⊕ Conduct an *internal audit* on performance before tabling the report.

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- ⊕ Have their annual performance report audited by the Auditor-General
- ⊕ *Involve the community* in setting indicators and targets and reviewing municipal performance.

The different sections of Chapter 6 (**Annexure A**) of the MSA relates to the following aspects of PMS:

- ☑ **Section 38:** Requires municipalities to establish a Performance Management System, promote a performance management culture and administer its affairs in an economical, effective, efficient and accountable manner.
- ☑ **Section 39:** Gives EXCO the responsibility for managing the development of a Performance Management System, as well as powers of delegation of responsibilities and the responsibility of submitting the PMS to Council.
- ☑ **Section 40:** Places responsibility on the municipality for the monitoring and review of its PMS.
- ☑ **Section 41:** Outlines the core components to be included in the PMS of the municipality, and refers to KPI's, targets, measurement mechanisms, steps for improvement and the reporting processes.
- ☑ **Section 42:** Requires the municipality to establish mechanisms and procedures for community involvement in the process, in terms of Chapter 4 of the MSA.
- ☑ **Section 43:** Allows the minister to establish general KPI's which must be included in the KPI's of municipalities, to the extent that these general KPI's are relevant to the municipality.
- ☑ **Section 44:** Requires the municipality to notify stakeholders internally and the general public of its KPI's and targets.
- ☑ **Section 45:** Requires the municipality to conduct an internal audit of its performance as well as an audit by the auditor general.
- ☑ **Section 46:** Requires the municipality to prepare an annual performance report.

### **Municipal Planning and Performance Management Regulations (2001)**

The Municipal Planning and Performance Management Regulations set out in detail requirements for municipal PM systems. However the regulations do not sufficiently constitute a framework that fully proposes how the system will work. Each component of the proposed framework in this document is strongly informed by the regulations. The regulations have been attached as **Annexure B**.

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Although not a legislative or policy requirement, the Department of Provincial and Local Government's Performance Management Guide for Municipalities (available at [www.pimss.net](http://www.pimss.net)) and the KwaZulu-Natal Best Practice Guide for Organisational Performance Management (available at <http://devplan.kzntl.gov.za>) provides relevant guidelines for the preparation and implementation of Performance Management Systems. The detailed programme will to a great extent be based on these Guides, linked in with the relevant legislative requirements.

### **Municipal Finance Management Act**

The Municipal Finance Management Act contains various important provisions related to performance management. It requires all municipalities to:

- Annually adopt a service delivery and budget implementation plan with service delivery targets and performance indicators.
- When considering and approving the annual budget set measurable performance targets for revenue from each source and for each vote in the budget.
- Compile an annual report, which must amongst others include a Municipality's performance report compiled in terms of the Systems Act.

The National Treasury has compiled a detailed guide on the implementation of the Municipal Finance Management Act (available at [www.treasury.gov.za](http://www.treasury.gov.za)).

### **3. General Principles**

There are certain generally accepted principles, which can be accepted to be favouring PMS. These principles need to ensure that the PMS of the Endumeni Municipality are a user-friendly system that will be able to operate within the resource capacity of the municipality. These principles can be regarded as the following:

#### **× Simplicity**

The system will need to be kept as simple as possible to ensure that the municipality can develop, implement, manage and review the system without placing an unnecessary great burden on the existing capacity of the municipality.

- **Politically acceptable and administratively managed**

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The system must be acceptable to political role players on all levels. It must also be flexible enough to be accepted by the municipal council and to enjoy buy-in across the political spectrum. The process will involve both Councillors and officials but the day-to-day management of the process will be managed administratively with regular report back on progress made to the political level.

**✘ Implementable**

Considering the resource framework of the municipality, the PMS should be implementable with these resources, which will include time, institutional, financial, and technical resources.

**✘ Transparency and accountability**

The development and implementation of a PMS should be inclusive, transparent and open. The general public should, through the system, be made aware of how the operations of the municipality are being administered, how the public resources are being spent and who certain responsibilities belongs to.

**✘ Efficient and sustainable**

The PMS should, like other services within the municipality, be cost effective and should be professionally administered, and needs to happen in a sustainable manner.

**✘ Public participation**

The constituency of the municipality should be granted their legal rights, in terms of the Constitution and the MSA, through encouragement of public participation by the municipality during the development and implementation of PMS.

**✘ Integration**

The PMS should be developed and implemented in such a manner that it will be integrated with the municipality's integrated development process.

**✘ Objectivity**

The PMS to be developed and implemented must be developed on a sound value system with the management of the system and the information it is based upon being objective and credible.

#### **4. Roles and responsibilities**

The roles and responsibilities are discussed in some detail in different sections of this document, but it could be useful to indicate the role and responsibilities of all the relevant role players and stakeholders. The Municipal Planning and Performance Regulations requires, under paragraph 7(c) that the role and responsibilities be clarified. The roles and responsibilities are the following:

##### **× Municipal Council**

The role of council is clearly stated in the relevant legislation, being the MSA, and under Chapter 26 of the Act, the council (the municipality) are given the following responsibilities:

- To develop a PMS
- Set targets, monitor and review performance based on indicators linked to the IDP
- Publish an annual report on performance for councillors, staff, the public and other spheres of government
- Incorporate and report on a set of general indicators prescribed nationally by the minister responsible for local government
- Conduct an internal audit on performance before tabling the report
- Have the annual performance report audited by the Auditor-General
- Involve the community in setting indicators and targets and reviewing municipal performance

##### **× Councillors**

Although the responsibilities of councillors in terms of PMS are not explicitly stated in Chapter 6 of the MSA, councillors are considered to be the major link between the municipal council/government and the residents or constituencies and therefore their role can be to:

- Link the planning and PMS process to their constituencies and/or wards
- Be responsible for organising public consultation and participation
- Ensure that the annual business plans; performance indicators and municipal budget and performance are linked to the IDP.

##### **× Municipal manager**

The Council in most instances will delegate the Municipal Manager with the responsibility of developing the system. This would seem to be the most logical institutional arrangement. The Municipal Manager will have to ensure

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that the responsibilities assigned be carried out and will report to Council. The Municipal Manager may assign these responsibilities to a senior manager.

**x Manager responsible for the IDP**

Depending on the internal capacity of the municipality as well as its needs, it may decide to appoint a person responsible for performance management in the municipality. This person will in most instances also be the IDP manager or the Manager responsible for the IDP, due to the integrated nature of IDP and PMS. This person will in most instances also be chairperson of the PMS project team.

**x Municipal officials**

Municipal officials in the municipality will be responsible for providing relevant and important information during the development and implementation of the system. This information will be used to inform the PMS and will ultimately be utilised for performance monitoring, review and the IDP review. It will also serve to inform employee performance measurement. Senior Managers will have a particular role to play in developing the performance management system in that they will have to be actively involved in setting KPIs and targets and reviewing the performance of staff.

**x Public**

The general public, being the main clients of the municipality, will be represented through an appropriate forum as required in terms of the Municipal Planning and Performance Regulations, which is proposed to be the municipality's IDP Representative forum, as the IDP and PMS processes will be informing one another and will also be integrated. The role of civil society should rather be viewed as an opportunity than a responsibility. The generally accepted responsibilities of the public can be regarded as the following:

- o Analyse issues and information, determine priorities in terms of key Performance Indicators and reaching consensus on issues relating to PMS development and implementation
- o The municipality must involve the local community, and the local community has the responsibility to be involved in the development, implementation and review of the municipal PMS, in particular in the setting up of Key Performance Indicators.
- o Participate in the designing/development of the PMS
- o Provide comments, after discussion of the final draft PMS prior to it being submitted to council for adoption, within the specified period of 21 days of public notification

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- Monitoring the implementation of the IDP and the related performance measurement of the IDP and providing inputs into the PMS in terms of IDP monitoring and evaluation.

**× Traditional leaders**

The roles and responsibilities of traditional leaders needs further clarification, but as representatives of a certain portion of the local community it is accepted that the traditional leaders should be carrying the same responsibilities as the general public's responsibilities indicated above

**× Provincial government**

A dual responsibility of Provincial Government can be considered, that of the sector departments and that of the Department of Local Government.

Department of Local Government:

- Ensuring vertical/sector alignment between sector departments in the IDP process, as well as the assurance of compliance with the requirements of municipal PMS from the sector departments.
- Providing guidance and assistance, including financial assistance to municipalities in their PMS development, implementation and review.
- The facilitation of resolution of disputes related to PMS.

Sector departments:

- Contribute sector expertise and technical information to municipalities to inform the formulation of KPI's and the setting of performance targets (often meeting certain targets will be dependant on the support and input of sector departments).
- Contribute relevant information to ensure the timely measurement of performance in terms of the requirements of the municipal PMS.
- Facilitation of workshops and documentation of outcomes of activities

**× Internal auditors**

The auditing of all performance measures by the internal audit section of a municipality is a requirement in terms of the regulations as stipulated in the Municipal Planning and Performance Regulations. The roles and responsibilities of internal audit include the following:

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- Assessment of the functionality of the municipality's PMS
- Determining whether the PMS complies with the relevant legislation
- Assess the extent to which the municipality's performance measurements are reliable in measuring performance of the municipality in terms of its KPI's
- Perform regular audits on a continuous basis and submit quarterly reports on these audits to the municipal manager and the Performance Audit Committee

**× Audit committee**

If not already in existence an audit committee needs to be appointed by the municipality, in terms of the requirements of the Municipal Finance Management Act and the Municipal Planning and Performance Regulations. The responsibilities of the committee include the following:

- Review the quarterly reports submitted by the internal audit committee.
- Review the municipalities PMS and make recommendation in this regard to council.
- Twice annually, submit an audit report to council.

**5. Organisational Arrangements**

The organisational arrangements for the planning, development and implementation of the PMS are based on the legislative requirements and the most practical arrangements in terms of the Performance Management and Best Practice Guides for Municipalities. The following diagram (figure 1) will indicate what is accepted to be the most logical arrangements for the Endumeni Municipality.

The MSA holds Council responsible for the adoption of the system, while placing the responsibility for the development of the system with the Executive Committee. Exco could in turn delegate the responsibility to the Municipal Manager to develop the system. The Municipal Manager, in turn, can delegate the responsibility to a senior manager.

It is proposed, in terms of the Performance Management and Best Practice Guide for Municipalities, that the municipality establish a project team, led by the Municipal Manager. The members of the project team would be the relevant officials nominated by the Endumeni Municipality, especially those who would also be involved in the integrated development planning review process.

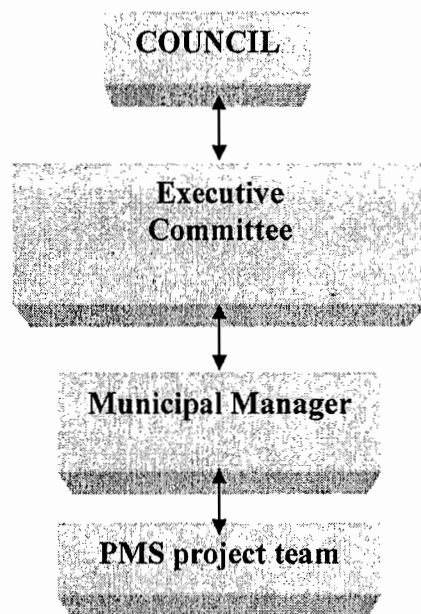


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The said PMS project team will work closely with the consultant during the whole process to ensure that deadlines are met and that the various activities are properly co-ordinated. The project team will also assign responsibilities to Managers during the whole process to ensure for example that performance targets are set timeously.

The team would report to the Municipal Manger who would report to Exco who would finally report to council.

Figure 1: Proposed Organisational arrangements for planning, development and implementation of PMS.



## 6. Detailed programme.

The following detailed work programme is based on the policy and legislative requirements, and more specifically the Department of Provincial and Local Government's Performance Management Guidelines for Municipalities and the KwaZulu-Natal Best Practice Guide.

### **PHASE 1: Starting the process of developing a performance management system**

Step 1: Facilitate the delegation of responsibilities

Step 2: Facilitate the setting up of institutional arrangements

**DELIVERABLES FROM THIS PHASE**

- *Detailed project charter with timeframes*
- *Delegated responsibilities to the Municipal Manager*
- *Institutional arrangements to facilitate the development of a PMS*

**PHASE 2: Developing an organisational performance management system**

Step 1: Facilitate the situational analysis processes and

Step 2: Facilitate the stakeholders' identification and the creation of structures for stakeholder participation

Step 3: Capacity building

- Train managers and supervisors in order to be able to implement all different phases of the system
- Train the councillors in order for them to be able to assist in the implementation, monitoring and evaluation of the system

Step 4: Facilitate the setting of objectives and priorities

Step 5: Setting KPIs at organisational and departmental levels

- What are indicators?
- Value for indicators
- Types of indicators
- Incorporating General KPIs

Step 6: Setting Performance Targets at organisational and departmental levels

- What are Performance Targets?
- How to set Targets?

Step 7: Designing a Performance Measurement Framework

- How to do measurements
- How to do analysis
- Inform the Council in terms of the implementation of the system

Step 8: Facilitate the publication of the system

Step 9: Facilitate the processes leading to the adoption of the system

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**DELIVERABLES FROM THIS PHASE**

- *Detailed situational analysis*
- *Public participation plan and structures to facilitate community involvement in developing the PMS*
- *Workshop for Councillors and senior management on performance management*
- *Organisational key performance indicators and targets set out in a Municipal Scorecard*
- *Departmental key performance indicators and targets set out in Departmental Scorecards*
- *Detailed performance management framework setting out inter alia how the Municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted and managed*
- *Approved organisational Performance Management System*

**PHASE 3: Performance agreements for top management**

Step 1: Use the organisational and departmental scorecards developed during phase 2 to develop performance agreements for the Municipal Manager and Heads of Departments

**DELIVERABLES FROM THIS PHASE**

- *Written performance agreements for the Municipal Manager and all Heads of Departments.*

**7. Conclusion**

This process plan has been developed to provide a high level of detail of the legislative requirements for the review of a Performance Management System. A number of the aspects required for the review of a performance measurement framework as well as implementation of the system has been addressed and should thus significantly simplify the task to develop and implement a performance management system within the Endumeni municipality.

# LOCAL GOVERNMENT: MUNICIPAL PLANNING AND PERFORMANCE MANAGEMENT REGULATIONS, 2001

as published in  
GN R796 in GG 22605 of 24 August 2001

## CHAPTER 1 INTERPRETATION

### 1 Definitions

In these regulations a word or phrase to which a meaning has been assigned in the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), has that meaning and, unless the context otherwise indicates-

'*ad hoc* committee' means a committee appointed in terms of section 33 (1) of the Act;

'financial year' means the financial year of municipalities that end on 30 June of each year;

'input indicator' means an indicator that measures the costs, resources and time used to produce an output;

'outcome indicator' means an indicator that measures the quality and or impact of an output on achieving a particular objective;

'output indicator' means an indicator that measures the results of activities, processes and strategies of a program of a municipality;

'the Act' means the Local Government: Municipal Systems Act, 2000.

## CHAPTER 2

### INTEGRATED DEVELOPMENT PLANNING

### 2 Detail of integrated development plan

(1) A municipality's integrated development plan must at least identify-

(a) the institutional framework, which must include an organogram, required for-

(i) the implementation of the integrated development plan; and

(ii) addressing the municipality's internal transformation needs,

as informed by the strategies and programmes set out in the integrated development plan;

(b) any investment initiatives in the municipality;

(c) any development initiatives in the municipality, including infrastructure, physical, social, economic and institutional development;

(d) all known projects, plans and programs to be implemented ' within the municipality by any organ of state; and

(e) the key performance indicators set by the municipality.

(2) An integrated development plan may-

(a) have attached to it maps, statistics and other appropriate documents; or

(b) refer to maps, statistics and other appropriate documents that are not attached, provided they are open for public inspection at the offices of the municipality in question.

(3) A financial plan reflected in a municipality's integrated development plan must at least-

(a) include the budget projection required by section 26 (h) of the Act;

(b) indicate the financial resources that are available for capital project developments and operational expenditure; and

(c) include a financial strategy that defines sound financial management and expenditure control, as well as ways and means of increasing revenues and external funding for the municipality and its development priorities and objectives, which strategy may address the following:

(i) Revenue raising strategies;

(ii) asset management strategies;

(iii) financial management strategies;

(iv) capital financing strategies;

(v) operational financing strategies; and

(vi) strategies that would enhance cost-effectiveness.

(4) A spatial development framework reflected in a municipality's integrated development plan must-

(a) give effect to the principles contained in Chapter 1 of the Development Facilitation Act, 1995 (Act 67 of 1995);

(b) set out objectives that reflect the desired spatial form of the municipality;

(c) contain strategies and policies regarding the manner in which to achieve the objectives referred to in paragraph (b), which strategies and policies must-

(i) indicate desired patterns of land use within the municipality;

(ii) address the spatial reconstruction of the municipality; and

(iii) provide strategic guidance in respect of the location and nature of development within the municipality;

- (d) set out basic guidelines for a land use management system in the municipality;
- (e) set out a capital investment framework for the municipality's development programs;
- (f) contain a strategic assessment of the environmental impact of the spatial development framework;
- (g) identify programs and projects for the development of land within the municipality;
- (h) be aligned with the spatial development frameworks reflected in the integrated development plans of neighbouring municipalities; and
- (i) provide a visual representation of the desired spatial form of the municipality, which representation-
  - (i) must indicate where public and private land development and infrastructure investment should take place;
  - (ii) must indicate desired or undesired utilisation of space in a particular area;
  - (iii) may delineate the urban edge;
  - (iv) must identify areas where strategic intervention is required; and
  - (v) must indicate areas where priority spending is required.

### 3 Process for amending integrated development plans

(1) Only a member or committee of a municipal council may introduce a proposal for amending the municipality's integrated development plan in the council.

(2) Any proposal for amending a municipality's integrated development plan must be-

- (a) accompanied by a memorandum setting out the reasons for the proposal; and
- (b) aligned with the framework adopted in terms of section 27 of the Act.

(3) An amendment to a municipality's integrated development plan is adopted by a decision taken by a municipal council in accordance with the rules and orders of the council.

(4) No amendment to a municipality's integrated development plan may be adopted by the municipal council

unless-

- (a) all the members of the council have been given reasonable notice;
- (b) the proposed amendment has been published for public comment for a period of at least 21 days in a manner that allows the public an opportunity to make representations with regard to the proposed amendment;
- (c) the municipality, if it is a district municipality, has complied with subregulation (5); and
- (d) the municipality, if it is a local municipality, has complied with subregulation (6).

(5) A district municipality that considers an amendment to its integrated development plan must-

- (a) consult all the local municipalities in the area of the district municipality on the proposed amendment; and
- (b) take all comments submitted to it by the local municipalities in that area into account before it takes a final decision on the proposed amendment.

(6) A local municipality that considers an amendment to its integrated development plan must-

- (a) consult the district municipality in whose area it falls on the proposed amendment; and
- (b) take all comments submitted to it by the district municipality into account before it takes a final decision on the proposed amendment.

### 4 Procedure and manner of referring an objection to *ad hoc* committee

(1) Whenever a MEC for local government decides to refer an objection to an *ad hoc* committee in terms of section 33 (4) of the Act, the MEC must-

- (a) within seven days of such decision, notify the relevant municipal council that the municipal council's objection is being referred to an *ad hoc* committee;
- (b) submit the following to the *ad hoc* committee as soon as it is appointed:
  - (i) A copy of the MEC's request in terms of section 32 (2) of the Act;
  - (ii) written reasons for the MEC's proposals referred to in section 32 (2) (a) of the Act;
  - (iii) a copy of the municipal council's objection and the reasons for disagreeing with the MEC's proposals.

(2) An *ad hoc* committee must-

- (a) inform the relevant municipal council in writing of the date or dates on which the *ad hoc* committee would consider the municipal council's objection; and
- (b) afford the relevant municipal council at least seven days before such date or dates to make written representations to the *ad hoc* committee regarding the reasons for the MEC's proposals referred to in subregulation (1) (b) (ii).

(3) An *ad hoc* committee must, within, 21 days of the date on which it was appointed, notify the relevant municipal council and the MEC concerned in writing of the committee's decision regarding the municipal council's objection.

### 5 Proceedings of *ad hoc* committee

(1) (a) A MEC for local government who appoints an *ad hoc* committee must convene the first meeting of the *ad hoc* committee.

(b) The chairperson of the *ad hoc* committee convenes the subsequent meetings of the *ad hoc* committee.

(2) (a) At the first meeting of the *ad hoc* committee, the members of the *ad hoc* committee must elect a member of the committee as chairperson after nominations have been called for.

(b) If the chairperson of the *ad hoc* committee is absent from a specific meeting of the committee, the members present must elect a chairperson from the members present to act as chairperson for that meeting.

(3) An objection referred to an *ad hoc* committee must be decided on the written documentation submitted to it.

(4) (a) An *ad hoc* committee may determine its own voting procedure for deciding a matter before it, taking into account the requirement of section 33 (4) of the Act that at least two spheres of government must agree on the matter.

(b) No sphere of government represented in an *ad hoc* committee may abstain from voting.

#### 6 Giving effect to integrated development plan

A municipality's integrated development plan must-

- (a) inform the municipality's annual budget that must be based on the development priorities and objectives referred to in section 26 (c) of the Act and the performance targets set by the municipality in terms of regulation 12; and
- (b) be used to prepare action plans for the implementation of strategies identified by the municipality.

### CHAPTER 3

### PERFORMANCE MANAGEMENT

#### 7 Nature of performance management system

(1) A municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

(2) In developing its performance management system, a municipality must ensure that the system-

- (a) complies with all the requirements set out in the Act;
- (b) demonstrates how it is to operate and be managed from the planning stage up to the stages of performance and reporting;
- (c) clarifies the roles and responsibilities of each role-player, including the local community, in the functioning of the system;
- (d) clarifies the processes of implementing the system within the framework of the integrated development planning process;
- (e) determines the frequency of reporting and the lines of accountability for performance;
- (f) relates to the municipality's employee performance management processes;
- (g) provides for the procedure by which the system is linked to the municipality's integrated development planning processes; and

#### 8 Adoption of performance management system

A performance management system must be adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.

#### 9 Setting of key performance indicators

(1) (a) A municipality must set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives referred to in section 26 (c) of the Act.

(b) A key performance indicator must be measurable, relevant, objective and precise.

(2) In setting key performance indicators, a municipality must ensure that-

- (a) communities are involved; and
- (b) the key performance indicators inform the indicators set for-
  - (i) all its administrative units and employees; and
  - (ii) every municipal entity and service provider with whom the municipality has entered into a service delivery agreement.

#### 10 General key performance indicators

The following general key performance indicators are prescribed in terms of section 43 of the Act:

- (a) The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- (b) the percentage of households earning less than R1100 per month with access to free basic services;
- (c) the percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan;
- (d) the number of jobs created through municipality's local economic development initiatives including capital projects;
- (e) the number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan;
- (f) the percentage of a municipality's budget actually spent on implementing its workplace skills plan; and
- (g) financial viability as expressed by the following ratios:

- (i) Where-
- 'A' represents debt coverage
  - 'B' represents total operating revenue received
  - 'C' represents operating grants
  - 'D' represents debt service payments (i.e. interest + redemption) due within the financial year;
- (ii) Where-
- 'A' represents outstanding service debtors to revenue
  - 'B' represents total outstanding service debtors
  - 'C' represents annual revenue actually received for services;
- (iii) Where-
- 'A' represents cost coverage
  - 'B' represents all available cash at a particular time
  - 'C' represents investments
  - 'D' represents monthly fixed operating expenditure.

#### **11 Review of key performance indicators**

(1) A municipality must review its key performance indicators annually as part of the performance review process referred to in regulation 13.

(2) Whenever a municipality amends its integrated development plan in terms of section 34 of the Act, the municipality must, as part of the process referred to in regulation 3, review those key performance indicators that will be affected by such amendment.

#### **12 Setting of performance targets**

(1) A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it.

(2) A performance target: set in terms of subregulation (1) must-

- (a) be practical and realistic;
- (b) measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set;
- (c) be commensurate with available resources;
- (d) be commensurate with the municipality's capacity; and
- (e) be consistent with the municipality's development priorities and objectives set out in its integrated development plan.

#### **13 Monitoring, measurement and review of performance**

(1) A municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the key performance indicators and performance targets set by it.

(2) The mechanisms, systems and processes for monitoring in terms of subregulation (1) must-

- (a) provide for reporting to the municipal council at least twice a year;
- (b) be designed in a manner that enables the municipality to detect early indications of under-performance; and
- (c) provide for corrective measures where under-performance has been identified.

(3) Performance measurement in terms of subregulation (1) must include the measurement of-

- (a) costs, resources and time used to produce outputs in accordance with the input indicators referred to in regulation 9;
- (b) the extent to which the municipality's activities or processes produced outputs in accordance with the output indicators referred to in regulation 9; and
- (c) the total improvement brought by outputs in accordance with the outcome indicators referred to in regulation 9.

(4) The mechanisms, systems and processes for review in terms of subregulation (1) must at least-

- (a) identify the strengths, weaknesses, opportunities and threats of the municipality in meeting the key performance indicators and performance targets set by it, as well as the general key performance indicators prescribed by regulation 10;
- (b) review the key performance indicators set by the municipality in terms of regulation 9; and
- (c) allow the local community to participate in the review process.

#### **14 Internal auditing of performance measurements**

(1) (a) A municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes.

- (b) Any auditing in terms of paragraph (a) must include assessments of the following:
- (i) The functionality of the municipality's performance management system;
  - (ii) whether the municipality's performance management system complies with the Act; and
  - (iii) the extent to which the municipality's performance measurements are reliable in measuring performance of municipalities on indicators referred to in regulation 9 and 10.

(c) A municipality's internal auditors must-

- (i) on a continuous basis audit the performance measurements of the municipality; and
- (ii) submit quarterly reports on their audits to the municipal manager and the performance audit committee referred to in subregulation (2).

(2) (a) A municipality must annually appoint and budget for a performance audit committee consisting of at least three members, the majority of which may not be involved in the municipality as a councillor or an employee.

(b) A performance audit committee appointed in terms of paragraph (a) must include at least one person who has expertise in performance management.

(c) A municipality may utilise any audit committee established in terms of other applicable legislation as the performance audit committee envisaged in paragraph (a), in which case the provisions of this subregulation, read with the necessary changes, apply to such an audit committee.

(d) The council of a municipality must designate a member of the performance audit committee who is not a councillor or an employee of the municipality as chairperson of the committee.

(e) If the chairperson of the performance audit committee is absent from a specific meeting of the committee, the members present must elect a chairperson from the members present to act as chairperson for that meeting.

(f) In the event of a vacancy occurring amongst the members of the performance audit committee, the municipality concerned must fill that vacancy for the unexpired portion of the vacating member's term of appointment.

(g) A municipality must provide secretariat services for its performance audit committee.

(h) (i) A local municipality may in stead of appointing a performance audit committee elect to make use of the performance audit committee of the district municipality in whose area it falls, and that performance audit committee is to be regarded as the performance audit committee of the local municipality in question.

(ii) A local municipality that elects to make use of the performance audit committee of the district municipality in whose area it falls, must notify that district municipality of its decision and make suitable arrangements with the district municipality regarding the availability of that performance audit committee.

(iii) A member of the performance audit committee who is not a councillor or an employee of the municipality concerned, may be remunerated taking into account the tariffs determined by the South African Institute of Chartered Accountants in consultation with the Auditor-General.

(3) (a) A performance audit committee must meet at least twice during the financial year of the municipality concerned.

(b) A special meeting of the performance audit committee may be called by any member of the committee.

(c) A performance audit committee may determine its own procedures after consultation with the executive mayor or the executive committee of the municipality concerned, as the case may be.

(4) (a) A performance audit committee must-

- (i) review the quarterly reports submitted to it in terms of subregulation (1) (c) (ii);
- (ii) review the municipality's performance management system and make recommendations in this regard to the council of that municipality; and
- (iii) at least twice during a financial year submit an audit report to the municipal council concerned.

(b) In reviewing the municipality's performance management system in terms of paragraph (a) (ii), the performance audit committee must focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the municipality are concerned.

(c) A performance audit committee may-

- (i) communicate directly with the council, municipal manager or the internal; and external auditors of the municipality concerned;
- (ii) access any municipal records containing information that is needed to perform its duties or exercise its powers;
- (iii) request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
- (iv) investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

#### CHAPTER 4

#### MISCELLANEOUS

### 15 Community participation in respect of integrated development planning and performance management

(1) (a) In the absence of an appropriate municipal wide structure for community participation, a municipality must establish a forum that will enhance community participation in-



- (i) the drafting and implementation of the municipality's integrated development plan; and
- (ii) the monitoring, measurement and review of the municipality's performance in relation to the key performance indicators and performance targets set by the municipality.

(b) Before establishing a forum in terms of paragraph (a), a municipality must, through appropriate mechanisms, invite the local community to identify persons to serve on the forum, including representatives from ward committees, if any.

(c) A forum established in terms of paragraph (a) must be representative of the composition of the local community of the municipality concerned.

(2) A municipality must-

- (a) convene regular meetings of the forum referred to in subregulation (1) to-
  - (i) discuss the process to be followed in drafting the integrated development plan;
  - (ii) consult on the content of the integrated development plan;
  - (iii) monitor the implementation of the integrated development plan;
  - (iv) discuss the development, implementation and review of the municipality's performance management system; and
  - (v) monitor the municipality's performance in relation to the key performance indicators and performance targets set by the municipality; and
- (b) allow members of the forum at least 14 days before any meeting of the forum to consult their respective constituencies on the matters that will be discussed at such a meeting.

(3) A municipality must afford the local community at least 21 days to comment on the final draft of its integrated development plan before the plan is submitted to the council for adoption.

#### **16 Short title**

These regulations are called the Local Government: Municipal Planning and Performance Management Regulations, 2001.

**2010/11  
PERFORMANCE AGREEMENT**

Made and entered into by and between

**James Barton Maltman**

The Acting Municipal Manager of the Endumeni Municipality  
(Hereinafter referred to as the "Acting Municipal Manager")

and

**Ian Grisdale**

The Chief Financial Officer of the Endumeni Municipality  
(Hereinafter referred to as "the Employee")



## 1. INTRODUCTION

- 1.1 The Municipality has entered into a new fixed term contract of employment with the Employee for a period starting 1 July 2006 in compliance with section 57 of the Local Government: Municipal Systems Act 32 of 2000 ("the Systems Act").
- 1.2 Section 57(1) of the Systems Act, read with Section 53 of the Municipal Finance Management Act 56 of 2003 ("the Finance Management Act"), and read with the contract of employment concluded between the parties, requires the parties to conclude an annual performance agreement.
- 1.3 The parties wish to ensure that they are clear about the goals to be achieved, and secure the commitment of the Employee reporting to the Acting Municipal Manager, to a set of actions that will secure local government policy goals.

## 2. PURPOSE OF THIS AGREEMENT

The purpose of this Agreement is to -

- 2.1 comply with the provisions of Section 57(1)(b),(4A),(4B) and (5) of the Act as well as the employment contract entered into between the parties;
- 2.2 specify objectives and targets defined and agreed with the employee and to communicate to the employee the employer's expectations of the employee's performance and accountabilities in alignment with the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the municipality;
- 2.3 specify accountabilities as set out in a performance plan, which forms an annexure to the performance agreement;
- 2.4 monitor and measure performance against set targeted outputs;
- 2.5 use the performance agreement as the basis for assessing whether the employee has met the performance expectations applicable to his or her job;
- 2.6 in the event of outstanding performance, to appropriately reward the employee; and
- 2.7 give effect to the employer's commitment to a performance-orientated relationship with its employee in attaining equitable and improved service delivery.

### 3 COMMENCEMENT AND DURATION

- 3.1 This Agreement will commence on the 1 July 2010 and will remain in force until 30 June 2011 thereafter a new Performance Agreement, Performance Plan and Personal Development Plan shall be concluded between the parties for the next financial year or any portion thereof.
- 3.2 The parties will review the provisions of this Agreement during June each year. The parties will conclude a new Performance Agreement and Performance Plan that replaces this Agreement at least once a year by not later than the beginning of each successive financial year.
- 3.3 This Agreement will terminate on the termination of the **Employee's** contract of employment for any reason.
- 3.4 The content of this Agreement may be revised at any time during the above-mentioned period to determine the applicability of the matters agreed upon.
- 3.5 If at any time during the validity of this Agreement the work environment alters (whether as a result of government or council decisions or otherwise) to the extent that the contents of this Agreement are no longer appropriate, the contents shall immediately be revised.

### 4 PERFORMANCE OBJECTIVES

- 4.1 The Performance Plan (Annexure A) sets out-
- 4.1.1 the performance objectives and targets that must be met by the **Employee**; and
- 4.1.2 the time frames within which those performance objectives and targets must be met.
- 4.2 The performance objectives and targets reflected in Annexure A are set by the **Employer** in consultation with the **Employee** and based on the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the **Employer**, and shall include key objectives; key performance indicators; target dates and weightings.
- 4.2.1 The key objectives describe the main tasks that need to be done.
- 4.2.2 The key performance indicators provide the details of the evidence that must be provided to show that a key objective has been achieved.
- 4.2.3 The target dates describe the timeframe in which the work must be achieved.

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4.2.4 The weightings show the relative importance of the key objectives to each other.

4.3 The **Employee's** performance will, in addition, be measured in terms of contributions to the goals and strategies set out in the **Employer's** Integrated Development Plan.

## 5 PERFORMANCE MANAGEMENT SYSTEM

5.1 The **Employee** agrees to participate in the performance management system that the **Employer** adopts or introduces for the **Employer**, management and municipal staff of the **Employer**.

5.2 The **Employee** accepts that the purpose of the performance management system will be to provide a comprehensive system with specific performance standards to assist the **Employer**, management and municipal staff to perform to the standards required.

5.3 The **Employer** will consult the **Employee** about the specific performance standards that will be included in the performance management system as applicable to the **Employee**.

5.4 The **Employee** undertakes to actively focus towards the promotion and implementation of the KPAs (including special projects relevant to the employee's responsibilities) within the local government framework.

5.5 The criteria upon which the performance of the **Employee** shall be assessed shall consist of two components, both of which shall be contained in the Performance Agreement.

5.5.1 The **Employee** must be assessed against both components, with a weighting of 80:20 allocated to the Key Performance Areas (KPAs) and the Core Competency Requirements (CCRs) respectively.

5.5.2 Each area of assessment will be weighted and will contribute a specific part to the total score.

5.5.3 KPAs covering the main areas of work will account for 80% and CCRs will account for 20% of the final assessment.

5.6 The **Employee's** assessment will be based on his / her performance in terms of the outputs / outcomes (performance indicators) identified as per attached Performance Plan (**Annexure A**), which are linked to the KPA's, and will constitute 80% of the overall assessment result as per the weightings agreed to between the **Employer** and **Employee**:

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- 5.7 The CCRs will make up the other 20% of the **Employee's** assessment score. CCRs that are deemed to be most critical for the **Employee's** specific job should be selected (✓) from the list below as agreed to between the **Employer** and **Employee**. Three of the CCRs are compulsory for Municipal Managers:

<b>CORE COMPETENCY REQUIREMENTS (CCR) FOR EMPLOYEES</b>		
<b>CORE MANAGERIAL COMPETENCIES (CMC)</b>	✓	<b>WEIGHT</b>
Strategic Capability and Leadership		
Programme and Project Management		
Financial Management	compulsory	
Change Management		
Knowledge Management		
Service Delivery Innovation		
Problem Solving and Analysis		
People Management and Empowerment	compulsory	
Client Orientation and Customer Focus	compulsory	
Communication		
Honesty and Integrity		
<b>CORE OCCUPATIONAL COMPETENCIES (COC)</b>		
Competence in Self Management		
Interpretation of and implementation within the legislative and national policy frameworks		
Knowledge of Performance Management and Reporting		
Knowledge of global and South African specific political, social and economic contexts		
Competence in policy conceptualisation, analysis and implementation		
Knowledge of more than one functional municipal field / discipline		
Skills in Mediation		
Skills in Governance		
Competence as required by other national line sector departments		
Exceptional and dynamic creativity to improve the functioning of the municipality		
Total percentage	-	<b>100%</b>

## 6. EVALUATING PERFORMANCE

- 6.1 The Performance Plan (Annexure A) to this Agreement sets out -

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No.	Priority Turn Around Focal Area	Capacity Assessment Findings	March 2010 (Current Situation/ Baseline) Intervention Logic	Target for December 2010 (Changed Situation)	Municipal Action	Unblocking Action Needed from other Spheres and Agencies (e.g. intervention or technical support)	Start Date	End Date	Means of Verification for each activity/ process	Human Resource allocated	Budget (,00) Allocated Projected	Quarterly Progress
				Quarterly reports produced	Internal auditors to deliver Performance report on quarterly basis Submit reports to council and external auditors Post reports on the website	N/A	April 2010	30 December 2010		Mr. Maltman	R00.000	Status at 23 July 2010- See C08/14/06-10 Attached Performance Audit Committee Report - 1 <sup>st</sup> , 2 <sup>nd</sup> & 3 <sup>rd</sup> Quarter 2009/10

- 6.1.1 the standards and procedures for evaluating the **Employee's** performance; and
- 6.1.2 the intervals for the evaluation of the **Employee's** performance.
- 6.2 Despite the establishment of agreed intervals for evaluation, the **Employer** may in addition review the **Employee's** performance at any stage while the contract of employment remains in force.
- 6.3 Personal growth and development needs identified during any performance review discussion must be documented in a Personal Development Plan as well as the actions agreed to and implementation must take place within set time frames.
- 6.4 The **Employee's** performance will be measured in terms of contributions to the goals and strategies set out in the **Employer's** IDP.
- 6.5 The annual performance appraisal will be completed after the adoption of the annual report for the fiscal year under consideration and involves:

**6.5.1 Assessment of the achievement of results as outlined in the performance plan:**

- (a) Each KPA should be assessed according to the extent to which the specified standards or performance indicators have been met and with due regard to ad hoc tasks that had to be performed under the KPA.
- (b) An indicative rating on the five-point scale should be provided for each KPA.
- (c) The applicable assessment rating calculator (refer to paragraph 6.5.3 below) must then be used to add the scores and calculate a final KPA score.

**6.5.2 Assessment of the CCRs**

- (a) Each CCR should be assessed according to the extent to which the specified standards have been met.
- (b) An indicative rating on the five-point scale should be provided for each CCR.
- (c) This rating should be multiplied by the weighting given to each CCR during the contracting process, to provide a score.
- (d) The applicable assessment rating calculator (refer to paragraph 6.5.1) must then be used to add the scores and calculate a final CCR score.

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### 6.5.3 Overall rating

An overall rating is calculated by using the applicable assessment-rating calculator. Such overall rating represents the outcome of the performance appraisal.

- 6.6 The assessment of the performance of the **Employee** will be based on the following rating scale for KPA's and CCRs:

Level	Terminology	Description	Rating				
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.					
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.					
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.					
2	Not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.					

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Level	Terminology	Description	Rating			
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.				

6.7 For purposes of evaluating the annual performance of managers directly accountable to the municipal managers, an evaluation panel constituted of the following persons must be established -

6.7.1 Municipal Manager;

6.7.2 Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;

6.7.3 Member of the mayoral or executive committee or in respect of a plenary type municipality, another member of council; and

6.7.4 Municipal manager from another municipality.

6.8 The manager responsible for human resources of the municipality must provide secretariat services to the evaluation panels referred to in sub-regulations (d) and (e).

## 7. SCHEDULE FOR PERFORMANCE REVIEWS

7.1. The performance of each **Employee** in relation to his / her performance agreement shall be reviewed on the following dates with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory:

**First quarter** :July – September under taken by Municipal Manager 60 within 60 days after end of 1<sup>st</sup> quarter.

**Second quarter** :October – Dec under taken by Municipal Manager within 60 days after end of 2<sup>nd</sup> quarter minutes to be provided.

- Third quarter** :January – March under taken by Municipal Manager within 60 days after end of 3rd quarter.
- Fourth quarter** :April – June under taken by Municipal Manager within 60 days after end of 4th quarter minutes to be provided.

- 7.2 The **Employer** shall keep a record of the mid-year review and annual assessment meetings.
- 7.3 Performance feedback shall be based on the **Employer's** assessment of the **Employee's** performance.
- 7.4 The **Employer** will be entitled to review and make reasonable changes to the provisions of Annexure "A" from time to time for operational reasons. The **Employee** will be fully consulted before any such change is made.
- 7.5 The **Employer** may amend the provisions of Annexure A whenever the performance management system is adopted, implemented and / or amended as the case may be. In that case the **Employee** will be fully consulted before any such change is made.

## 8. DEVELOPMENTAL REQUIREMENTS

The Personal Development Plan (PDP) for addressing developmental gaps is being developed.

## 9. OBLIGATIONS OF THE EMPLOYER

- 9.1 The Employer shall –
- 9.1.1 create an enabling environment to facilitate effective performance by the employee;
- 9.1.2 provide access to skills development and capacity building opportunities;
- 9.1.3 work collaboratively with the **Employee** to solve problems and generate solutions to common problems that may impact on the performance of the **Employee**;
- 9.1.4 on the request of the **Employee** delegate such powers reasonably required by the **Employee** to enable him / her to meet the performance objectives and targets established in terms of this Agreement; and
- 9.1.5 make available to the **Employee** such resources as the **Employee** may reasonably require from time to time to assist

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him / her to meet the performance objectives and targets established in terms of this Agreement.

## 10. CONSULTATION

- 10.1 The **Employer** agrees to consult the **Employee** timeously where the exercising of the powers will have amongst others –
- 10.1.1. a direct effect on the performance of any of the **Employee's** functions;
  - 10.1.2 Commit the **Employee** to implement or to give effect to a decision made by the **Employer**; and
  - 10.1.3 a substantial financial effect on the **Employer**.
- 10.2 The **Employer** agrees to inform the **Employee** of the outcome of any decisions taken pursuant to the exercise of powers contemplated in 10.1 as soon as is practicable to enable the **Employee** to take any necessary action without delay.

## 11. MANAGEMENT OF EVALUATION OUTCOMES

- 11.1 The evaluation of the **Employee's** performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.
- 11.2 A performance bonus of between 5% to 14% of the all-inclusive annual remuneration package may be paid to the **Employee** in recognition of outstanding performance to be constituted as follows:
- a score of 130% to 149% is awarded a performance bonus ranging from 5% to 9%; and
  - 11.2.2 a score of 150% and above is awarded a performance bonus ranging from 10% to 14%.
- 11.3 In the case of unacceptable performance, the **Employer** shall –
- 11.3.1 provide systematic remedial or developmental support to assist the **Employee** to improve his or her performance; and
  - 11.3.2 after appropriate performance counselling and having provided the necessary guidance and/ or support as well as reasonable time for improvement in performance.

## 12. DISPUTE RESOLUTION

- 12.1 Any disputes about the nature of the **Employee's** performance agreement, whether it relates to key responsibilities, priorities, methods

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of assessment and/ or any other matter provided for, shall be mediated by –

12.1.2 In the case of managers directly accountable to the municipal manager, a member of the municipal council, provided that such member was not part of the evaluation panel provided for in sub-regulation 27(4)(e) of the Municipal Performance Regulations, 2006, within thirty (30) days of receipt of a formal dispute from the employee;

whose decision shall be final and binding on both parties.

12.2 In the event that the mediation process contemplated above fails, clause 20.3 of the Contract of Employment shall apply.

### 13. GENERAL

13.1 The contents of this agreement and the outcome of any review conducted in terms of Annexure A may be made available to the public by the **Employer**.

13.2 Nothing in this agreement diminishes the obligations, duties or accountabilities of the **Employee** in terms of his/ her contract of employment, or the effects of existing or new regulations, circulars, policies, directives or other instruments.

Signed at DUNDEE on this 23 day of JUNE 2010.

#### AS WITNESSES:

1. Albeta.....

2. Deepchand.....

  
The Acting Municipal Manager  
Endumeni Municipality



Signed at DUNDEE on this 23 day of JUNE 2010.

**AS WITNESSES:**

1. Watta.....

2. Deepchund.....

  
\_\_\_\_\_  
**Ian Grisdale**  
**Chief Financial Officer**



# 2010/2011 PERFORMANCE AGREEMENT

Made and entered into by and between

**David Bhekithemba Cebekhulu**

The Municipal Manager of the Endumeni Municipality  
(Hereinafter referred to as the "Municipal Manager")

and

**Sharmalan Perumall**

The Manager: Corporate Services of the Endumeni Municipality  
(Hereinafter referred to as "the Manager")



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## 1. INTRODUCTION

- 1.1 The Municipality has entered into a new fixed term contract of employment with the Manager for a period starting on 1 July 2006 in compliance with section 57 of the Local Government: Municipal Systems Act 32 of 2000 ("the Systems Act").
- 1.2 Section 57(1) of the Systems Act, read with Section 53 of the Municipal Finance Management Act 56 of 2003 ("the Finance Management Act"), and read with the contract of employment concluded between the parties, requires the parties to conclude an annual performance agreement.
- 1.3 The parties wish to ensure that they are clear about the goals to be achieved, and secure the commitment of the Manager reporting to the Municipal Manager, to a set of actions that will secure local government policy goals.
- 1.4 state objectives and targets established for the Manager;

## 2. PURPOSE OF THIS AGREEMENT

The purpose of this Agreement is to -

- 2.1 comply with the provisions of Section 57(1)(b),(4A),(4B) and (5) of the Act as well as the employment contract entered into between the parties;
- 2.2 specify objectives and targets defined and agreed with the employee and to communicate to the employee the employer's expectations of the employee's performance and accountabilities in alignment with the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the municipality;
- 2.3 specify accountabilities as set out in a performance plan, which forms an annexure to the performance agreement;
- 2.4 monitor and measure performance against set targeted outputs;
- 2.5 use the performance agreement as the basis for assessing whether the employee has met the performance expectations applicable to his or her job;

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- 2.6 in the event of outstanding performance, to appropriately reward the employee; and
- 2.7 give effect to the employer's commitment to a performance-orientated relationship with its employee in attaining equitable and improved service delivery.

### 3 COMMENCEMENT AND DURATION

- 3.1 This Agreement will commence on the 1 July 2010 and will remain in force until 30 June 2011 thereafter a new Performance Agreement, Performance Plan and Personal Development Plan shall be concluded between the parties for the next financial year or any portion thereof.
- 3.1 The parties will review the provisions of this Agreement during June each year. The parties will conclude a new Performance Agreement and Performance Plan that replaces this Agreement at least once a year by not later than the beginning of each successive financial year.
- 3.2 This Agreement will terminate on the termination of the **Employee's** contract of employment for any reason.
- 3.3 The content of this Agreement may be revised at any time during the above-mentioned period to determine the applicability of the matters agreed upon.
- 3.4 If at any time during the validity of this Agreement the work environment alters (whether as a result of government or council decisions or otherwise) to the extent that the contents of this Agreement are no longer appropriate, the contents shall immediately be revised.

### 4 PERFORMANCE OBJECTIVES

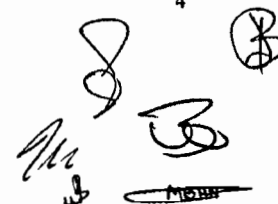
- 4.1 The Performance Plan (Annexure A) sets out-
- 4.1.1 the performance objectives and targets that must be met by the **Employee**; and
- 4.1.2 the time frames within which those performance objectives and targets must be met.
- 4.2 The performance objectives and targets reflected in Annexure A are set by the **Employer** in consultation with the **Employee** and based on the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the **Employer**, and shall include key objectives; key performance indicators; target dates and weightings.
- 4.2.1 The key objectives describe the main tasks that need to be done.

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- 4.2.2 The key performance indicators provide the details of the evidence that must be provided to show that a key objective has been achieved.
  - 4.2.3 The target dates describe the timeframe in which the work must be achieved.
  - 4.2.4 The weightings show the relative importance of the key objectives to each other.
- 4.3 The **Employee's** performance will, in addition, be measured in terms of contributions to the goals and strategies set out in the **Employer's** Integrated Development Plan.

## 5 PERFORMANCE MANAGEMENT SYSTEM

- 5.1 The **Employee** agrees to participate in the performance management system that the **Employer** adopts or introduces for the **Employer**, management and municipal staff of the **Employer**.
- 5.2 The **Employee** accepts that the purpose of the performance management system will be to provide a comprehensive system with specific performance standards to assist the **Employer**, management and municipal staff to perform to the standards required.
- 5.3 The **Employer** will consult the **Employee** about the specific performance standards that will be included in the performance management system as applicable to the **Employee**.
- 5.4 The **Employee** undertakes to actively focus towards the promotion and implementation of the KPAs (including special projects relevant to the employee's responsibilities) within the local government framework.
- 5.5 The criteria upon which the performance of the **Employee** shall be assessed shall consist of two components, both of which shall be contained in the Performance Agreement.
- 5.5.1 The **Employee** must be assessed against both components, with a weighting of 80:20 allocated to the Key Performance Areas (KPAs) and the Core Competency Requirements (CCRs) respectively.
  - 5.5.2 Each area of assessment will be weighted and will contribute a specific part to the total score.
  - 5.5.3 KPAs covering the main areas of work will account for 80% and CCRs will account for 20% of the final assessment.

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- 5.6 The **Employee's** assessment will be based on his / her performance in terms of the outputs / outcomes (performance indicators) identified as per attached Performance Plan (**Annexure A**), which are linked to the KPA's, and will constitute 80% of the overall assessment result as per the weightings agreed to between the **Employer and Employee**:
- 5.7 The CCRs will make up the other 20% of the **Employee's** assessment score. CCRs that are deemed to be most critical for the **Employee's** specific job should be selected (√) from the list below as agreed to between the **Employer and Employee**. Three of the CCRs are compulsory for Municipal Managers:

<b>CORE COMPETENCY REQUIREMENTS (CCR) FOR EMPLOYEES</b>		
<b>CORE MANAGERIAL COMPETENCIES (CMC)</b>	√	<b>WEIGHT</b>
Strategic Capability and Leadership		
Programme and Project Management		
Financial Management	compulsory	
Change Management		
Knowledge Management		
Service Delivery Innovation		
Problem Solving and Analysis		
People Management and Empowerment	compulsory	
Client Orientation and Customer Focus	compulsory	
Communication		
Honesty and Integrity		
<b>CORE OCCUPATIONAL COMPETENCIES (COC)</b>		
Competence in Self Management		
Interpretation of and implementation within the legislative and national policy frameworks		
Knowledge of Performance Management and Reporting		
Knowledge of global and South African specific political, social and economic contexts		
Competence in policy conceptualisation, analysis and implementation		
Knowledge of more than one functional municipal field / discipline		
Skills in Mediation		
Skills in Governance		
Competence as required by other national line sector departments		
Exceptional and dynamic creativity to improve the functioning of the municipality		
Total percentage	-	<b>100%</b>

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## **6. EVALUATING PERFORMANCE**

6.1 The Performance Plan (Annexure A) to this Agreement sets out -

6.1.1 the standards and procedures for evaluating the **Employee's** performance; and

6.1.2 the intervals for the evaluation of the **Employee's** performance.

6.2 Despite the establishment of agreed intervals for evaluation, the **Employer** may in addition review the **Employee's** performance at any stage while the contract of employment remains in force.

6.3 Personal growth and development needs identified during any performance review discussion must be documented in a Personal Development Plan as well as the actions agreed to and implementation must take place within set time frames.

6.4 The **Employee's** performance will be measured in terms of contributions to the goals and strategies set out in the **Employer's** IDP.

6.5 The annual performance appraisal will be completed after the adoption of the annual report for the fiscal year under consideration and involves:

### **6.5.1 Assessment of the achievement of results as outlined in the performance plan:**

- (a) Each KPA should be assessed according to the extent to which the specified standards or performance indicators have been met and with due regard to ad hoc tasks that had to be performed under the KPA.
- (b) An indicative rating on the five-point scale should be provided for each KPA.
- (c) The applicable assessment rating calculator (refer to paragraph 6.5.3 below) must then be used to add the scores and calculate a final KPA score.

### **6.5.2 Assessment of the CCRs**

- (a) Each CCR should be assessed according to the extent to which the specified standards have been met.
- (b) An indicative rating on the five-point scale should be provided for each CCR.

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- (c) This rating should be multiplied by the weighting given to each CCR during the contracting process, to provide a score.
- (d) The applicable assessment rating calculator (refer to paragraph 6.5.1) must then be used to add the scores and calculate a final CCR score.

**6.5.3 Overall rating**

An overall rating is calculated by using the applicable assessment-rating calculator. Such overall rating represents the outcome of the performance appraisal.

6.6 The assessment of the performance of the **Employee** will be based on the following rating scale for KPA's and CCRs:

Level	Terminology	Description	Rating				
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.					
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.					
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.					

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Level	Terminology	Description	Rating				
2	Not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.					
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.					

- 6.7 For purposes of evaluating the annual performance of managers directly accountable to the municipal managers, an evaluation panel constituted of the following persons must be established -
- 6.7.1 Municipal Manager;
  - 6.7.2 Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
  - 6.7.3 Member of the mayoral or executive committee or in respect of a plenary type municipality, another member of council; and
  - 6.7.4 Municipal manager from another municipality.
- 6.8 The manager responsible for human resources of the municipality must provide secretariat services to the evaluation panels referred to in sub-regulations (d) and (e).

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## 7. SCHEDULE FOR PERFORMANCE REVIEWS

- 7.1. The performance of each **Employee** in relation to his / her performance agreement shall be reviewed on the following dates with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory:

**First quarter** July – September under taken by the Manager within 60 days after end of 1<sup>st</sup> quarter.

**Second quarter** October – December under taken by the Manager within 60 days after end of 2<sup>nd</sup> quarter minutes to be provided.

**Third quarter** January – March under taken by the Manager within 60 days after end of 3rd quarter.

**Fourth quarter** April – June under taken by the Manager within 60 days after end of 4th quarter minutes to be provided.

- 7.2 The **Employer** shall keep a record of the mid-year review and annual assessment meetings.
- 7.3 Performance feedback shall be based on the **Employer's** assessment of the **Employee's** performance.
- 7.4 The **Employer** will be entitled to review and make reasonable changes to the provisions of Annexure "A" from time to time for operational reasons. The **Employee** will be fully consulted before any such change is made.
- 7.5 The **Employer** may amend the provisions of Annexure A whenever the performance management system is adopted, implemented and / or amended as the case may be. In that case the **Employee** will be fully consulted before any such change is made.

## 8. DEVELOPMENTAL REQUIREMENTS

The Personal Development Plan (PDP) for addressing developmental gaps is attached as Annexure B.

## 9. OBLIGATIONS OF THE EMPLOYER

- 9.1 The Employer shall –

9.1.1 create an enabling environment to facilitate effective performance by the employee;

9.1.2 provide access to skills development and capacity building opportunities;

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- 9.1.3 work collaboratively with the **Employee** to solve problems and generate solutions to common problems that may impact on the performance of the **Employee**;
- 9.1.4 on the request of the **Employee** delegate such powers reasonably required by the **Employee** to enable him / her to meet the performance objectives and targets established in terms of this Agreement; and
- 9.1.5 make available to the **Employee** such resources as the **Employee** may reasonably require from time to time to assist him / her to meet the performance objectives and targets established in terms of this Agreement.

## 10. CONSULTATION

- 10.1 The **Employer** agrees to consult the **Employee** timeously where the exercising of the powers will have amongst others –
  - 10.1.1. a direct effect on the performance of any of the **Employee's** functions;
  - 10.1.2 Commit the **Employee** to implement or to give effect to a decision made by the **Employer**; and
  - 10.1.3 a substantial financial effect on the **Employer**.
  - 10.1.4 The **Employer** agrees to inform the **Employee** of the outcome of any decisions taken pursuant to the exercise of powers contemplated in 10.1 as soon as is practicable to enable the **Employee** to take any necessary action without delay.

## 11. MANAGEMENT OF EVALUATION OUTCOMES

- 11.1 The evaluation of the **Employee's** performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.
- 11.2 A performance bonus of between 5% to 14% of the all-inclusive annual remuneration package may be paid to the **Employee** in recognition of outstanding performance to be constituted as follows:
  - a score of 130% to 149% is awarded a performance bonus ranging from 5% to 9%; and
  - 11.2.2 a score of 150% and above is awarded a performance bonus ranging from 10% to 14%.
- 11.3 In the case of unacceptable performance, the **Employer** shall –

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- 11.3.1 provide systematic remedial or developmental support to assist the **Employee** to improve his or her performance; and
- 11.3.2 after appropriate performance counselling and having provided the necessary guidance and/ or support as well as reasonable time for improvement in performance.

## 12. DISPUTE RESOLUTION

12.1 Any disputes about the nature of the **Employee's** performance agreement, whether it relates to key responsibilities, priorities, methods of assessment and/ or any other matter provided for, shall be mediated by –

12.1.2 In the case of managers directly accountable to the municipal manager, a member of the municipal council, provided that such member was not part of the evaluation panel provided for in sub-regulation 27(4)(e) of the Municipal Performance Regulations, 2006, within thirty (30) days of receipt of a formal dispute from the employee;

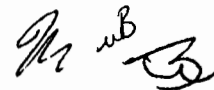



whose decision shall be final and binding on both parties.

12.2 In the event that the mediation process contemplated above fails, clause 20.3 of the Contract of Employment shall apply.

## 13. GENERAL

13.1 The contents of this agreement and the outcome of any review conducted in terms of Annexure A may be made available to the public by the **Employer**.

13.2 Nothing in this agreement diminishes the obligations, duties or accountabilities of the **Employee** in terms of his/ her contract of employment, or the effects of existing or new regulations, circulars, policies, directives or other instruments.

Mr. UB  
  
  
  


Signed at DUNDEE on this 22 day of JUNE 2010

**AS WITNESSES:**

1. ~~.....~~.....

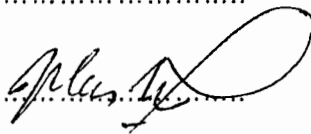
2. uBotta.....

  
The Municipal Manager  
Endumeni Municipality

Signed at DUNDEE on this 22 day of JUNE 2010

**AS WITNESSES:**

1. B.....

2. .....

  
Sharmalan Perumall

**2010/11  
PERFORMANCE AGREEMENT**

Made and entered into by and between

**David Bhekithemba Cebekhulu**

The Municipal Manager of the Endumeni Municipality  
(Hereinafter referred to as the "Municipal Manager")

and

**James Barton Maltman**

The Manager: Technical Services of the Endumeni Municipality  
(Hereinafter referred to as "the Manager")



## 1. INTRODUCTION

- 1.1 The Municipality has entered into a new fixed term contract of employment with the Manager for a period starting on 1 JULY 2006 in compliance with section 57 of the Local Government: Municipal Systems Act 32 of 2000 ("the Systems Act").
- 1.2 Section 57(1) of the Systems Act, read with Section 53 of the Municipal Finance Management Act 56 of 2003 ("the Finance Management Act"), and read with the contract of employment concluded between the parties, requires the parties to conclude an annual performance agreement.
- 1.3 The parties wish to ensure that they are clear about the goals to be achieved, and secure the commitment of the Manager reporting to the Municipal Manager, to a set of actions that will secure local government policy goals.

## 2. PURPOSE OF THIS AGREEMENT

**The purpose of this Agreement is to -**

- 2.1 comply with the provisions of Section 57(1)(b),(4A),(4B) and (5) of the Act as well as the employment contract entered into between the parties;
- 2.2 specify objectives and targets defined and agreed with the employee and to communicate to the employee the employer's expectations of the employee's performance and accountabilities in alignment with the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the municipality;
- 2.3 specify accountabilities as set out in a performance plan, which forms an annexure to the performance agreement;
- 2.4 monitor and measure performance against set targeted outputs;
- 2.5 use the performance agreement as the basis for assessing whether the employee has met the performance expectations applicable to his or her job;
- 2.6 in the event of outstanding performance, to appropriately reward the employee; and

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- 2.7 give effect to the employer's commitment to a performance-orientated relationship with its employee in attaining equitable and improved service delivery.

### 3 COMMENCEMENT AND DURATION

- 3.1 This Agreement will commence on the 1 July 2010 and will remain in force until 30 June 2011 thereafter a new Performance Agreement, Performance Plan and Personal Development Plan shall be concluded between the parties for the next financial year or any portion thereof.
- 3.2 The parties will review the provisions of this Agreement during June each year. The parties will conclude a new Performance Agreement and Performance Plan that replaces this Agreement at least once a year by not later than the beginning of each successive financial year.
- 3.3 This Agreement will terminate on the termination of the **Employee's** contract of employment for any reason.
- 3.4 The content of this Agreement may be revised at any time during the above-mentioned period to determine the applicability of the matters agreed upon.
- 3.5 If at any time during the validity of this Agreement the work environment alters (whether as a result of government or council decisions or otherwise) to the extent that the contents of this Agreement are no longer appropriate, the contents shall immediately be revised.

### 4 PERFORMANCE OBJECTIVES

- 4.1 The Performance Plan (Annexure A) sets out-
- 4.1.1 the performance objectives and targets that must be met by the **Employee**; and
- 4.1.2 the time frames within which those performance objectives and targets must be met.
- 4.2 The performance objectives and targets reflected in Annexure A are set by the **Employer** in consultation with the **Employee** and based on the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the **Employer**, and shall include key objectives; key performance indicators; target dates and weightings.
- 4.2.1 The key objectives describe the main tasks that need to be done.
- 4.2.2 The key performance indicators provide the details of the evidence that must be provided to show that a key objective has been achieved.

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- 4.2.3 The target dates describe the timeframe in which the work must be achieved.
- 4.2.4 The weightings show the relative importance of the key objectives to each other.
- 4.3 The **Employee's** performance will, in addition, be measured in terms of contributions to the goals and strategies set out in the **Employer's** Integrated Development Plan.

## 5 PERFORMANCE MANAGEMENT SYSTEM

- 5.1 The **Employee** agrees to participate in the performance management system that the **Employer** adopts or introduces for the **Employer**, management and municipal staff of the **Employer**.
- 5.2 The **Employee** accepts that the purpose of the performance management system will be to provide a comprehensive system with specific performance standards to assist the **Employer**, management and municipal staff to perform to the standards required.
- 5.3 The **Employer** will consult the **Employee** about the specific performance standards that will be included in the performance management system as applicable to the **Employee**.
- 5.4 The **Employee** undertakes to actively focus towards the promotion and implementation of the KPAs (including special projects relevant to the employee's responsibilities) within the local government framework.
- 5.5 The criteria upon which the performance of the **Employee** shall be assessed shall consist of two components, both of which shall be contained in the Performance Agreement.
- 5.5.1 The **Employee** must be assessed against both components, with a weighting of 80:20 allocated to the Key Performance Areas (KPAs) and the Core Competency Requirements (CCRs) respectively.
- 5.5.2 Each area of assessment will be weighted and will contribute a specific part to the total score.
- 5.5.3 KPAs covering the main areas of work will account for 80% and CCRs will account for 20% of the final assessment.
- 5.6 The **Employee's** assessment will be based on his / her performance in terms of the outputs / outcomes (performance indicators) identified as per attached Performance Plan (**Annexure A**), which are linked to the KPA's,

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and will constitute 80% of the overall assessment result as per the weightings agreed to between the **Employer** and **Employee**:

- 5.7 The CCRs will make up the other 20% of the **Employee's** assessment score. CCRs that are deemed to be most critical for the **Employee's** specific job should be selected (✓) from the list below as agreed to between the **Employer** and **Employee**. Three of the CCRs are compulsory for Municipal Managers:

<b>CORE COMPETENCY REQUIREMENTS (CCR) FOR EMPLOYEES</b>		
<b>CORE MANAGERIAL COMPETENCIES (CMC)</b>	✓	<b>WEIGHT</b>
Strategic Capability and Leadership		
Programme and Project Management		
Financial Management	compulsory	
Change Management		
Knowledge Management		
Service Delivery Innovation		
Problem Solving and Analysis		
People Management and Empowerment	compulsory	
Client Orientation and Customer Focus	compulsory	
Communication		
Honesty and Integrity		
<b>CORE OCCUPATIONAL COMPETENCIES (COC)</b>		
Competence in Self Management		
Interpretation of and implementation within the legislative and national policy frameworks		
Knowledge of Performance Management and Reporting		
Knowledge of global and South African specific political, social and economic contexts		
Competence in policy conceptualisation, analysis and implementation		
Knowledge of more than one functional municipal field / discipline		
Skills in Mediation		
Skills in Governance		
Competence as required by other national line sector departments		
Exceptional and dynamic creativity to improve the functioning of the municipality		
<b>Total percentage</b>	-	<b>100%</b>

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## 6. EVALUATING PERFORMANCE

- 6.1 The Performance Plan (Annexure A) to this Agreement sets out -
- 6.1.1 the standards and procedures for evaluating the **Employee's** performance; and
- 6.1.2 the intervals for the evaluation of the **Employee's** performance.
- 6.2 Despite the establishment of agreed intervals for evaluation, the **Employer** may in addition review the **Employee's** performance at any stage while the contract of employment remains in force.
- 6.3 Personal growth and development needs identified during any performance review discussion must be documented in a Personal Development Plan as well as the actions agreed to and implementation must take place within set time frames.
- 6.4 The **Employee's** performance will be measured in terms of contributions to the goals and strategies set out in the **Employer's** IDP.
- 6.5 The annual performance appraisal will be completed after the adoption of the annual report for the fiscal year under consideration and involves:

### 6.5.1 Assessment of the achievement of results as outlined in the performance plan:

- (a) Each KPA should be assessed according to the extent to which the specified standards or performance indicators have been met and with due regard to ad hoc tasks that had to be performed under the KPA.
- (b) An indicative rating on the five-point scale should be provided for each KPA.
- (c) The applicable assessment rating calculator (refer to paragraph 6.5.3 below) must then be used to add the scores and calculate a final KPA score.

### 6.5.2 Assessment of the CCRs

- (a) Each CCR should be assessed according to the extent to which the specified standards have been met.
- (b) An indicative rating on the five-point scale should be provided for each CCR.

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- (c) This rating should be multiplied by the weighting given to each CCR during the contracting process, to provide a score.
- (d) The applicable assessment rating calculator (refer to paragraph 6.5.1) must then be used to add the scores and calculate a final CCR score.

### 6.5.3 Overall rating

An overall rating is calculated by using the applicable assessment-rating calculator. Such overall rating represents the outcome of the performance appraisal.

- 6.6 The assessment of the performance of the **Employee** will be based on the following rating scale for KPA's and CCRs:

Level	Terminology	Description	Rating			
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.				
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.				
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.				

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*UB*  
*B*  
*B*

Level	Terminology	Description	Rating				
2	Not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.					
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.					

- 6.7 For purposes of evaluating the annual performance of managers directly accountable to the municipal managers, an evaluation panel constituted of the following persons must be established -
- 6.7.1 Municipal Manager;
  - 6.7.2 Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
  - 6.7.3 Member of the mayoral or executive committee or in respect of a plenary type municipality, another member of council; and
  - 6.7.4 Municipal manager from another municipality.
- 6.8 The manager responsible for human resources of the municipality must provide secretariat services to the evaluation panels referred to in sub-regulations (d) and (e).


  
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 B

## 7. SCHEDULE FOR PERFORMANCE REVIEWS

7.1. The performance of each **Employee** in relation to his / her performance agreement shall be reviewed on the following dates with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory:

**First quarter** :July – September under taken by Municipal Manager 60 within 60 days after end of 1<sup>st</sup> quarter.

**Second quarter** :October – Dec under taken by Municipal Manager within 60 days after end of 2<sup>nd</sup> quarter minutes to be provided.

**Third quarter** :January – March under taken by Municipal Manager within 60 days after end of 3rd quarter.

**Fourth quarter** :April – June under taken by Municipal Manager within 60 days after end of 4th quarter minutes to be provided.

7.2 The **Employer** shall keep a record of the mid-year review and annual assessment meetings.

7.3 Performance feedback shall be based on the **Employer's** assessment of the **Employee's** performance.

7.4 The **Employer** will be entitled to review and make reasonable changes to the provisions of Annexure "A" from time to time for operational reasons. The **Employee** will be fully consulted before any such change is made.

7.5 The **Employer** may amend the provisions of Annexure A whenever the performance management system is adopted, implemented and / or amended as the case may be. In that case the **Employee** will be fully consulted before any such change is made.

## 8. DEVELOPMENTAL REQUIREMENTS

The Personal Development Plan (PDP) for addressing developmental gaps is attached as Annexure B.

## 9. OBLIGATIONS OF THE EMPLOYER

9.1 The Employer shall –

9.1.1 create an enabling environment to facilitate effective performance by the employee;

9.1.2 provide access to skills development and capacity building

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opportunities;

- 9.1.3 work collaboratively with the **Employee** to solve problems and generate solutions to common problems that may impact on the performance of the **Employee**;
- 9.1.4 on the request of the **Employee** delegate such powers reasonably required by the **Employee** to enable him / her to meet the performance objectives and targets established in terms of this Agreement; and
- 9.1.5 make available to the **Employee** such resources as the **Employee** may reasonably require from time to time to assist him / her to meet the performance objectives and targets established in terms of this Agreement.

## 10. CONSULTATION

- 10.1 The **Employer** agrees to consult the **Employee** timeously where the exercising of the powers will have amongst others –
  - 10.1.1. a direct effect on the performance of any of the **Employee's** functions;
  - 10.1.2 Commit the **Employee** to implement or to give effect to a decision made by the **Employer**; and
  - 10.1.3 a substantial financial effect on the **Employer**.
- 10.2 The **Employer** agrees to inform the **Employee** of the outcome of any decisions taken pursuant to the exercise of powers contemplated in 10.1 as soon as is practicable to enable the **Employee** to take any necessary action without delay.

## 11. MANAGEMENT OF EVALUATION OUTCOMES

- 11.1 The evaluation of the **Employee's** performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.
- 11.2 A performance bonus of between 5% to 14% of the all-inclusive annual remuneration package may be paid to the **Employee** in recognition of outstanding performance to be constituted as follows:
  - a score of 130% to 149% is awarded a performance bonus ranging from 5% to 9%; and
  - 11.2.2 a score of 150% and above is awarded a performance bonus ranging from 10% to 14%.

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- 11.3 In the case of unacceptable performance, the **Employer** shall –
- 11.3.1 provide systematic remedial or developmental support to assist the **Employee** to improve his or her performance; and
  - 11.3.2 after appropriate performance counselling and having provided the necessary guidance and/ or support as well as reasonable time for improvement in performance.

## 12. DISPUTE RESOLUTION

- 12.1 Any disputes about the nature of the **Employee's** performance agreement, whether it relates to key responsibilities, priorities, methods of assessment and/ or any other matter provided for, shall be mediated by –
- 12.1.2 In the case of managers directly accountable to the municipal manager, a member of the municipal council, provided that such member was not part of the evaluation panel provided for in sub-regulation 27(4)(e) of the Municipal Performance Regulations, 2006, within thirty (30) days of receipt of a formal dispute from the employee;

whose decision shall be final and binding on both parties.

- 12.2 In the event that the mediation process contemplated above fails, applicable clause of the Contract of Employment shall apply.


## 13. GENERAL

- 13.1 The contents of this agreement and the outcome of any review conducted in terms of Annexure A may be made available to the public by the **Employer**.
- 13.2 Nothing in this agreement diminishes the obligations, duties or accountabilities of the **Employee** in terms of his/ her contract of employment, or the effects of existing or new regulations, circulars, policies, directives or other instruments.

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Signed at DUNDEE on this 18 day of JUNE 2010.

**AS WITNESSES:**


1.  .....

2.  .....

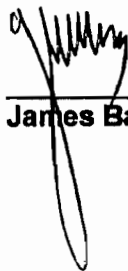
  
The Municipal Manager  
Endumeni Municipality

Signed at DUNDEE on this 18 day of JUNE 2010.

**AS WITNESSES:**

1.  .....

2.  .....

  
James Barton Maltman



PERFORMANCE PLAN - CHIEF FINANCIAL OFFICER 2010/11

NAME:	IAN GRISDALE	LINE/MANAGER:	MUNICIPAL MANAGER
EMPLOYEE NO:	S005416	JOB TITLE:	
JOB TITLE:	CHIEF FINANCIAL OFFICER	BUSINESS UNIT / SITE:	
DIVISION/ BUSINESS UNIT:	FINANCIAL SERVICES	PERIOD:	01 JULY 2010 TO 30 JUNE 2011
SITE:		REVIEW DATE:	
RATING SCALE:	1. Not meeting the standards; 2. Meet some of the standards; 3. Meet all the standards; 4. Meet all & exceed some standards; 5. Meet & exceed all standards		

Key Performance Area's (KPA's) Weight = 80%  
 Core Competency requirements (CCR's) Weight = 20%

Key Performance Area's (KPA's)	Weight	Performance Indicators/ Key Deliverable/Output	Target/Standard/Measure	Progress on date of review	Score
Budgeting and reporting		Manage the budget and comply with legal requirements	Rand value of operating budget		
			Rand value of salaries and wages budget		
			Oversight report compiled		
			% Compliance with MFMA requirements		
<b>BUDGET AND REPORTING - FINAL SCORE</b>					

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*Endumeni Municipality*

ANNEXURE A

Key Performance Area's (KPA's)	Weight	Performance Indicators/ Key Deliverable/Output	Target/Standard/Measure	Progress on date of review	Score	
Debtors Cost and Debt Coverage		Monitor financial viability of eNdumeni Municipality	Outstanding service debtors			
			Cost coverage			
			Debt coverage			
<b>DEBTORS, COST AND DEBT COVERAGE - FINAL SCORE</b>						
Expenditure Control, Financial Management		Manage Municipal expenditure	Rand value of operating expenditure			
			SCM Policy in place (yes/no)			
			Rand value of debt service payments			
IDP & MTEF		Manage finances of Municipality	Rand value of grants and subsidies received			
			<b>EXPENDITURE CONTROL AND FINANCIAL MANAGEMENT - FINAL SCORE</b>			
			Align Councils budget with IDP	% of capital budget spent on projects as set out in the IDP		
Poverty alleviation		Promoted integrated poverty alleviation	Have an approved MTEF	MTEF approved (yes/no)		
			<b>IDP AND MTEF - FINAL SCORE</b>			
			Indigent policy in place (yes/no)			

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*Endumeni Municipality*

ANNEXURE A

Key Performance Area's (KPA's)	Weight	Performance Indicators/ Key Deliverable/Output	Target/Standard/Measure	Progress on date of review	Score
		Facilitate the provision of free basic services	% households earning less than R1100 p/month who receive free basic electricity		
<b>POVERTY ALLEVIATION - FINAL SCORE</b>					
Revenue enhancement		Effectively collect revenue	% collections against amounts raised for rates and taxes		
			Rand value of revenue collected		
		Rand value of invoices raised			
<b>REVENUE ENHANCEMENT - FINAL SCORE</b>					

*Endumeni Municipality*

ANNEXURE A



Core Competency Requirements	Weight	Performance Indicators/ Key Deliverable / Output	Target/Standard/Measure	Progress on date of review	Score
Strategic Capability and Leadership	25%	See competency framework	See competency framework		
Financial Management	25%	See competency framework	See competency framework		
Project Management	25%	See competency framework	See competency framework		
Communication	25%	See competency framework	See competency framework		

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INDIVIDUAL TRAINING & PERSONAL DEVELOPMENT PLAN (PDP)

SIGNATURES

Employee's Comments \_\_\_\_\_

Line Manager's Comments \_\_\_\_\_

*J. Moko*  
Signature

23/06/2010  
Date

*[Signature]*  
Signature

23-06-2010  
Date

FISCAL YEAR 2010/2011  
Contracting Period

Signature

Date

Signature

Date

After Appraisal

*[Signature]*



PERFORMANCE PLAN - MANAGER: CORPORATE SERVICES 2010/11

NAME:	S. PERUMALL	LINE MANAGER:	D. B. CE BEKHULU
EMPLOYEE NO:	5010287	JOB TITLE:	MUNICIPAL MANAGER
JOB TITLE:	MANAGER CORPORATE SERVICES	BUSINESS UNIT / SITE:	
DIVISION / BUSINESS UNIT:	CORPORATE SERVICES	PERIOD:	
SITE:		REVIEW DATE:	01 JULY 2010 TO 30 JUNE 2011
RATING SCALE:	1. Not meeting the standards; 2. Meet some of the standards; 3. Meet all the standards; 4. Meet all & exceed some standards; 5. Meet & exceed all standards		

Key Performance Area's (KPA's) Weight = 80%  
 Core Competency requirements (CCR's) Weight = 20%

Key Performance Area's (KPA's)	Weight	Performance Indicators/ Key Deliverable/Output	Target/Standard/Measure	Progress on date of review	Score
COMMUNITY SERVICES		Libraries	Reporting to Portfolio Committee and Exco Frequency: Monthly		
		Museum	Reporting to Portfolio Committee and Exco Frequency: Monthly		
		Traffic & Law Enforcement	Reporting to Portfolio Committee and Exco Frequency: Monthly		
		Testing Station	Reporting to Portfolio Committee and Exco Frequency: Monthly		
<b>COMMUNITY SERVICES - FINAL SCORE</b>					

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Key Performance Area's (KPA's)	Weight	Performance Indicators/ Key Deliverable/Output	Target/Standard/Measure	Progress on date of review	Score
<b>DIFFERENTLY ABLED AND EMPLOYMENT EQUITY</b>		Annually review Council's Employment Equity Plan	Employment Equity Plan in place and reviewed annually (yes/no)		
		Promote Employment Equity	Number of black staff employed		
			Number of female staff employed		
			Number of disabled staff employed		
			Number of youth employed		
<b>DIFFERENTLY ABLED AND EMPLOYMENT EQUITY - FINAL SCORE</b>					
<b>HEALTH SERVICES, PRIMARY CARE AND HIV/AIDS</b>		Render an efficient and comprehensive service to residents	Reporting to Portfolio Committee and Exco Frequency: Monthly		
		Mitigate the effect of HIV/ Aids	Reports by responsible co-ordinator		
			Annual HIV/ Aids awareness campaign		
			HIV/ Aids strategy in place (yes/no)		
<b>HEALTH SERVICES, PRIMARY CARE AND HIV/AIDS - FINAL SCORE</b>					

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*Handwritten initials/signature*



Endumeni Municipality

ANNEXURE A

Key Performance Area's (KPA's)	Weight	Performance Indicators/ Key Deliverable/Output	Target/Standard/Measure	Progress on date of review	Score
<b>PERFORMANCE MANAGEMENT, HUMAN RESOURCE MANAGEMENT</b>		Manage the performance of the Endumeni Municipality and staff	Number of sec 57 performance agreements in place and signed		
		Monitor and control all leave	AG and internal audits audit opinion on leave records		
		Put in place staff structure that will enable Council to deliver on its mandate	Organogram adopted (yes/no)		
<b>PERFORMANCE MANAGEMENT HUMAN RESOURCE MANAGEMENT AND WORKPLACE SKILLS- FINAL SCORE</b>					
<b>WORKPLACE SKILLS</b>		Advance the skills level of employees	Annually reviewed workplace skills plan in place		
	<b>WORKPLACE SKILLS - FINAL SCORE</b>				
<b>COMMUNITY SAFETY, DISASTER MANAGEMENT &amp; FIRE</b>		Update Council on disaster management and fire emergency	Report to Portfolio Committee and Exco Frequency: Monthly		
		Ensure the Disaster Management Plan is updated regularly	Disaster Management Plan in place (yes/no)		
		Ensure delivery of comprehensive fire fighting service	Fire response plan in place (yes/no)		
<b>COMMUNITY SAFETY, DISASTER MANAGEMENT &amp; FIRE - FINAL SCORE</b>					
<b>INFORMATION TECHNOLOGY</b>		Improve communication	Website updated regularly (yes/ no)		
		Appropriate IT Strategy	IT Strategy in place (yes/no)		
<b>INFORMATION TECHNOLOGY - TOTAL SCORE</b>					

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*Endumeni Municipality*

ANNEXURE A

Core Competency Requirements	Weight	Performance Indicators/ Key Deliverable / Output	Target/Standard/Measure	Progress on date of review	Score
Strategic Capability and Leadership	25%	See competency framework	See competency framework		
Financial Management	25%	See competency framework	See competency framework		
Project Management	25%	See competency framework	See competency framework		
Communication	25%	See competency framework	See competency framework		



INDIVIDUAL TRAINING & PERSONAL DEVELOPMENT PLAN (PDP)

SIGNATURES

Employee's Comments NONE

Line Manager's Comments \_\_\_\_\_

[Signature] 22/06/2010  
Signature Date

[Signature] 22/06/2010  
Signature Date Contracting Period

Signature \_\_\_\_\_ Date \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_ After Appraisal

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[Handwritten Initials]





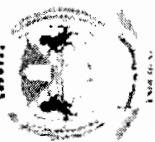
PERFORMANCE PLAN - MANAGER: TECHNICAL SERVICES 2010/11

NAME:	JB MALTMAN	LINE MANAGER:	MUNICIPAL MANAGER
EMPLOYEE NO.	S002207	JOB TITLE:	
JOB TITLE:	MANAGER TECHNICAL SERVICES	BUSINESS UNIT / SITE:	
DIVISION / BUSINESS UNIT:	TECHNICAL SERVICES	PERIOD:	
SITE:	CIVIC CENTRE DUNDEE	REVIEW DATE:	01 JULY 2010 TO 30 JUNE 2011
RATING SCALE	1. Not meeting the standards; 2. Meet some of the standards; 3. Meet all the standards; 4. Meet all & exceed some standards; 5. Meet & exceed all standards		

Key Performance Area's (KPA's) Weight = 80%  
 Core Competency requirements (CCR's) Weight = 20%

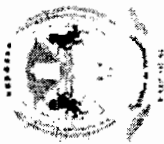
Key Performance Area's (KPA's)	Weight	Performance Indicators/ Key Deliverable/Output	Target/Standard/Measure	Progress on date of review	Score
Housing		Coordinate service delivery of housing in Endumeni Municipality	Progress made with the implementation of the Housing Sector Plan		
			Number of houses constructed at the Sibongile and Sithembile		
			Number of new constructed houses		
			<b>HOUSING - FINAL SCORE</b>		

Endumeni Municipality



Key Performance Area's (KPA's)	Weight	Performance Indicators/ Key Deliverable/Output	Target/Standard/Measure	Progress on date of review	Score
Electricity		Facilitate access to electricity for each consumer within Endumeni Municipality	% of households with electricity connections		
		Manage and control development within Endumeni Municipality	Number of new electricity connections		
			Spatial Development Framework in place (yes/ no)		
<b>ELECTRICITY - FINAL SCORE</b>					
IDP and Spatial - SDF		Compliance with the IDP review deadlines	Extent of compliance to Process Plan		
		Manage and control development within Endumeni Municipality	IDP reviewed (yes/no)		
<b>IDP AND SPACIAL SDF - FINAL SCORE</b>					
Municipal roads and storm water		Kilometres' of municipal roads annually upgraded and maintained	% of budget spent on Roads Capital.		
		Kilometres' of tarred roads established	Approved Project Cash Flow		
<b>ROADS AND STORMWATER SERVICES - FINAL SCORE</b>					
Performance Management		Manage performance of staff	OPMS in place.		

*Handwritten signature and initials*



*Endumeni Municipality*

ANNEXURE A

Key Performance Area's (KPA's)	Weight	Performance Indicators/ Key Deliverable/Output	Target/Standard/Measure	Progress on date of review	Score
Waste Management			Annual performance report adopted		
	<b>PERFORMANCE MANAGEMENT - FINAL SCORE</b>				
Waste Management		Facilitate Integrated Waste Management	% of households with a weekly refuse removal service		
			Number of new households with access to a weekly waste disposal service		
<b>WASTE MANAGEMENT - FINAL SCORE</b>					
MIG Projects		Implement MIG Projects	Cash flow projection for the Karel Landman /Sithembile project submitted before deadline (yes/no)		
			Reporting deadlines on the Karel Landman/Sithembile project met by the consulting engineers (yes/no)		
			% deviation from the approved cashflow from the Karel Landman project		
			Cashflow projections for the Dundee Buffer strip submitted before deadline (YES/NO)		
			Reporting deadlines on the Dundee Buffer project met by the consulting engineers (yes/no)		

M.M. M  
B



*Endumeni Municipality*

ANNEXURE A

Key Performance Area's (KPA's)	Weight	Performance Indicators/ Key Deliverable/Output	Target/Standard/Measure	Progress on date of review	Score
			% deviation from the approved cashflow from the Dundee Buffer project		
<b>MIG PROJECTS - FINAL SCORE</b>					

*DNM*



*Endumeni Municipality*

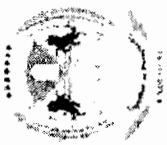
ANNEXURE A

Core Competency Requirements	Weight	Performance Indicators/ Key Deliverable / Output	Target/Standard/Measure	Progress on date of review	Score
Strategic Capability and Leadership	25%	See competency framework	See competency framework		
Financial Management	25%	See competency framework	See competency framework		
Project Management	25%	See competency framework	See competency framework		
Communication	25%	See competency framework	See competency framework		

*[Handwritten signature]*



Endumeni Municipality

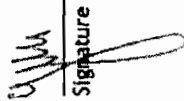


INDIVIDUAL TRAINING & PERSONAL DEVELOPMENT PLAN (PDP)

SIGNATURES

Employee's Comments \_\_\_\_\_

Line Manager's Comments \_\_\_\_\_

  
Signature

18/06/2010  
Date

01/07/2010 30/06/2011  
Signature

  
Date

18/06/2010  
Contracting Period

01/07/2010 30/06/2011  
Date

Signature \_\_\_\_\_

Date \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

After Appraisal



**ENDUMENI LOCAL MUNICIPALITY**

**INTERNAL AUDIT REPORT**

**PERFORMANCE MANAGEMENT SYSTEMS REVIEW**

**JANUARY 2010**

**DISTRIBUTION LIST:**

<b>Name of Responsible Personnel</b>	<b>Designation of Responsible Personnel</b>
N. Rajkumar	Chairperson: Audit Committee
D.B. Cebekhulu	Municipal Manager
I. Gridale	Chief Financial Officer



**Chartered Accountants(SA)**



Gobodo Incorporated  
Reg. No. 1999/001402/21  
Registered Auditors

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## Chartered Accountants(SA)

22 January 2010

The Municipal Manager  
Mr. D.B. Cebekhulu  
ENDUMENI LOCAL MUNICIPALITY  
PO Box 1965  
Dundee  
3000

Dear Sir,

In terms of the Audit Committee meeting that was held in January 2010, it was noted that the Annual Internal Audit Plan for the year ending 30 June 2010 that was presented for approval to the Audit Committee and management be approved at the next Audit Committee meeting to enable the new Audit Committee members to peruse the Audit Plan. The Performance Management Systems review as per the Annual Internal Audit Plan that was scheduled for execution in January 2010 was conducted as planned.

All the matters raised have been discussed with senior officials and we would like to express our appreciation to the various members of staff who have assisted us in carrying out our work.

It is the responsibility of the Endumeni Local Municipality management to ensure adherence to good corporate governance practices, to assess potential risks within Endumeni Local Municipality's operations and to implement an appropriate system of internal control to address such risks. Furthermore, it is the responsibility of Endumeni Local Municipality management to ensure that there is an effective control system in place to prevent and detect fraud.

The attached report records the result of our Internal Audit findings and possible recommendations on how the controls could be improved to overcome the identified weaknesses. The attached report has been set out in three sections:

- Section A An executive summary documenting the mandate, audit objectives, scope of project, audit approach, sources of information, fraud and internal control and risk / threat rating.
- Section B Executive summary of detailed findings.
- Section C Which contains the detailed findings, recommendations and management comments.

Directors: Nonkululeko Gobodo (Executive Chairman), Sathie Gounden (CEO), Vonani Chauke,  
Mahendra Dama, Dan Govender, Denas Hansjee, Herman Leach, Daya Naicker, Neridra Moodley,  
Imre Nagy, Chico Patel, Richard Rhoda, Donovan Simpson, Moss Sindane, Mike Terheyden  
Associate Directors: Bill Cinnamon, Merwyn Ferreira, Shaun Nel, Derek Schraader, Victor Visser





This report has been prepared for the sole use of Endumeni Local Municipality's management. We do not accept responsibility to any other party to whom it may be shown or who of their own volition may decide to rely on it. It should be clearly understood by third parties that they enjoy such receipt for information only and that we accept no duty of care to them in respect of this report.

If you have any queries pertaining to the contents of this document, please contact:

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E-mail: mahendra.naicker@gobodo.co.za

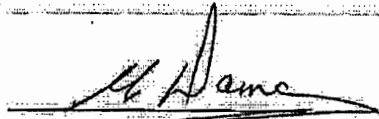
**Ryaan Lahidas:**

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E-mail: ryaan.lahidas@gobodo.co.za

Yours faithfully,



**Mahendra Dama**

Director

Gobodo Inc.

**ENDUMENI LOCAL MUNICIPALITY  
PERFORMANCE MANAGEMENT SYSTEMS REVIEW  
JANUARY 2010**

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**ENDUMENI LOCAL MUNICIPALITY  
PERFORMANCE MANAGEMENT SYSTEMS REVIEW  
JANUARY 2010**

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**SECTION A**

**1. MANDATE**

In terms of the Audit Committee meeting that was held in January 2010, it was noted that the Annual Internal Audit Plan for the year ending 30 June 2010 that was presented for approval to the Audit Committee and management be approved at the next Audit Committee meeting to enable the new Audit Committee members to peruse the Audit Plan. The Performance Management Systems review as per the Annual Internal Audit Plan that was scheduled for execution in January 2010 was conducted as planned.

**2. AUDIT OBJECTIVES**

The primary objectives of the review were to assess the adequacy and effectiveness of the Performance Management System for the first and second quarter of the 2009 / 2010 financial year at the Endumeni Local Municipality's and assess whether they are working as intended.

**3. SCOPE OF PROJECT**

**Business processes:**

**(1) Performance Management Systems (PMS)**

**Sub-processes within business processes:**

- Review of the PMS policy and implementation within the municipality, Compliance to Municipal Planning Management Regulations, PMS - Section 57 management contracts, Quarterly internal audit reviews of PMS information.

The fieldwork was conducted from 18 January 2010 to 22 January 2010 and covered the period 01 July 2009 to 31 December 2009. No audit work was performed outside of this audit period (01 July 2009 to 31 December 2010) and subsequently changes to systems/processes have not been audited.

**4. AUDIT APPROACH**

- The audit approach was based on the following key procedures:
- Review of the Performance Management System (PMS) policy and implementation within the municipality;
- Compliance to Municipal Planning Management Regulations;
- PMS - Section 57 management contracts, quarterly Internal Audit reviews of PMS information;
- Raise findings where control deficiencies were noted;
- Obtain management comments for findings raised;
- Compile Internal Audit report for PMS.

**5. SOURCES OF INFORMATION**

Discussions were held with appropriate management. Audit evidence was obtained through observation and inspection of limited key documents and reports. It should be recognized that controls are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur, and that procedures are performed in accordance with management's intentions.

**ENDUMENI LOCAL MUNICIPALITY  
PERFORMANCE MANAGEMENT SYSTEMS REVIEW  
JANUARY 2010**

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There are inherent limitations that should be recognized in considering the potential effectiveness of any system of controls. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes in judgment, carelessness, or other personal factors. Control procedures can be circumvented by collusion or by management override.

Our report has been prepared for your information and that of management of the Endumeni Local Municipality. We do not accept responsibility to any other party to whom it may be shown, or who, on their own volition, may decide to rely on it.

**6. FRAUD AND INTERNAL CONTROL**

While we have identified certain key controls, internal audit procedures alone, even when carried out with due professional care, do not guarantee that all fraud and errors will be detected. We have ensured that all internal audit work conducted is planned with a reasonable expectation of detecting significant control weaknesses in the specific areas reviewed. However, our reviews and investigations as internal auditors should not be relied upon to disclose all matters of fraud, defalcation or other irregularities which may exist. Management's attention is drawn to the inherent limitations in the reliance on internal controls and procedures mentioned above.

**7. RISK/THREAT RATING**

We have assigned potential risks to all of the findings that have been identified during this review. We have rated the risks according to the following ratings:

Key to risk/threat ratings:

- HIGH:** Key exposure identified has a potential for major impact on the municipality and should be resolved as a priority.
- MEDIUM:** Exposure identified is unlikely to have a major impact on the municipality, but should be resolved as soon as possible
- LOW:** Exposure identified does not have a major impact on the municipality, but should be resolved in due course

In assessing the actual or potential impact of our findings, the following factors were considered:

- The financial risk;
- The operational risk;
- The impact on the municipal image;
- The impact on third parties;
- The impact on employee morale.

For further explanation, we define the above-mentioned audit terms as follows:

**Financial:** risks are those risks, which have an impact on the reliability and integrity of the financial information and the safeguarding of assets.

**Operational:** risks are those risks, which have an impact on the ability to comply with policies, procedures, laws and regulations, achievement of established goals and objectives and the efficiency in the use of the municipalities resources.

**ENDUMENI LOCAL MUNICIPALITY  
 PERFORMANCE MANAGEMENT SYSTEMS REVIEW  
 JANUARY 2010**

**SECTION B**

**1. EXECUTIVE SUMMARY OF DETAILED FINDINGS**

The following weaknesses were noted:

Process	Ref	Finding	Low	Medium	High
Performance Management Systems	1	Discrepancy between the first and second quarter Performance Management System reviews	√		
	2	Non compliance with section 4(4)(a) of PMS regulations no. R805 issued 1 August 2006	√		
	3	Key Performance Indicator (KPI) not based on smart principal	√		
	4	Key Performance Indicators (KPI) not linked to integrated development plan (IDP)	√		
	5	Supporting documents not attached to the second quarter performance report	√		
	6	Revised target date for Key Performance Indicator (KPI) not set	√		

**ENDUMENI LOCAL MUNICIPALITY  
PERFORMANCE MANAGEMENT SYSTEMS REVIEW  
JANUARY 2010**

**SECTION C**

**1. PERFORMANCE MANAGEMENT SYSTEMS**

**1. DISCREPANCY BETWEEN THE FIRST AND SECOND QUARTER PERFORMANCE MANAGEMENT SYSTEM REVIEW**

**Finding:**  
Threat: High  
Effort: Low

*Section 44 of the Local Government Municipal Systems Act 32 of 2000, states that " A municipality, in a manner determined by its council, must make known, both internally and to the general public, the key performance indicators and performance targets set by it for purposes of its performance management system".*

During the detailed testing of the Performance Management System (PMS) at the Endumeni Local Municipality for the performance period (July 2009 to December 2009), it was noted that there was a discrepancy in the status of the Key Performance Indicator between the 1st and the 2nd quarter. The following serves as an example;

Key Performance Area	Key Performance Indicator	Target	Performance Status on date of Review	
			1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter
Financial Management	Answer all queries relevant to Department in the report of the AG	100% compliance	100%	In Progress
	Execution of general financial management responsibilities as per section 78 of the MFMA	100% compliance	100%	In Progress

In addition to the above, no supporting evidence was furnished supporting the attainment of the 100% above.

**Implication:**

- The measurement of objectives may be inaccurate and may not be related to the overall objectives of the municipality to be achieved within the financial year;
- The payment of performance bonuses may not be aligned to due performance expected at the end of the financial year

**Recommendation:**

- There must be consistency in the quarterly assessment reports especially for the once off indicators;
- Management should maintain evidence and goals for all the key performance indicators achieved.

**Management Comment:**

Finding noted

**ENDUMENI LOCAL MUNICIPALITY  
PERFORMANCE MANAGEMENT SYSTEMS REVIEW  
JANUARY 2010**

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***Action Plan:***

Second quarter to be amended to read 100%.

Supporting documentation for the attainment of 100% for 1<sup>st</sup> quarter will be provided to Internal Audit on the next PMS audit.

***Responsible Person:***

Chief Financial Officer

***Implementation Date:***

Next PMS audit

ENDUMENI LOCAL MUNICIPALITY  
PERFORMANCE MANAGEMENT SYSTEMS REVIEW  
JANUARY 2010

2. NON COMPLIANCE WITH SECTION 4(4)(A) OF PMS REGULATIONS NO. R805 ISSUED 1 AUGUST 2006

**Finding:**

Threat: High  
Effort: Low

Section 4(4)(a) of the PMS Regulations No. R805 issued 01 August 2006 states that the employment contracts and performance agreements must be signed within one month of the commencement of the financial year.

During the detailed testing of the first quarter Performance Management Systems (PMS) reports at the Endumeni Local Municipality on the 19/01/2010, inspection of the performance agreement for 2009 / 2010 revealed that the contract for the Manager Corporate Services was not signed within one month of the commencement of the financial year (being 31 July 2009). The contract and the plan was signed off by the Municipal Manager, Manager Corporate Services and witnesses on the 18 August 2009.

Inspection of the 2009 / 2010 performance plan for the Manager Corporate Services revealed that it was signed by the Manager Corporate Services and Municipal Manager, however, the date the 2009 / 2010 performance plan for the Manager Corporate Services was signed was not documented.

**Implication:**

- Non compliance with Section 4(4)(a) of the PMS Regulations No. R805 issued 01 August 2006.

**Recommendation:**

- PMS officer should ensure that all PMS contracts and performance plans are signed off by all Section 57 employees within 1 month of the commencement of the municipal financial year to ensure compliance with section 4(4)(a) of the PMS Regulation No. R805 issued 01 August 2009.

**Management Comment:**

Noted

**Action Plan:**

All performance contracts will be concluded within the Legislative Framework

**Responsible Person:**

Municipal Manager

**Implementation Date:**

01 July 2010



**ENDUMENI LOCAL MUNICIPALITY  
PERFORMANCE MANAGEMENT SYSTEMS REVIEW  
JANUARY 2010**

**3. KEY PERFORMANCE INDICATOR (KPI) NOT BASED ON SMART PRINCIPAL**

**Finding:**

Threat: High  
Effort: Medium

*Key performance indicators and key performance targets should be developed according to the "SMART" principle and in a manner that enables ease of review and mapping of evidence to support achievement of such indicators and targets.*

During the detailed testing of the first and second quarter Performance Management System (PMS) reports at the Endumeni Local Municipality on the 19/01/2010, it was revealed through inspection of the first quarter assessment report of the Section 57 employees that the following KPI's were not based on the SMART principal i.e. the target dates of the KPI's were not defined.

**Chief Financial Officer:**

Key Performance Area	Key Performance Indicator	Target
Sound Management	Monthly meeting of Senior Finance Staff	Minutes

**Manager Corporate Services:**

Key Performance Area	Key Performance Indicator	Target
Endumeni Libraries	Number of books, magazines and audio visual material issued	12 reports
	Number of educational programmes conducted	6 programmes
Talana museum	Number of visitors recorded	12 reports
	Number of events	3
	Board of trustees meetings held	6

**Manager Technical Services:**

Key Performance Area	Key Performance Indicators	Target
Waste Management	% of households with a weekly refuse removal service	80%
Financial Management	Answer all queries relevant to Department in the report of the AG	100% compliance
	Execution of general financial management responsibilities as per section 78 of the MFMA	Continuous
Sound management	% of posts that have formal job descriptions	100 %

NB: The above will also be for the Municipal Manager since he is evaluated based on the performance of the individual departments.

**ENDUMENI LOCAL MUNICIPALITY**  
**PERFORMANCE MANAGEMENT SYSTEMS REVIEW**  
**JANUARY 2010**

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***Implication:***

- Key performance target does not comply with the "SMART" principle;
- It may not be possible to evaluate the evidence supporting the performance target.

***Recommendation:***

- Management should review and revise the KPI and performance targets for the 2009/2010 financial year in compliance with the "SMART" principle, where required;
- These should then be adopted ex-post facto and approved by the Mayor and the Municipal Manager.

***Management Comment:***

Performance Contracts and Performance Plans of Section 57 Managers for fiscal year 2010/2011 have been prepared in conjunction with PricewaterhouseCoopers Advisory Services (Pty) Ltd as per Council Resolution No.C03/29/06/09 and letter of appointment dated 22 July 2009.

***Action Plan:***

To be implemented in the 2009 / 2010 financial year

***Responsible Person:***

Municipal Manager

***Implementation Date:***

01 April 2010

**ENDUMENI LOCAL MUNICIPALITY  
PERFORMANCE MANAGEMENT SYSTEMS REVIEW  
JANUARY 2010**

**4. KEY PERFORMANCE INDICATORS (KPI) NOT LINKED TO INTEGRATED DEVELOPMENT PLAN (IDP)**

**Finding:**  
Threat: High  
Effort: Low

Section 8 of the Performance Management System Regulations No. 805 issued 01 August 2006 states that the KPIs as stated in the Performance Contracts of Section 57 employees must be directly linked to the IDP for the year under review.

During the detailed testing of the first and second quarter Performance Management Systems (PMS) reports at the Endumeni Local Municipality on the 21/01/2010, it was noted through inspection that the following KPIs of the Section 57 employees Performance Plans could not be traced to the municipality's 2009/2010 IDP.

Chief Financial Officer:

Key Performance Area	Key Performance Indicator	Target
Finance – MFMA General	Submission of yearly MFMA implementation plan to National Treasury	October 2009
	Submission of yearly Budget Evaluation Check list return to National Treasury	October 2009
	Submission of following quarterly returns to National Treasury 1. 14 Urgent Implementation Priorities; 2. Long-term Contracts; 3. External Debt created; 4. Municipal entities	Quarterly
	Open of primary bank account 1. All monies paid into primary account; 2. Bank account details submitted to National Treasury; 3. Control of bank account as delegated by MM; 4. Withdrawal from bank accounts to ensure compliance with section 7 to 11	Monthly
	Submission of quarterly budget reports to Council	Quarterly
	Finance – MFMA Budget	Submission by latest 10 <sup>th</sup> working day of monthly budget statement as per section 71
Finance – Financial statements	Completion and submission to Auditor General	November 2009
	Timeous response to Auditor Queries	As per AG directives
	Conversion to GRAP	December 2009

**ENDUMENI LOCAL MUNICIPALITY  
PERFORMANCE MANAGEMENT SYSTEMS REVIEW  
JANUARY 2010**

Key Performance Area	Key Performance Indicator	Target
Sound Management	Monthly meeting of Senior Finance Staff	Minutes
Bids	Awarding of Electricity Vending Bid	October 2009

**Manager Technical Services;**

Key Performance Area	Key Performance Indicators	Target
Financial Management	Answer all queries relevant to Department in the report of the AG	100% compliance
	Execution of general financial management responsibilities as per section 78 of the MFMA	Continuous
Sound management	% of posts that have formal job descriptions	100%

NB: The above will also apply to the Municipal Manager's KPI's since he is evaluated based on the performance of the individual departments.

**Implication:**

- The achievement and progress of the IDP objectives would not be able to be measured.

**Recommendation:**

- Performance targets and KPI's should be developed and linked directly to the objectives, which have been set in the IDP.

**Management Comment:**

Performance Contracts and Performance Plans of Section 57 Managers for fiscal year 2010/2011 have been prepared in conjunction with PricewaterhouseCoopers Advisory Services (Pty) Ltd as per Council Resolution No. C03/29/06/09 and letter of appointment dated 22 July 2009 and will be implemented in terms of reviewed 2010 2011 IDP.

**Action Plan:**

To be implemented in the 2009 / 2010 financial year

**Responsible Person:**

Municipal Manager

**Implementation Date:**

01 April 2010

**ENDUMENI LOCAL MUNICIPALITY  
PERFORMANCE MANAGEMENT SYSTEMS REVIEW  
JANUARY 2010**

**5. SUPPORTING DOCUMENTS NOT ATTACHED TO THE SECOND QUARTER PERFORMANCE REPORT**

**Finding:**

Threat: High  
Effort: Low

*In terms of good practice, each employee's deliverables are defined in a performance plan where evidence required for each key performance area (KPA), and key performance indicator (KPI) is documented.*

During the detailed testing of the first and second quarter Performance Management System (PMS) reports at the Endumeni Local Municipality on the 20/01/2010, it was noted through inspection of the Chief Financial Officer's (CFO) second quarter PMS report that the evidence supporting the achievement of the following Key Performance Indicators (KPI's) were not attached to the second quarter PMS report.

- Submission of the following quarterly returns to National Treasury (1.3):
- 14 Urgent Implementation Priorities (1.3(a));
- Long-term Contracts (1.3(b));
- External Debt created (1.3(c));
- Municipal entities (1.3(d));
- Proof supporting the submission of the second quarter budget to Council (1.5);
- Submission by latest 10th working day of monthly budget statements as per section 71 for December 2009 (2.5);
- Proof of discussion between the CFO and Auditor General allowing the municipality to submit its 2008/2009 financial statements to the Auditor General on the 28/02/2010 (4.1).

**Implication:**

- Assessment report information may not be accurate, complete and valid.

**Recommendation:**

- All Section 57 employees should ensure that valid, accurate and complete evidence supporting the achievement of quarterly Key Performance Area's, and KPIs are attached to their quarterly PMS reports.

**Management Comment:**

All highlighted sections with the exception of the last bullet form part of the third quarters review as the submitted documentation is compiled and submitted after the end of the second quarter. Minutes of the meeting between the Chief Financial Officer and Auditor General are available

**Action Plan:**

Supporting documentation for the attainment of the above will be provided to Internal Audit on the next PMS audit.

**Responsible Person:**

Chief Financial Officer

**Implementation Date:**

Next PMS audit

**Internal Audit Comment:**

The above were noted in per the Performance Plan for 2009 / 2010 for the second quarter (01 October 2009 to December 2009). Management should therefore revisit the management commentary. Numbering in brackets indicate the reference number as noted in the Performance Plan.

**6. REVISED TARGET DATE FOR KEY PERFORMANCE INDICATOR (KPI) NOT SET**

**Finding:**

Threat: High

Effort: Low

*Key performance indicators and key performance targets should be developed according to the "SMART" principle and in a manner that enables ease of review and mapping of evidence to support achievement of such indicators and targets.*

During the detailed testing of the first and second quarter Performance Management System (PMS) reports at the Endumeni Local Municipality on the 20/01/2010, it was noted through inspection of the Chief Financial Officer's (CFO) second quarter PMS report that the "Conversion to GRAP" KPI had not been achieved by the target date being December 2009. Further inspection of the report revealed that the reason why the KPI was not achieved was due to asset verification problems experienced during the conversion phase. However, a revised target date for this KPI was not set.

**Implication:**

- Key performance target does not comply with the "SMART" principle;
- It may not be possible to evaluate the evidence supporting the performance target.

**Recommendation:**

- Municipal Manager when evaluating the PMS report of the CFO, Manager Technical Services and Manager Corporate Services should ensure that revised target dates are set for all KPIs which have not been achieved;
- Revised target dates to be discussed with Section 57 employees prior to been set and must be based on the characteristics of the SMART principal.

**Management Comment:**

Performance Contracts and Performance Plans of Section 57 Managers for fiscal year 2010/2011 have been prepared in conjunction with PricewaterhouseCoopers Advisory Services (Pty) Ltd as per Council Resolution No. C03/29/06/09 and letter of appointment dated 22 July 2009.

**Action Plan:**

To be implemented in the 2009 / 2010 financial year

**Responsible Person:**

Municipal Manager

**Implementation Date:**

01 April 2010



**ENDUMENI LOCAL MUNICIPALITY**

**INTERNAL AUDIT REPORT**

**PERFORMANCE MANAGEMENT SYSTEMS REVIEW**

**JUNE 2010**

**DISTRIBUTION LIST:**

<b>Name of Responsible Personnel</b>	<b>Designation of Responsible Personnel</b>
N. Rajkumar	Chairperson: Audit Committee
D.B. Cebekhulu	Municipal Manager
I. Grisdale	Chief Financial Officer





14 June 2010

The Municipal Manager  
**ENDUMENI LOCAL MUNICIPALITY**  
PO Box 1965  
Dundee  
3000

Dear Sir,

In terms of the Audit Committee meeting that was held in January 2010, it was noted that the Annual Internal Audit Plan for the year ending 30 June 2010 that was presented for approval to the Audit Committee and management be approved at the next Audit Committee meeting to enable the new Audit Committee members to peruse the Audit Plan. The Performance Management Systems review for the third quarter was conducted during May / June 2010.

All the matters raised have been discussed with senior officials and we would like to express our appreciation to the various members of staff who have assisted us in carrying out our work.

It is the responsibility of the Endumeni Local Municipality management to ensure adherence to good corporate governance practices, to assess potential risks within Endumeni Local Municipality's operations and to implement an appropriate system of internal control to address such risks. Furthermore, it is the responsibility of Endumeni Local Municipality management to ensure that there is an effective control system in place to prevent and detect fraud.

The attached report records the result of our Internal Audit findings and possible recommendations on how the controls could be improved to overcome the identified weaknesses. The attached report has been set out in three sections:

- Section A An executive summary documenting the mandate, audit objectives, scope of project, audit approach, sources of information, fraud and internal control and risk / threat rating.
- Section B Executive summary of detailed findings.
- Section C This contains the detailed findings, recommendations and management comments.



This report has been prepared for the sole use of Endumeni Local Municipality's management. We do not accept responsibility to any other party to whom it may be shown or who of their own volition may decide to rely on it. It should be clearly understood by third parties that they enjoy such receipt for information only and that we accept no duty of care to them in respect of this report.

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Yours faithfully,



Mahendra Dama

Director

Gobodo Inc.

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PERFORMANCE MANAGEMENT SYSTEMS REVIEW  
JUNE 2010**

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**SECTION A**

**1. MANDATE**

In terms of the Audit Committee meeting that was held in January 2010, it was noted that the Annual Internal Audit Plan for the year ending 30 June 2010 that was presented for approval to the Audit Committee and management be approved at the next Audit Committee meeting to enable the new Audit Committee members to peruse the Audit Plan. The Performance Management Systems review for the third quarter was conducted during May / June 2010.

**2. AUDIT OBJECTIVES**

The primary objectives of the review were to assess the adequacy and effectiveness of the Performance Management System for the **third quarter** of the 2009 / 2010 financial year at the Endumeni Local Municipality's and assess whether they are working as intended.

**3. SCOPE OF PROJECT**

***Business processes:***

- (1) Performance Management Systems (PMS)

***Sub processes within business processes:***

- Section 57 management contracts, Quarterly internal audit review of Performance Management Systems information.

The fieldwork was conducted from 05 May 2010 to 11 May 2010 and covered the period 01 January 2010 to 31 March 2010. No audit work was performed outside of this audit period (01 January 2010 to 31 March 2010) and subsequently changes to systems/processes have not been audited.

**4. AUDIT APPROACH**

- The audit approach was based on the following key procedures:
- Compliance to Municipal Planning Management Regulations;
- PMS - Section 57 management contracts, quarterly Internal Audit reviews of PMS information;
- Raise findings where control deficiencies were noted;
- Obtain management comments for findings raised;
- Compile Internal Audit report for Performance Management Systems.

**5. SOURCES OF INFORMATION**

Discussions were held with appropriate management. Audit evidence was obtained through observation and inspection of key documents and reports. It should be recognized that controls are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur, and that procedures are performed in accordance with management's intentions.

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There are inherent limitations that should be recognized in considering the potential effectiveness of any system of controls. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes in judgment, carelessness, or other personal factors. Control procedures can be circumvented by collusion or by management override.

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**6. FRAUD AND INTERNAL CONTROL**

While we have identified certain key controls, internal audit procedures alone, even when carried out with due professional care, do not guarantee that all fraud and errors will be detected. We have ensured that all internal audit work conducted is planned with a reasonable expectation of detecting significant control weaknesses in the specific areas reviewed. However, our reviews and investigations as internal auditors should not be relied upon to disclose all matters of fraud, defalcation or other irregularities which may exist. Management's attention is drawn to the inherent limitations in the reliance on internal controls and procedures mentioned above.

**7. RISK / THREAT RATING**

We have assigned potential risks to all of the findings that have been identified during this review. We have rated the risks according to the following ratings:

Key to risk/threat ratings:

- HIGH:** Key exposure identified has a potential for major impact on the municipality and should be resolved as a priority.
- MEDIUM:** Exposure identified is unlikely to have a major impact on the municipality, but should be resolved as soon as possible
- LOW:** Exposure identified does not have a major impact on the municipality, but should be resolved in due course

In assessing the actual or potential impact of our findings, the following factors were considered:

- The financial risk;
- The operational risk;
- The impact on the municipal image;
- The impact on third parties;
- The impact on employee morale.

For further explanation, we define the above-mentioned audit terms as follows:

**Financial** risks are those risks, which have an impact on the reliability and integrity of the financial information and the safeguarding of assets.

**Operational** risks are those risks, which have an impact on the ability to comply with policies, procedures, laws and regulations, achievement of established goals and objectives and the efficiency in the use of the municipality's resources.

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SECTION B

1. EXECUTIVE SUMMARY OF DETAILED FINDINGS

The following weaknesses were noted:

Process	Ref	Finding	High	Medium	Low
Performance Management Systems	1	Key Performance Indicators (KPI's) not based on "SMART" principle	√		
	2	Minutes of meetings not signed	√		
	3	Third quarter performance report not prepared for municipal manager	√		

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**SECTION C**

**1. PERFORMANCE MANAGEMENT SYSTEMS**

**1. KEY PERFORMANCE INDICATORS (KPIs) NOT BASED ON "SMART" PRINCIPLE**

***Finding:***

Threat: High

Effort: Medium

*Key performance indicators and key performance targets should be developed according to the "SMART" principle and in a manner that enables ease of review and mapping of evidence to support achievement of such indicators and targets.*

During the detailed testing of the third quarter Performance Management System (PMS) reports at the Endumeni Local Municipality on the 03/05/2010, it was revealed through inspection of the third quarter assessment report of the Section 57 employees that the following KPI's were not based on the SMART principal i.e. the target dates of the KPI's were not defined.

**Chief Financial Officer:**

Key Performance Area	KPI	Target
Sound Management	Monthly meeting of Senior Finance Staff	Minutes

**Manager Technical Services:**

Key Performance Area	Key Performance Indicators	Target
Waste Management	% of households with a weekly refuse removal service	80%
Financial Management	Answer all queries relevant to Department in the report of the AG	100% compliance
	Execution of general financial management responsibilities as per section 78 of the MFMA	Continuous
Sound management	% Of posts that have formal job descriptions	100 %

**Manager: Corporate Services**

Key Performance Area	KPI	Target
Endumeni Libraries	Number of books, magazines and audio visual material issued	12 reports
	Number of educational programmes conducted	6 programmes
Talana museum	Number of visitors recorded	12 reports
	Number of events	3
	Board of trustees meetings held	6

NB: The above will also be for the Municipal Manager since he is evaluated based on the performance of the individual departments.

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**Implication:**

- Key performance target does not comply with the "SMART" principle;
- It may not be possible to evaluate the evidence supporting the performance target.

**Recommendation:**

- Management should review and revise the KPI and performance targets for the 2009/2010 financial year in compliance with the "SMART" principle, where required;
- These should then be adopted ex-post facto and approved by the Mayor and the Municipal Manager.

**Management Comment:**

Audit finding noted.

**Action Plan:**

To be implemented in terms of the prior Internal Audit report as at 1 April 2010.

**Responsible Person:**

Municipal Manager

**Implementation Date:**

01 April 2010

2. MINUTES OF MEETINGS NOT SIGNED

**Finding:**

Threat: Medium

Effort: Low

*Section 78 (1) (a) of the Municipal Finance Management Act states inter alia "that senior officials must take reasonable steps to ensure that the system of financial management and internal control is carried out diligently."*

During the detailed testing of the Performance Management System (PMS) at Endumeni Local Municipality on the 09/06/2010, it was noted through inspection of the 3rd quarter PMS report for the Manager: Corporate Services that there were 10 Council and Executive Committee meetings held for the 3<sup>rd</sup> quarter ending March 2010. Inspection of the minutes of the meetings revealed that it was not signed by the chairperson.

**Implication:**

- The minutes of the meetings may not be valid, accurate and complete.

**Recommendation:**

- Minutes of all meeting should be signed and dated by the chairperson to ensure that the minutes are complete, accurate and valid.

**Management Comment:**

Audit finding noted.

**Action Plan:**

All minutes in future to be signed by the responsible officials.

**Responsible Person:**

Municipal Manager

**Implementation Date:**

01 April 2010



**3. THIRD QUARTER PERFORMANCE REPORT NOT PREPARED FOR MUNICIPAL MANAGER**

***Finding:***

Threat: High  
Effort: Medium

*Section 28 (1) of the Municipal Performance Regulations states inter alia that "The performance of the employee in relation to his or her performance agreement must be reviewed on with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory.*

During the detailed testing of the Performance Management System (PMS) at Endumeni Local Municipality for the 3rd quarter testing, it was noted through enquiry from Mr. JB Mallman that the 3<sup>rd</sup> quarter PMS report for the Municipal Manager was not available as he had resigned effective February 2010.

***Implication:***

- Pro-rata payment of performance bonus may be incomplete, inaccurate and invalid.

***Recommendation:***

- The performance report for the Municipal Manager should be prepared up until the last day of employment at the municipality.

***Management Comment:***

Audit finding noted.

***Action Plan:***

Request to be made to the previous Municipal Manager to complete report

***Responsible Person:***

Municipal Manager

***Implementation Date:***

01 April 2010

2010/2011  
ENDUMENI TURNAROUND STRATEGY  
REPORT 1<sup>ST</sup> QUARTER  
ACTION PLAN

*4. Revenue Enhance & Debtors Management*