



**DRAKENSTEIN**

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# Performance Management Policy

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A city of excellence

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# Acronyms

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CCR	Core Competency Requirement
CFO	Chief Financial Officer
ED	Executive Director
IDP	Integrated Development Plan
KFA	Key Focus Area
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
MMC	Member of the Mayoral Council
MFMA	Municipal Financial Management Act
MPAC	Municipal Public Accounts Committee
MSA	Municipal Systems Act
PMS	Performance Management System
SALGA	South African Local Government Association
SALGBC	South African Local Government Bargaining Council
SDBIP	Service Delivery and Budget Implementation Plan
SEM	Staff Efficiency Monitoring
NTFMPPI	National Treasury Framework for Managing Programme Performance Information

## Definitions

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Activity	It is an action or task that is performed with the intension of achieving the Key Focus Areas (KFAs)
Baseline	It is the actual results of a project, programme or activity achieved during the previous financial year(s)
Employee	A person employed by the Drakenstein Municipality as a City Manager or as a Manager directly accountable to the City Manager, and all other personnel employed permanently by the municipality
Employer	Drakenstein Municipality as represented by the Executive Mayor or the City Manager, as the case may be
Employment Contract	A contract as contemplated in Section 56 of the Municipal Systems Act, as amended
Key Focus Area (KFA)	It is those areas in which the municipality must perform to ensure that the Key Performance Areas are achieved
Key Initiative	It is an activity or task that is performed with the intension of achieving a key performance indicator and target. Examples could include setting up a committee, reviewing or developing a policy or bill, etc. It will also include any activity that cannot be classified as a project or a programme
Key Performance Area (KPA)	It is the performance area in which the municipality must perform to achieve its Mission and Vision
Key Performance Indicator (KPI)	It defines how performance will be measured along a scale or dimension (e.g. number of houses, km of road, percentage increase, etc.) to achieve the strategic objectives and KPAs
Moderation	Refers to the process of ensuring that evaluation methodology including tools and instruments has been applied uniformly
National Key Performance Area (NKPA)	This is a key area of focus determined at national level and is mandatory to all municipalities in South Africa
National Key Performance Indicator (NKPI)	This is a key indicator determined at national level and is mandatory for all municipalities in South Africa to regularly report on
National Outcomes	This refers to the 12 outcomes determined by National Government of which Outcome 9 is focussing specifically on local government
Other Municipal Staff	All employees excluding senior management and Section 56/57 employees.
Outcomes	Results that are expected to be achieved at the intermediate level which are realized as a consequence of specific outputs. Where it is

	not possible to measure outcomes because of non-attribution or time frame involved, public institutions should use proxy indicators
Output	Comprise specific products or services (immediate results of an activity) in a given period
Performance Agreement	An agreement as contemplated in Section 56 of the Municipal Systems Act, as amended
Policy	Basic performance management principles by which the municipality is guided
Portfolio of Evidence (PoE)	It is a file with a clear “paper trail” that serves as proof of the execution of a specific project, programme or activity. (It can include documents, pictures or any other form of evidence)
Programme	A sequence of scheduled activities executed with the intension of achieving the key performance indicator and target. Examples could include maintenance, training, sensitisation, awareness programmes, etc.
Project	It is a capital or development project that is executed over a specific period of time with a defined beginning and end. It is normally funded by the capital or development budget with the intension of achieving a key performance indicator and target. Examples could include the construction of roads, buildings, infrastructure, etc.
Strategic Objective	It translates the Key Performance Area (KPA) into an outcome statement
Strategy	A plan of action designed to achieve the Drakenstein Municipality Vision
System	Detailed method and procedures formulated to carryout performance management
Section 56 Employee	Appointed as Manager directly reporting to the Municipal/City Manager (Executive Directors and the CFO)
Section 57 Employee	A person appointed as the Municipal/City Manager of a municipality
Senior Management	Senior Managers and Managers responsible for a Division/Section (Manager
Performance Target	It completes the performance indicator with actual numbers, percentages, rand values, etc. To be achieved over a specific period of time
Weights	Every KPI must have an allocated weight. The weight correlates with the importance of the KPI

# 1. Introduction

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## 1.1 Background

Performance Management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, measure and assess performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the Municipality.

Performance Management is the practice of linking the long-term strategic objectives of an organisation to its day-to-day performance by setting measurable key performance indicators (KPIs) and monitoring performance against those indicators. When implemented correctly, it is an essential tool to monitor whether or not a municipality is on track to meet targets or serves as an early warning system to identify areas where improvement is required to enhance service delivery and recognise excellent performance.

The municipality delivers services essential to the well-being and development of the communities they serve. To ensure that service delivery is as efficient and economical as possible, municipalities are required to formulate strategic plans, allocate resources to the implementation of those plans and monitor and report the results. Performance information is essential to focus the attention of the public and oversight bodies on whether municipalities are delivering value for money, by comparing their performance against their budgets and service delivery plans, and to alert managers to areas where corrective action is required.

The Constitution of South Africa (1996), Section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of Section 195 (1) are also linked with the concept of performance management, with reference to the principles of *inter alia*:

the promotion of efficient, economic and effective use of resources:

- accountable public administration;
- to be transparent by providing information;
- to be responsive to the needs of the community; and
- to facilitate a culture of public service and accountability amongst staff.

The Municipal Systems Act (MSA), Act No. 32 of 2000, requires municipalities to establish a Performance Management System (PMS). Further, the MSA and the Municipal Finance Management Act (MFMA), Act No. 56 of 2003, requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP by way of the Service Delivery and Budget Implementation Plan (SDBIP).

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that “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, assessment, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players.” This policy therefore describes how the municipality’s performance process, for the organisation as a whole, will be conducted, organised and managed. It also has the following objectives:

- clarify processes of implementation;
- ensure compliance with legislation;
- demonstrate how the system will be managed;
- define roles and responsibilities;
- promote accountability and transparency; and
- reflect the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

Effective performance management is fundamental to the delivery of excellent local services. Local government has achieved improvements in recent years, however, councils are recognising that they need to continue to develop and embed their approaches if they are to achieve further improvements.

Integrated Development Planning and Performance Management were introduced to realise the developmental role of local government. Whilst the IDP provides a framework for strategic decision-making, performance management must ensure that the desired results are achieved during implementation to ensure the correctness of the strategic direction of the objectives, strategies and projects put forward by the IDP.

Performance management is a strategic approach to management, which equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques to:

- regularly plan;
- continuously monitor;
- periodically measure; and
- review performance

of the organisation in terms of indicators and targets for:

- efficiency;
- effectiveness; and
- impact.

A Performance Management System (PMS) entails a framework that describes and represents how the municipality’s process of performance planning, monitoring, measurement review, reporting and improvement will be conducted, organised and managed, including determining the different role players. This policy document guides the development of a Performance Management System

for the Drakenstein Municipality. It also forms the basis of alignment between the IDP, the operational SDBIPs, performance areas and performance indicators of the various departments of the municipality.

## **1.2 Objectives of Performance Management**

A municipality's PMS is the primary mechanism to monitor, review and improve the implementation of its IDP and to measure 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 fulfil:

- 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.
- The PMS should facilitate learning in order to enable the Municipality to improve delivery.
- It is important that the system ensure decision-makers are timeously informed of performance related risks, so that they can facilitate intervention, if necessary.
- 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 objectives are also for the performance management system to serve as a primary mechanism to monitor, review and improve the implementation of Drakenstein Municipality's IDP. Performance management is viewed as a tool that improves the overall performance of the municipality.

## 2. Legislative and Policy Framework

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Legislative enactments which govern performance management in municipalities are found in various documents. As outlined in Section 40 of the Municipal Systems Act of 2000, Drakenstein Municipality must establish mechanisms to monitor and review its Performance Management System (PMS) so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and lower levels.

Section 34 of the MSA furthermore point out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP Review Process the Key Performance Areas, Key Performance Indicators and Performance Targets are reviewed and that this review will form the basis for the review of the Municipal PMS and Performance Agreements of Senior Managers.

The Performance Management System is informed by the following legislation and policies:

- The Constitution of the Republic of South Africa, Act No. 108 of 1996 and as amended;
- Local Government: Municipal Systems Act, Act No. 32 of 2000 as amended;
- Local Government: Municipal Structures Act, Act No. 117 of 1998;
- Local Government: Municipal Finance Management Act (MFMA), Act No. 56 of 2003;
- Local Government: Municipal Planning and Performance Management Regulations, 2001 (R796 of August 2001);
- Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, (R 805 of August 2006);
- Local Government: Regulations on appointment and conditions of employment of senior managers (R21, January 2014)
- National Treasury: Framework for Managing Programme Performance Information, 2007;
- National Treasury: MFMA Circular 13 (Services Delivery and Budget Implementation Plan);
- National Treasury: MFMA Circular 63 (Annual Report: Guidelines - update);
- National Treasury: MFMA Circular 65 (Internal Audit and Audit Committee);
- National Treasury: MFMA Circular 32 (The Oversight Report); and
- The White Paper on Transforming Public Service Delivery (Batho-Pele) (1997).

Other legislation that impacts on and relates to performance management includes:

- Labour Relations Act, Act No. 66 of 1995: Code of Good Practice;
- Basic Conditions of Employment Act, Act No. 75 of 1997;
- Employment Equity Act, Act No. 55 of 1998;
- The Skills Development Amendment Act, Act No. 31 of 2003;
- Promotion of Access to Information Act, Act No. 2 of 2000; etc.

Although it is not considered necessary to go into detail in respect of all the legislation it is important to give a brief overview of the most important legislative provisions set out in:

- The Local Government: Municipal Systems Act, Act No. 32 of 2000 as amended;

- The Municipal Planning and Performance Management Regulations of 2001;
- The Local Government: Municipal Finance Management Act, Act No. 56 of 2003;
- The Municipal Performance Regulations of 2006 for Municipal Managers and Managers directly Accountable to Municipal Managers (R805).

Summaries of the provisions relating to organisational performance management are therefore set out hereunder.

## **2.1 The Local Government: Municipal Systems Act, Act No 32 of 2000**

Chapter 6 of the Municipal Systems Act, Act No. 32 of 2000 as amended, provides briefly that a municipality must:

- Develop a performance management system (PMS);
- Promote a performance culture;
- Administer its affairs in an economical, effective, efficient and accountable manner;
- Set Key Performance Indicators (KPI's) as a yardstick for measuring performance;
- Set targets to monitor and review the performance of the municipality based on indicators linked to their IDP;
- Monitor and review performance at least once per year;
- Take steps to improve performance;
- Report on performance to relevant stakeholders;
- Publish an annual performance report on performance of the municipality forming part of its annual report as per the provisions of the Municipal Finance Management Act of 2003;
- Incorporate and report on a set of general (sometimes also referred to as national) indicators prescribed by the National Minister of Provincial and Local Government;
- Conduct an internal audit of all performance measures/indicators on a continuous basis;
- Have their annual performance report audited by the Auditor-General; and
- Involve the community in setting indicators and targets and in reviewing municipal performance.

Sections 55 to 58 of the MSA further outline the provisions on the employment and functions of the municipal manager and managers directly accountable to the municipal manager.

## **2.2 The Municipal Planning and Performance Management Regulations of 2001**

In summary the Regulations provide that a municipality's Performance Management System must:

- Entail a framework that describes and represents how the municipality's cycle and process of performance management, including measurement, review, reporting and improvement, will be conducted;
- Comply with the requirements of the MSA; and

- Relate to the municipality's employee performance management processes and be linked to the municipality's IDP.

A municipality must:

- Set key performance indicators (KPIs) including input, output and outcome indicators in consultation with communities;
- Annually review its KPIs;
- Set performance targets for each financial year;
- Measure and report on the relevant nationally prescribed key performance outcome;
- Measure and report on the six national local government KPAs;
- Report on performance to Council at least twice a year;
- As part of its internal audit process audit the results of performance measurement;
- Appoint a performance audit committee; and
- Provide secretarial support to the said audit committee.

### **2.3 The Local Government: Municipal Finance Management Act, Act No. 56 of 2003 (MFMA)**

The MFMA also contains various important provisions relating to performance management. In terms of the Act all municipalities must:

- Annually adopt a SDBIP 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;
- Empower the Executive Mayor or Executive Committee to approve the Service Delivery and Budget Implementation Plan and the Performance Agreements of the municipal managers and the managers directly accountable to the municipal manager; and
- Compile an annual report, which must, amongst other things, include the municipality's performance report compiled in terms of the MSA and regulations.

The MSA and the MFMA require that the PMS be reviewed annually in order to align itself with the reviewed IDP. In consequence of the reviewed organisational performance management system it then becomes necessary to also amend the scorecards of the Municipal Manager and Section 56 Managers in line with the cascading effect of performance management from the organisational to the departmental and eventually to employee levels.

### **2.4 The Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers of 2006**

These legislative prescripts regulate the management of the Section 56 employees of a municipality by providing an outline of employment contracts, performance agreements, performance plans, employee development, empowerment, measures/indicators and performance evaluation

processes. These regulations further provide criteria for performance assessment and the 5-point rating upon which performance of an individual need to be scored during the assessment and evaluation.

## 3. Performance Management Framework

The Municipality must develop, as part of the Performance Management System (PMS), a framework which will deal with the “how” to work with performance information. A performance management framework is the way the Municipality collects, presents and uses its performance information. It is a practical plan, made up of mechanisms and processes, for the Municipality to collect, process, arrange and classify, examine and evaluate, audit, reflect on and report performance information. These mechanisms and processes work in a cycle which must be linked to the Municipality’s normal planning (IDP and otherwise) and the annual budgeting cycle.

### 3.1 Components of Performance Management Framework

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



### 3.2 Clarifying Roles and Responsibilities of Stakeholders and Role-players

It is important to understand the duties, roles and responsibilities of the different stakeholders and role players in the various processes that together constitute the framework of the PMS. It is important that the accountabilities and relationships and priorities of the various stakeholders are set to ensure that there is a complete understanding of the participation, consultation and involvement of all stakeholders for maximum inputs into, and success of the PMS.

The PMS is a component of municipal governance and management systems that is aimed at ensuring that the performance of the Municipality is developmental, while complementing the planning and budgeting processes as an integral part of organisational and individual management. It involves a wide variety of stakeholders, all of whom play a vital and integral part in the overall success of the PMS. The schedule hereunder sets out the tasks, which should not be seen as a chronological sequence of occurrences and events. The tasks, together with the appropriate stakeholders/role-players (with their roles and responsibilities), are the following:

<b>Task</b>	<b>Stakeholders / Role- players</b>	<b>Roles and Responsibilities</b>
<b>Developing and sanctioning the PM process</b>	<b>Council</b>	Ratify and adopt the PMS Policy.
<b>Developing measures/indicators</b>	<b>Executive Directors (EDs and Chief Financial Officer (CFO))</b>	Provide the IDP and PMS documentation and (when appropriate) of the previous reporting period.
		Provide inputs into the process with reference to the available resources within their respective departments.
		Document the measures/indicators.
		Provide the schedule of measures/indicators to relevant stakeholders.
	<b>Councillors</b>	Provide inputs into the process with reference to the needs and requirements of their constituents and the communities.
		Engage with the officials to ensure maximum utilisation of the resources taking into account the budgetary guidelines and possible limitations.
<b>Local Community and Stakeholders</b>	Provide inputs into the process with reference to their specific needs and requirements.	
<b>Setting Targets</b>	<b>Senior Management (EDs and CFO)</b>	Provide inputs into the process with reference to the available resources within their respective departments.
		Document the targets.
		Provide and publicise the schedule of targets to the relevant stakeholders.
	<b>Councillors</b>	Provide inputs into the process with reference to the needs and requirements of their constituents and the communities.
		Engage with the officials to ensure maximum utilisation of the resources taking into account the budgetary guidelines and possible limitations.
	<b>Local Community and Stakeholders</b>	Provide inputs into the process with reference to their specific needs and requirements.

Task	Stakeholders / Role- players	Roles and Responsibilities
Linking measures/indicators and targets to performance commitments of staff	City Manager	Ensure that the measures/indicators and targets in the performance agreements of senior managers are linked with his / her agreement.
		Provide inputs into senior managers' performance agreements.
		Ensure that the measures/indicators and targets of the departments and sub-ordinates are linked with the senior managers agreements.
	Council	Ratify and adopt the performance agreements.
Monitoring and Evaluation	Executive Mayor	Monitor and evaluate (according to agreed schedule) the measures/indicators and targets of the City Manager.
	City Manager	Monitor and evaluate (according to the agreed schedule) the measures/indicators and targets of senior managers.
		Ensure that the results are documented and publicised to the relevant stakeholders.
Information collection, processing and analysis	Councillors	Provide inputs into the process with reference to the needs and requirements of their constituents and the communities.
		Ensure with the council officials that all information is made available.
		Examination, scrutiny and critical analysis of measures/indicators, targets, outputs and outcomes.
	Senior Management (EDs and CFO)	Collect and process relevant and appropriate information from departments.
	Local community and Stakeholders	Provide inputs into the process with reference to their specific needs and requirements.
Auditing of information	Manager: IDP and Performance Management	Prepare performance agreements with agreed and approved measures/indicators and targets.
		Ensure that all senior managers' performance agreements are published.
		Collect and process relevant and appropriate information from departments.
		Examination, scrutiny and critical analysis of information from departments.
	Performance Audit Committee	Examination, scrutiny and critical analysis of information from departments.
	Auditor-General	Collect and process the relevant and appropriate information from the Municipality.
		Examination, scrutiny and critical analysis of information from the Municipality.

Task	Stakeholders / Role- players	Roles and Responsibilities
Audit Reporting	Internal Auditor	Provide an independent audit report to the Audit Committee.
	Performance Audit Committee	Provide an independent audit report to the City Manager, Mayoral Committee and Council.
Reporting	City Manager	Provide approved, relevant and appropriate information and reports to National- and Provincial Government; and the Auditor-General.
Report to Community	City Manager	Ensure that the results are documented and publicised to the relevant stakeholders.
Review of performance management and setting of new measures/indicators and target	Senior Management (EDs and CFO)	Provide inputs into the process with reference to the available resources within their respective departments.
		Document the measures/indicators and targets.
		Provide and publicise the schedule of revised measures/indicators and targets to relevant stakeholders.
	Councillors	Provide inputs into the process with reference to the needs and requirements of their constituents and the communities.
		Engage with the officials to ensure maximum utilisation of the resources taking into account the budgetary guidelines and possible limitations in the light of the revised <b>measures/indicators</b> and targets.
	Local community and Stakeholders	Provide inputs into the process with reference to their specific needs and requirements in the light of the revised measures/indicators and targets.

Table 1: Roles and responsibilities

### 3.3 Setting Measures/Indicators and Targets

The setting of measures/indicators and targets happens during the IDP process and is linked to the strategic objectives of the Municipality. Performance measures/indicators and targets are used to show how the Municipality is performing on its objectives. This stage entails setting measures/indicators and targets, and then gathering data and information on these measures/indicators to assess the progress of the Municipality. Performance measurement allows for comparison of actual performance to intended performance, and against nationally defined

minimum standards. It will also, in time, allow for the comparison of their performance against that of other Municipalities.

Performance targets are the planned level of performance or the milestones the Municipality sets for itself for each indicator identified. Baseline measurements and service standards must be identified, which will serve as the measurement of the chosen indicator(s) at the start of the period. In setting targets, it is important to know how the Municipality is performing at the current moment. This step also tests whether the chosen indicator is in fact measurable and whether there are any problems. The targets need to be realistic, measurable and be commensurate with available resources and capacity. The public must / should be consulted on their needs and expectations in setting a target. Politicians need to give clear direction as to the importance of the target and how it will address the public need.

Targets should be informed by the development needs of communities and the development priorities of the municipality. The municipality must for each financial year set performance targets for each of the key performance indicators set by it. A performance target must be practical and realistic. It must measure the efficiency, effectiveness, quality and impact of the performance of the Municipality. It must also identify administrative components, structures, bodies or persons for whom a target has been set. Finally targets need to be consistent with the development priorities and objectives set out in the IDP.

In order to measure progress in terms of a target during monitoring and evaluation (as discussed below), intermediate milestones, if applicable, should be specified with the same criteria as for performance targets.

The following general KPIs are prescribed in Section 10 of the Municipal Planning and Performance Management Regulations, 2001 and must be reported on annually:

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- The percentage of indigent households with access to free basic services;
- 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;
- The number of jobs created through municipality's local economic development initiatives including capital projects;
- 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;
- The percentage of a municipality's budget actually spent on implementing its work-place skills plan; and
- Financial viability as expressed by ratios that measure debt coverage, outstanding service debtors to revenue, and cost coverage.

National Government further has agreed on 12 outcomes as a key focus of work between now and 2014. These outcomes have been expanded into high-level outputs and activities, which in turn formed the basis of a series of performance agreements between the President and relevant Ministers. Whilst all of the outcomes can to some extent be supported through the work of local government, Outcome 9 (A responsive, accountable, effective and efficient local government system) and its 7 outputs are specifically directed at local government:

- **Output 1:** Implement a differentiated approach to municipal financing, planning and support;
- **Output 2:** Improving access to basic services;
- **Output 3:** Implementation of the Community Work Programme;
- **Output 4:** Actions supportive of the human settlement outcome;
- **Output 5:** Deepen democracy through a refined Ward Committee model;
- **Output 6:** Administrative and financial capability; and
- **Output 7:** Single window of coordination.

A KPI qualifies the main aspect that needs to be achieved and thus measure the progress being made in achieving the objectives. It should therefore specify the object or deliverables to be achieved and the means by which it will be measured. Depending on the nature of such KPI, it may also include specifications regarding the quantity and standards of the object, and usually includes the timing or projected phasing of delivery. KPIs may be both strategic and operational in nature. The KPIs must be relevant to the competencies of Local Government.

The number of indicators should serve the purpose of providing an adequate view of performance. For this reason there should not be too few to skew the picture nor be too many to make it costly and unmanageable. A balanced set of indicators that cover most areas should preferably be used. Indicators should also be set for all entities and service providers when service delivery agreements are entered into. Such indicators are to be informed by the relevant KPIs.

The Municipality will use indicators as a communication tool between all levels of staff, and between the administration and council. It will also serve to identify the gaps between IDP strategies and the operational plans of the various departments. All indicators should be measurable, simple, precise, relevant, adequate and objective.

### **3.3.1 Types of Indicators**

The following types of indicators will be used:

- **Input Indicators**  
These are indicators that measure what it costs the Municipality to purchase the essentials for producing desired outputs (economy), and whether the Municipality achieves more with less, in resources terms (efficiency) without compromising quality. The economy

indicators may be the amount of time, money or number of people it took the Municipality to deliver a service.

- **Output Indicators (measures/indicators of success)**

These are the indicators that measure whether a set of activities or processes yields the desired products or deliverables. They thus measure effectiveness – i.e., doing things correctly, and are typically associated with operational KPIs. They are usually expressed in quantitative terms.

- **Outcome Indicators**

These are the indicators that measure the impact or net effect of the products or services of the products/programmes in terms of the achievement of the overall objectives. These indicators are strategically the most important to determine. It is thus about the relationship between outputs and outcomes and measures/indicators if the outputs succeed in achieving the desired outcomes or improvements, i.e. doing the right things. The Municipality does not always have full and complete control over those aspects that are measured by outcome indicators. It thus measures/indicators the influence it has on conditions or developments in the area. As it is the strategic objectives of the IDP that should determine the desired outcomes of activities, it is important to determine if the outputs over which we have control, are the correct ways with which to address such issues.

### 3.3.2 Identification of Indicators

The following aspects will be considered when identifying indicators:

- Key Performance Areas (KPA), Key Focus Areas (KFAs), strategic objectives and development objectives set in the IDP;
- The activities, projects, programmes and processes identified in the IDP for achieving the developmental objectives as well as the earmarked resources; and
- Whether data and baseline information is available for its measurement in the Drakenstein Municipal Area.

KPIs must be set in respect of each of the development priorities and objectives referred to in Section 26(c) of the MSA. It must also be ensured that KPIs inform the indicators set for all its administrative units and employees as well as every municipal entity and service provider with whom the Municipality has entered into a service delivery agreement.

The following **SMART** criteria will apply for the determination of KPIs and targets:

**S**- Specific

**M**- Measurable

**A**- Achievable

**R**- Realistic

**T**- Time-framed

### **3.3.3 National Key Performance Indicators (KPIs)**

General KPIs are prescribed in terms of Section 43 of the MSA and Outcome 9. Drakenstein Municipality takes cognisance of these indicators and will report on them as is required by the Act.

### **3.3.4 Review of KPIs and Targets**

The Municipality will review its KPIs and targets annually as part of the performance review in accordance with Section 54(1) of the MFMA following approval of an adjustments budget or whenever it amends its IDP in terms of Section 34 of the MSA.

## **3.4 Performance Planning**

The performance of the Drakenstein Municipality is to be managed in terms of its IDP and the process of compiling an IDP and the SDBIP, and the annual review of the IDP thereof constitutes the process of planning for performance.

It should be noted that the last component of the process 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 underperformed.

## **3.5 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. The setting of measures/indicators and targets happens during the IDP process and is linked to the strategic objectives of the Municipality. To ensure the integrity of the indicators and targets set, baseline information based on backlog and current performance should be used as the basis for setting sound measures/indicators and targets. Performance measurement allows the Municipality to compare their actual performance in relation to backlog and current (baseline) performance.

## **3.6 Performance Monitoring**

Performance monitoring is an ongoing process by which a manager accountable for a specific indicator and target as set out in the SDBIP continuously monitors current performance against predetermined objectives (PDOs). 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.

### 3.7 Performance Analysis

Performance analysis involves the process of making sense of measurements/indicators. 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.

The executive management should also ensure that quality performance reports are submitted to the Mayoral Committee and that adequate response strategies are proposed in cases of poor performance.

### 3.8 Schedule for Performance Reviews

The performance of the employee in relation to his/her performance agreement must be reviewed in accordance with the following schedule. Quarterly performance appraisals shall be conducted for all contracted employees no later than two weeks after the end of the last month of the quarter for which the appraisal is being done.

No.	Quarters	Time Frames	Divisional Quarterly Evaluation	Departmental Quarterly Evaluation
1.	First Quarter	July to September	Between 10 - 14 October	By 15 October
2.	Second Quarter	October to December	Between 10 - 14 January	By 15 January
3.	Third Quarter	January to March	Between 10 - 14 April	By 15 April
4.	Fourth Quarter	April to June	Between 10 - 14 July	By 15 July

*Table 2: Schedule for Performance Reviews*

The quarterly appraisal shall be performed between the employee and his/her immediate superior. The appraisal shall be based on actual achievement of the indicators agreed for each deliverable or target. The employer must keep a record of the mid-year review and the annual assessment meetings. Performance feedback must be based on the employer's assessment of the employee's performance and supporting Portfolio of Evidence (PoE).

The employer will be entitled to review and make reasonable changes to the provisions of the performance plan from time to time for operational reasons on agreement between both parties.

## 4. Performance Management Process

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### 4.1 Municipal Level

The Drakenstein Municipality's organisational performance management system can be defined as the planning process whereby the Municipality sets the strategic agenda, vision and mission, as well as strategic and development objectives for the upcoming financial year/s, and the desired performance results. Performance management at municipal level involves the following phases:

#### 4.1.1 Phase 1: Planning

The Integrated Development Planning process and the Performance Management Process should appear to be seamlessly integrated. The IDP fulfils the planning stage of performance management. Performance management fulfils the implementation management, monitoring and evaluation of the IDP process.

#### 4.1.2 Phase 2: Priority Setting

In setting priorities, the Municipality should, *inter alia*, consider the following:

- An assessment of development in the municipal area, identifying development challenges and the status quo of the underdeveloped areas;
- A long term development vision for the municipality to address its development challenges;
- A set of KPAs, strategic objectives and development objectives, based on identified needs, achievable in the current term of office, that would contribute significantly to the achievement of the development vision for the area;
- A set of internal transformational objectives;
- Additional projects and programmes identified in contributing to the achievement of the above objectives;
- A financial plan and medium term income and expenditure framework that is aligned to the priorities of the Municipality; and
- A spatial development framework.

To be useful in the management of performance, the IDP must provide very clear indicators by which to measure the achievement of the objectives and unambiguous targets for those indicators.

### **4.1.3 Phase 3: Setting Objectives**

All components of the IDP need to be translated into a set of clear and tangible pre-determined development objectives. This is a crucial stage in ensuring that there is clarity on the IDP and that the suitable indicators are found. A clear and concise construction of statement of objectives is needed. The statement requires a tangible, measurable and unambiguous commitment to be made. It is often useful to have a clear timeframe attached to this commitment in objective statement.

### **4.1.4 Phase 4: Setting Key Performance Indicators**

KPIs are measurements that tell us whether progress is being made in achieving our objectives. Indicators should describe performance dimension considered key in measuring performance. The ethos of performance management as implemented in local governments and captured in the MSA and Municipal Planning and Performance Management Regulations rely centrally on the use of Key Performance Indicators.

### **4.1.5 Phase 5: Setting Targets**

The Municipality should have clear objectives for its IDP and identified appropriate indicators. Targets are purely objectives or milestones for what we intend an indicator to measure at various timeframes. Performance targets are planned levels of performance or milestones the Municipality sets for itself for each indicator identified. Targets are usually expressed in quantity or time terms.

### **4.1.6 Phase 6: Monitoring**

Monitoring is a continuous process of measuring, assessing, analysing and evaluating the performance of the organisation and departments with regard to KPIs and targets. Mechanisms, systems and processes for monitoring should provide for reporting at least twice per annum to the Drakenstein Municipal Council and the community. It should enable detection of early indication of underperformance and provide for corrective measures/indicators.

### **4.1.7 Phase 7: Review**

Review includes assessment of the system itself, the framework, targets, and performance targets of departments and performance measurement of employees. It identifies the strengths, weaknesses, opportunities and threats of the Municipality in meeting key performance indicators, performance targets and general key performance indicators. It also measures indicators the

economy, efficiency, effectiveness in the utilisation of resources and impact in so far as performance indicators and targets set by the Municipality.

Performance improvement and adjustment is based on review. The Drakenstein Municipality should ensure that the community participates in the review.

#### **4.1.8 Phase 8: Performance Auditing**

Performance review/ auditing is a key element of the monitoring and evaluation process. This involves verifying that the measurement mechanisms are accurate and that proper procedures are followed to evaluate and improve performance. According to section 45, of the MSA, results of the performance measurement must be audited as part of the municipality's internal auditing process and annually by the Auditor-General. The Municipality have therefore established frameworks and structures to evaluate the effectiveness of the municipality's internal performance measurement control systems. Areas of weak performance identified at year-end must be addressed during the following year's planning phase.

## **4.2 Individual Level**

The employee performance management system can be defined as the process through which the planned performance objectives as defined in the IDP are cascaded into the employee's Annual Performance Plans, thus allowing for the planning, coaching and monitoring, reviewing and rewarding of performance, and the enhancement of development, at the level of the individual employee. The performance management system is also rolled out to all other municipal staff through a Staff Efficiency Monitoring (refer to paragraph 4.9).

### **4.2.1 The Performance Agreement (Section 56/57 and Senior Management)**

- **The Purpose of the Performance Agreement**
  - Specify indicators 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 SDBIP of Drakenstein;
  - Monitor and measure performance against set targeted outputs and outcomes;
  - Use the performance agreement as basis for assessing whether the employee has met the performance expectations applicable for his or her job function;
  - In the event of outstanding performance, to appropriately reward the employee; and
  - Give effect to the employer's commitment to a performance-orientated relationship with its employee in attaining equitable and improved service delivery.

- **The Format of Performance Agreements for Section 56/57 Employees**
  - The Section 56/57 Performance Agreement (Annexure A);
  - A Performance Plan (Annexure B);
  - Competency Framework (Annexure C);
  - Personal Development Plan (Annexure D); and
  - The Performance Agreement of Senior Management (Annexure F).
  
- **Commencement and duration of the Performance Agreement**
  - The performance agreement must be entered into for each financial year or part thereof;
  - The performance agreement will commence annually on the 1<sup>st</sup> of July; and
  - The performance agreement of the City Manager and Senior Managers directly accountable to the City Manager must be concluded by no later than 30 June.

### 4.3 Assessment of Performance

The performance of individual employees will be evaluated based on two components, being the IDP KPIs/ targets and the individual core competencies. The IDP KPIs/targets will account for 80% and the individual core competencies will account for 20% of the final score. The IDP KPIs will be evaluated on a quarterly basis and the core competencies on a six monthly basis (January and July).

Personal growth and development needs identified during any performance evaluation discussion will be documented in a personal development plan (PDP) as well as the action agreed to and implementation must take place with set time frames.

The assessment of performance will be based on the following rating scale:

Level	Terminology	Description
5	<b>Outstanding performance</b>	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	<b>Performance significantly above expectations</b>	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	<b>Fully effective</b>	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective

Level	Terminology	Description
		results against all significant performance criteria and indicators as specified in the PA and Performance Plan.
2	<b>Not fully effective</b>	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	<b>Unacceptable performance</b>	Performance does not meet the standard expected for the job. The review/assessment indicates that they employee has achieved below fully effective results against almost all 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.

*Table 3: Performance Rating Scale*

#### **4.3.1 The process for reviewing quarterly performance**

The process for reviewing performance is as follows:

- The evaluated employee to submit all required PoE to the manager;
- The evaluated employee to prepare for the formal review by scoring him/herself against the agreed objectives and KPIs and targets;
- The assessor/panel and evaluated employee will meet to finalise the formal performance review and agree on the final scores; and
- The assessor/panel to prepare final scores of the evaluated employee's performance.

Should the evaluated employee not agree with the outcome of his/her performance results, they may follow the dispute procedure as outlined in the Local Government: Disciplinary Regulations for Senior Managers, 2010.

The assessor/panel and evaluated employee must prepare and agree to a PDP. This only needs to be done at the final review in July.

#### **4.3.2 The Evaluation Panel for Reviewing Annual Performance**

According to the Municipal Performance Management Regulations, 2006, Regulation 27(4)(d), the evaluation panel shall comprise of:

- For purposes of evaluating the City Manager:

- Executive Mayor;
  - Chairperson or delegated member of the Performance & Audit Committee;
  - At least one Member of the Mayoral Committee (MMC);
  - Mayor and/or municipal manager from another municipality; and
  - One ward committee member as nominated by the Executive Mayor.
- For purposes of evaluating the annual performance of managers directly accountable to the municipal managers, the evaluation panel will comprise of:
    - City Manager;
    - Chairperson or delegated member of the Performance and Audit Committee;
    - At least one Member of the Mayoral Committee (MMC); and
    - Municipal Manager from another municipality.
  - For purposes of evaluating the annual performance of managers and specialists, an evaluation panel constituted of the following persons must be established:
    - Supervisor /Line Manager;
    - Employee; and
    - HR/PMS specialist.

#### **4.4 Managing Poor Performance**

Should an employee not achieve the predetermined objectives (PDOs), indicators and targets in his/her performance agreement, the manager and the employee should agree on corrective measures. (It is inappropriate that an employee is informed of his/her non-performance at the formal performance review). Employees must be given feedback throughout the year.

##### **4.4.1 Early Warning Mechanisms**

The Municipality's 1st quarter performance report should be used as an early warning mechanism to determine whether the annual developed objectives, KPIs and targets will be achieved. The departments should review mechanisms to improve its performance and indicate to the Internal Audit and Performance and Audit Committee how they intend to improve performance.

##### **4.4.2 Addressing Poor Performance**

The management of poor performance should be seen as a corrective process, focusing on addressing issues that lead to performance related problems. Counselling is seen as the first corrective process, which should include the following:

- Identify and agree on the problem;
- Describe the impact of the poor performance;
- Establish reasons for performance;
- Decide and agree on what actions are required, and set the necessary timeframes; and

- Resource the agreed actions.

## 4.5 Reward and Recognition

### 4.5.1 Non-Financial Rewards

Non-financial reward is based on recognising high performance in ways other than financial reward.

Such recognition could be based on the following three approaches:

- **Informal** - These are spontaneous and can be implemented with minimal planning and effort, e.g. calling an employee into the office and thanking him/her for a job well done and not discussing anything else.
- **Awards for specific achievements and activities** - These are tailored to reward specific achievements and behaviours desired most in the organisation, e.g. long service awards, monthly awards, etc.
- **Formal** – *If* the Municipality has formal recognition programmes, some may be used to formally acknowledge (in public) significant contributions by individuals and teams, e.g. annual mayor's awards for excellence, etc.

### 4.5.2 Performance Bonuses for Section 56/57 Employees

The annual performance score of an individual is calculated based on the SDBIP results and core competencies rating added together to give a total score. This total score is converted by the assessment-rating calculator (in terms of the Regulations) for performance management and bonus purposes.

Paragraph 32 of the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers, No. 21 of 17 January 2014) provides that a performance bonus ranging from **5 % to 14 %** of the all-inclusive remuneration package may be paid to an employee in recognition of outstanding performance. In determining the performance bonus of Section 56/57 employees, the relevant percentage is based on the overall rating, calculated by using the applicable assessment-rating calculator; provided that:

The annual bonus will be based on the results of the formal evaluation after moderation and will be paid in terms of the following bonus structure:

<b>Regulation 805 bonus structure</b>		
<b>% Achieved</b>	<b>Bonus</b>	
130% - 149%	5 - 9%	
150% +	10 -14%	
<b>R805 %</b>	<b>Total Average Score</b>	<b>Bonus</b>
130%	3.25	5%
132%	3.30	5%
134%	3.35	6%
136%	3.40	6%
138%	3.45	7%
140%	3.50	7%
142%	3.55	8%
144%	3.60	8%
146%	3.65	9%
148%	3.70	9%
150%	3.75	10%
152%	3.80	10%
154%	3.85	11%
156%	3.90	11%
158%	3.95	12%
160%	4.00	12%
162%	4.05	13%
164%	4.10	13%
166%	4.15	14%

Table 4: Regulation 805 Bonus Structure

In the case of **unacceptable performance** (score between 0 – 99 %), the employer shall:

- provide systematic remedial or developmental support to assist the employee to improve his or her performance; and
- after appropriate performance counselling and having provided the necessary guidance and/or support and reasonable time for improvement in performance, and performance does not improve, the employer may consider steps to terminate the contract of employment of the employee on grounds of un-fitness or incapacity to carry out his or her duties.

## **4.6 Moderation**

Moderation procedures will be implemented after the formal performance assessments have been concluded. The purpose of moderation is to ensure that the assessments were done in a realistic, consistent and fair manner. The role of the Moderation Committee is to maintain a strategic overview of the process, and not get involved in second-guessing or reassessing of individual staff.

### **4.6.1 Criteria for Moderation**

The moderators will evaluate the employee and decide on the relative rating by comparing the performance and contribution of the employee with his peers in the municipality, on the following factors:

- Stretch factor in the objectives;
- Degree of difficulty / complexity in achievement of objectives;
- Relative contribution made towards achieving the Department goals; and
- Any other critical incident impacting the rating / evaluation.

### **4.6.2 Moderation of the City Manager**

At this level, the moderation committee consists of:

- The Executive Mayor;
- The Deputy Mayor; and
- One MMC nominated by the Executive Mayor.

### **4.6.3 Moderation of Section 56 Managers directly accountable to the City Manager**

At this level, the moderation committee consists of:

- The Executive Mayor;
- The Deputy Mayor;
- Nominated MMCs; and
- The City Manager.

This process is concluded annually in accordance with the procedures set out for the Annual Performance Assessments of S57 and S56 Managers. The process should be finalised by 31 October each year. On completion of the moderation, the final results will be tabled at the Council meeting.

## **4.7 Dispute Mechanism**

The procedure for dealing with poor performance is prescribed in Regulation 16 of the Disciplinary Regulations for Senior Managers.

The Municipal Performance Management Regulations for Section 57 managers provide clear guidelines for performance disputes relating to the performance agreements of the municipal manager and managers directly accountable to the municipal manager. Below is the process of dispute as it relates for Section 57 employees performance agreements as stipulated in the said regulations.

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:

- In the case of the municipal manager, the MEC for local government in the province within thirty (30) days of receipt of a formal dispute from the employee, or any other person designated by the MEC ; and
- In the case of managers directly accountable to the municipal manager, the executive mayor or mayor within thirty (30) days of receipt of a formal dispute from the employee;

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

The following process relates to dispute relating to employees below Section 57- employees:

- Conducting performance counselling in case of poor performance;
- If counselling does not yield results, employees are put on performance improvement process with action plan and clear timelines; and
- If performance does not improve, disciplinary process will be initiated, as per the mentioned Disciplinary Regulations.

#### **4.8 Integrating PMS with the Council's existing Management Cycle**

Leading 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 and it is recommended that the Municipality develop and adopt a similar cycle that suitable to its own circumstances and requirements.

#### **4.9 Other Staff Efficiency Monitoring (SEM)**

The purpose of Staff Efficiency Monitoring (SEM) is to manage and improve efficiency by enabling a higher level of staff participation and involvement in planning, delivery and evaluation of work performance.

The SEM is a component of the Performance Management System (PMS) in Drakenstein and ensures integrated work planning, target setting, performance reporting and feedback. The Employee Efficiency Monitoring Form (see Annexure E) will be completed by all employees not evaluated on the formal PMS. Sections 1 and 2 of the form must be completed and signed by 30 June. It is expected that both the employee and the supervisor will complete and agree to the KPIs and targets based on the individual's job description. Appraisals of all staff will take place on an annual basis. Inclusive in these employee's salary package is an annual bonus in the form of a 13<sup>th</sup> cheque.

#### 4.10 Performance Reporting

The legislative requirements regarding the reporting processes are summarised in the following table:

##### Reporting Intervals

Report	Applicable legislation	Frequency	To whom	Content
Internal Audit reports on performance results	MSA Regulation 14(1)(c)	Quarterly	Council and Performance Audit Committee	Audit outcomes from auditing actual results captured/ indicated/ reported on
Quarterly performance Assessment Report	MFMA Sec 52 report	Quarterly (within 30 days after end of quarter)	Management and Council (Copy to PT and NT)	Actual results achieved against Top Layer SDBIP KPIs
Mid-year Report	MFMA Sec 72 report	25 January	Executive Mayor (Submit to next Council meeting after 25 January and copy to PT and NT)	Consists of 2 parts PM: Actual results achieved against Top Layer SDBIP KPI' Finance: As prescribed by NT
Annual Performance Report	MSA Sec 46 report	31 August	AG, Council	Consist of chapters 3 & 4 of the AR
Annual report	MFMA Sections 121, 129 and 132.	Draft: 31 October to AG Draft: 31 January to Council	AG, Council, Performance Audit Committee, Oversight Committee	As prescribed

Report	Applicable legislation	Frequency	To whom	Content
		Final: 31 March to Council with oversight report	(Copy to PT and NT, DLG, Provincial Legislature)	

*Table 5: Reporting Intervals*

## 4.11 Service Providers

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. According to the AG's office:

- Service provider means a person or institution or any combination of persons and institutions which provide a municipal service;
- External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality; and
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality.

The Drakenstein Municipality did not appoint any service providers who provided a **municipal service** to or for the benefit of the local community on behalf of the municipality.

All other contract appointments are regularly monitored and ensured, that the requirements of the contract are complied with.

This section sets out the framework on monitoring and reporting on the performance of service providers in terms of Chapter 8 of the MSA and Section 116 of the MFMA.

### 4.11.1 Notification of Service Providers

All service providers or prospective service providers must be informed of the adopted system of:

- An assessment and reporting of the service provider's performance;
- Setting of performance criteria in terms of the tender, the required deliverables and service level agreement;
- The use of the service provider performance reports when evaluating service providers

for registration, pre-qualification, selective tender list, expressions of interest or awarding of a contract; and

- The exchange of information on service provider performance reports between government units/ departments.

#### **4.11.2 Evaluating the Performance of Service Providers**

Council must approve the thresholds (size and types of service provider contracts) that need to comply with the requirements of this Policy. The thresholds that need to be assessed annually include:

- Contracts larger than R200 000; and
- Contracts where the service providers are required to deliver a service (not goods and products).

The service provider must sign a service level agreement indicating the services to be delivered, the timeframes and the evaluation methodology. The service provider's performance must be assessed in the context of the project as a whole. The respective roles and obligations of the Municipality and service provider must be taken into account.

Persons preparing or reviewing the performance of a service provider must consider whether satisfactory progress or completion of a project has been affected by any matters which are:

- Outside the service provider's control; or
- The result of some action by the Municipality.

The service provider's performance must therefore be evaluated against set performance criteria, after taking into account matters beyond the service provider's control.

The following procedures must be followed when service providers are evaluated:

- The requirements of this policy must be included in the contract of the service provider;
- The performance of the service provider under the contract or service level agreement must be assessed monthly by the Manager;
- The assessment form must be filed in the contract file or captured onto the database when a database is available;
- The manager must complete the assessment form at the end of each quarter and on completion or termination of the contract;
- The quarterly assessment must be completed within 15 working days after the end of each quarter;
- The Manager must provide a copy of the assessment to the service provider at the end of each quarterly assessment period and on completion or termination of the contract;

- The Supply Chain Management Unit will assess the quarterly service provider assessments within 20 days after the end of each quarter and submit a summary report to Council; and
- In the instance of under-performance:
  - The Municipality will facilitate support interventions to service providers in the identified areas of under-performance;
  - Service providers who have been identified as under-performing in identified areas must be informed of these support interventions;
  - The impact of support interventions must be monitored by the Manager; and
  - The records of support interventions must be documented, signed by both parties and appropriately filed.

#### **4.12 PMS Manual**

The Performance Management System Manual, based on the directives contained in this policy, will be developed and will contain more detailed guidance, information and established procedures for implementing the Performance Management Policy.

## 5. Performance Auditing

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### 5.1 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 MSA stipulates that the results of the Municipality's performance measures/indicators 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 stipulate that the internal audit section must on a continuous basis audit all performance and the auditing must include an assessment of the following:

- The functionality of the municipality's performance management system;
- Whether the municipality's performance management system complies with the Act; and
- The extent to which the municipality's performance measurements are reliable in measuring the performance of municipalities by making use of indicators.

#### 5.1.1 Functionality

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

#### 5.1.2 Compliance

The Drakenstein Municipality PMS must comply strictly with the requirements of the MSA, applicable regulations and the MFMA. The municipality's Internal Audit Unit, at least on a quarterly basis, verifies that the PMS complies with the said legal requirements.

#### 5.1.3 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/indicators 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/indicators and targets reported upon. This will require that the Municipality establish a proper information management system (electronically or otherwise) so that the Internal Audit Section is able to access information regularly to verify its correctness. The Municipality's Chief

Audit Executive must submit quarterly reports on the audits undertaken to the City Manager and the Audit Committee.

## **5.2 Operation of the Performance 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 must 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 - 4) 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; and
- At least twice during a financial year submit an audit report to the municipal Council;

In order to fulfil 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.