

SECTION 1

ORGANISATIONAL

PERFORMANCE MANAGEMENT

SYSTEM

PERFORMANCE MANAGEMENT SYSTEM

The Performance Management System draws together the information and analysis required at all levels to monitor and evaluate inputs, outputs and outcomes of the implementation programme and use this information in continued planning and implementation.

The purpose of the Performance Management System is to enable the assessment of the effectiveness of the Municipality's programme of delivery against its developmental objectives, with the intention of progressively improving the quality of its planning and delivery.

The key responsibility for ensuring it is in place, and its management, effectively rests with the Municipal Manager. The operational management of the PMS is co-ordinated by the IDP/LED Manager. The Organizational Performance Management System is reviewed annually in-house. During the 2010\2011 FINANCIAL Year the Performance management Systems was developed by the Senior LED/IDP Manager.

Performance Management Framework
for the
Umtshezi Municipality

July 2011

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1. Introduction

The Municipal Planning and Performance Management Regulations stipulate that a municipality's Organisational Performance Management System (OPMS) 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 roleplayers.

In line with the said legal requirement this framework should be seen as a policy document that will set out:

- The requirements that the Umtshezi Municipality's OPMS will need to fulfill,
- The principles that must inform its development and subsequent implementation,
- The preferred performance management 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

The major OPMS policy instruments are the 1998 White Paper on Local Government supported by the Batho Pele principles encompassed in the White Paper on the Transformation of Public Service Delivery (1997). These policies were given legal stature through the adoption of the Municipal Systems Act in 2000 (Act 32 of 2000).

The Municipal System Act requires all municipalities to:

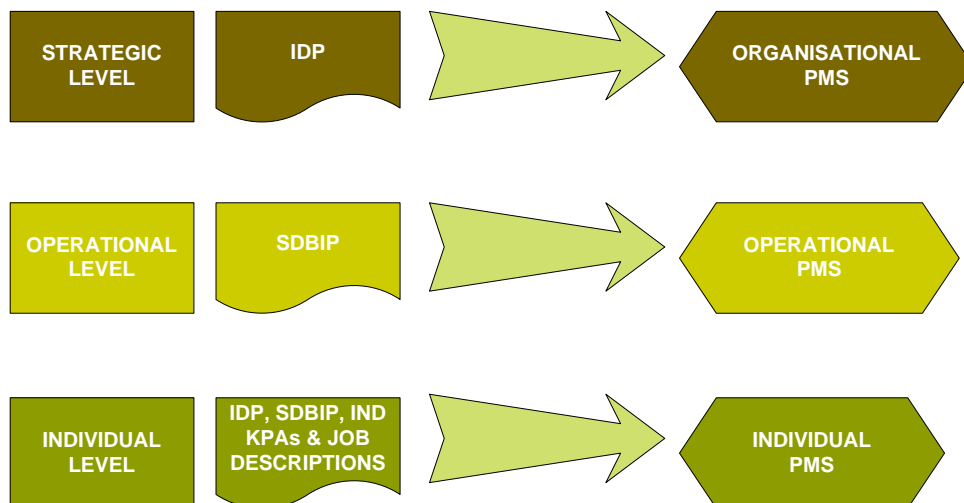
- Develop a performance management system
- Set targets and monitor and review the performance of the Municipality based on indicators linked to their Integrated Development Plan (IDP)
- Publish an annual performance report on performance of the Municipality forming part of its annual report as per the 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
- 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 OPMS. The Regulations also contain the general indicators prescribed by the Minister responsible for local government and have been attached as **Annexure “B”**. In 2006 the Minister published a further set of Regulations dealing with Performance Management for Municipal Managers and Managers Directly Accountable to Municipal Managers. A copy thereof is attached as **Annexure “C”**.

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

3. Managing and measuring performance 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, operational (also referred to as services, departmental or section/team level) and lastly, at individual level as. These levels are however integrated and interdependent on each other.



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 must be captured in an organisational scorecard structured in terms of the preferred performance management model of the Municipality (see section 6). A copy of the scorecard as developed for the Umtshezi Municipality 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.

4. Objectives of the Umtshezi Municipality Performance Management System

As indicated in the previous section, the Municipality's OPMS is the primary mechanism to monitor, review and improve the implementation of its IDP and to gauge the progress made in achieving the objectives set out in the IDP. The system should fulfill the following objectives:

- **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.
- **Support municipal oversight**
The performance management system should support oversight by the Council and community over the performance of the Executive Committee and Municipal Administration.

- **Facilitate learning and improvement**
The OPMS should facilitate learning in order to enable the Municipality to improve delivery.
- **Provide early warning signals**
It is important that the system ensures decision-makers are timeously informed of performance related risks, so that they can facilitate intervention where 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 objectives listed above are not exhaustive, but summarise the intended benefits of the system. These intended objectives should be used to evaluate and review the performance management system on a regular basis (see section 9.2).

5. Principles governing the OPMS of the Municipality

The performance management system for the Umtshezi Municipality is guided by the following principles:

- **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 OPMS 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

*In section 3 above reference is made to **Annexure "A"** as the organisational scorecard of the Umtshezi Municipality structured in terms of their 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. In this way the model provides a common framework for what aspects of performance are going to be measured and managed. It further ensures that a balanced set of*

measures are employed that do not rely on only one facet of performance but represent a holistic and integrated assessment of the performance of an organisation.

Models have proved useful in performance management for the following reasons. They provide:

Simplicity

A good model organise what would otherwise be a long list of indicators attempting to sufficiently cover performance, into a set of categories sufficiently covering all key areas of performance.

Mapping of Inter-relationships

Models map out the inter-relationships between different areas of performance. These inter-relationships relate to the extent to which poor performance in a particular category would lead to poor performance in other related areas and the converse. These inter-relationships help in both the performance planning, analysis and review stages, particularly in the diagnosis of causes of poor performance.

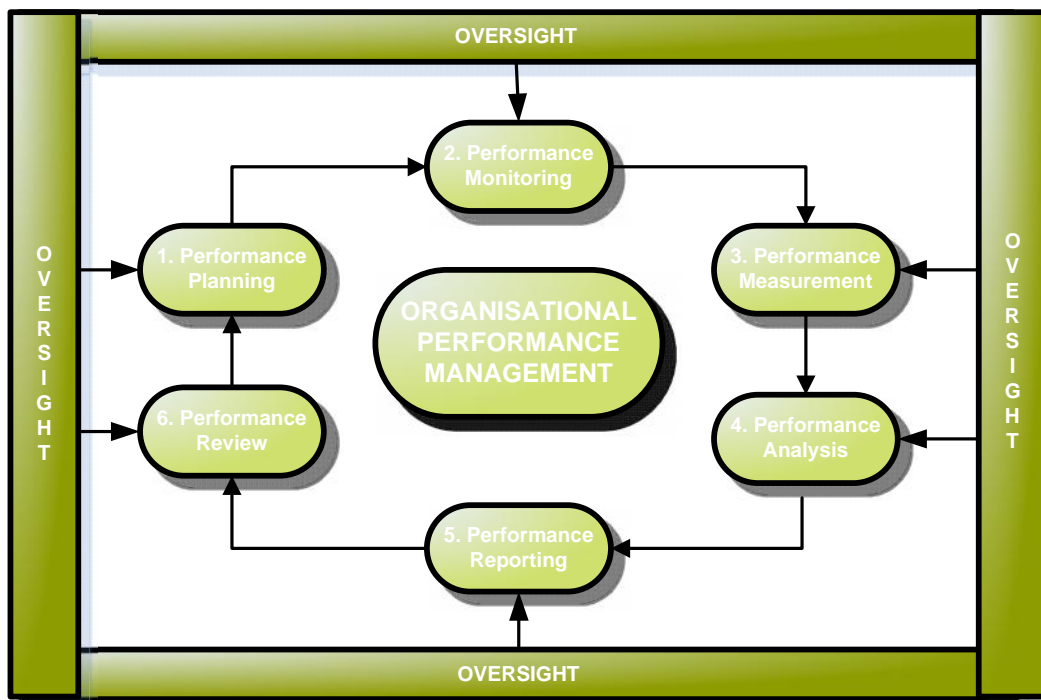
Alignment to strategic planning methodology

A good model will align the processes of performance management to the strategic planning processes of the organisation. The categories of key performance areas provided by a model should relate directly to identified priority areas of the strategic plans of the 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 as its preferred model the Key Performance Area model. In the said model all indicators are grouped together under the national key performance areas and the local key performance areas as per the Umtshezi Municipality IDP. The said Model therefore enables the Umtshezi Municipality to assess its performance based on the national key performance areas and its own local key performance areas.

7. The process of managing performance

The process of managing performance at organisational level in the Umtshezi Municipality involves the stages as set out in the diagram below.



The diagram provides for the cycle of performance management in the Umtshezi Municipality to commence with performance planning followed by performance monitoring, performance measurement, performance analysis, performance reporting and lastly performance review. The outcome of the performance review feeds back into the performance planning process. It is important to note that each of the stages in the cycle is underpinned by Council and community oversight over the performance of the Municipal Executive and Administration.

The following table spells out in more detail the role and responsibilities of all the relevant roleplayers in the context of each of the above stages of the Umtshezi Municipality's organisational performance management cycle:

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

| COUNCIL AND COMMUNITY OVERSIGHT | | | | | | |
|---------------------------------|---|--|---|--|--|---|
| | Performance Planning | Performance Monitoring | Performance Measurement | Performance Analysis | Performance Reporting | Performance Review |
| <i>Municipal Council</i> | <ol style="list-style-type: none"> 1. Facilitate the development of a long-term vision. 2. Develop strategies to achieve vision 3. Identify priorities 4. Participate in the IDP process 5. Adopt the Municipality's performance management system 6. Adopt indicators and set targets as recommended by Exco 7. Participate in the annual review of the Municipality's performance management system and agree on any amendments thereto. | <ol style="list-style-type: none"> 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) | <ol style="list-style-type: none"> 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) | <ol style="list-style-type: none"> 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) 2. Be involved in the analysis process when required | <ol style="list-style-type: none"> 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) 2. Attend meetings of Exco where the performance scorecards are to be reviewed 3. As part of the Council's general oversight role monitor that where targets have not been met corrective action are taken 4. Receive and consider the report from Exco on the review of the performance of the Municipality for the previous quarter | <ol style="list-style-type: none"> 1. Review the decisions taken by Exco in considering the quarterly performance report. 2. Establish and serve on the oversight committee 3. Fulfill its oversight role over the Executive and Administration by considering the annual report and adopting an oversight report 4. Influencing what areas needs to be focused on in the next planning cycle 5. Suggesting new indicators and targets |

| COUNCIL AND COMMUNITY OVERSIGHT | | | | | | |
|---------------------------------|--|--|---|--|---|---|
| | Performance Planning | Performance Monitoring | Performance Measurement | Performance Analysis | Performance Reporting | Performance Review |
| <i>Executive Committee</i> | <ol style="list-style-type: none"> 1. Play the leading role in providing strategic direction and developing strategies and policies for the organisation 2. Manage the development of the IDP 3. Recommend indicators and targets to Council 4. Manage the development of the Municipality's performance management system 5. Assign responsibilities to manage the development of the performance management system to the Municipal Manager | <ol style="list-style-type: none"> 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. | <ol style="list-style-type: none"> 1. Review whether performance measurement has taken place as provided for in this Framework (see section 7.3) 2. Take appropriate action against those HODs who on a regular basis do not meet the reporting deadlines | <ol style="list-style-type: none"> 1. Consider the analysis of performance as set out in the quarterly performance scorecards by the senior management team (see section 7.4 and 7.5.1) 2. Decide whether the causal reasons for poor performance have been captured adequately through the analysis process | <ol style="list-style-type: none"> 1. Consider the quarterly performance reports submitted by the management team (see section 7.5.1) 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) | <ol style="list-style-type: none"> 1. Conduct the Quarterly 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 2. Submit a report to Council on the review undertaken of the Municipality's performance (see section 7.5.1) 3. Decide what areas needs to be focused on in the next planning cycle 4. Suggesting new indicators and targets |

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

In addition to the above a number of other roleplayers also have a very important role to play in the Municipality's organisational performance management system. Their respective roles and responsibilities are set out elsewhere in the framework. These roleplayers are as follows:

- *The Manager responsible for Organisational Performance Management (see section 7.6)*
- *The Municipality's Internal Audit Section (see section 8.1)*
- *The appointed Performance Audit Committee (see sections 8.2, 8.3 and 9.2)*
- *The appointed Municipal Oversight Committee (see section 7.6)*

The balance of this section looks at each of the stages in more detail and how they will unfold in the process of managing performance in the Municipality. Although the stages and what follows relate mainly to performance management at organisational level, the principles and approaches employed could also be applied to performance management at operational level.

7.1 Performance Planning

The performance of the Umtshezi Municipality at strategic level is to be managed in terms of its IDP. The process of compiling an IDP and the annual review thereof therefore constitutes the process of planning for performance. As part of the IDP process key performance indicators and targets must be adopted for each of the IDP objectives. During the IDP review process the key performance indicators for those objectives that were changed must also be reviewed and amended if need be.

It should be noted that the last component of the cycle is that of performance review and that the outcome of the review (both in-year and annual) process must inform the next cycle of IDP compilation/review by focusing the planning processes on those key performance areas in which the Municipality has under-performed.

7.2 Performance monitoring

Performance monitoring is an ongoing process through which a Manager accountable for a specific indicator as set out in the organisational scorecard (and a related service delivery target contained in a SDBIP) continuously monitors current performance against the targets set. The aim of the monitoring process is to take appropriate and immediate interim (or preliminary) action where there is an indication 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 Umtshezi Municipality it is recommended that the organisational scorecard of the Municipality as per **Annexure "A"** be reported on a quarterly basis to the Executive Committee. The same will apply to the various departmental SDBIPs. Performance monitoring requires that in between the formal cycle of performance measurement, appropriate action should be taken if it becomes evident through monitoring that a specific performance target is not going to be met. It is therefore proposed that at least on a weekly basis departmental Managers track performance trends against targets for those indicators that lie within their area of accountability in order to identify performance related problems as early as possible and take to take timely and appropriate remedial action.*

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

7.3 Performance measurement

Performance measurement refers to the formal process of collecting and capturing relevant and applicable performance data to enable reporting to take place for each key performance indicator and its related targets. Provision has been made in the organisational scorecard for the name of an official to be made 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/s against the target for the period concerned on the organisational scorecard. These results must be reported to his/her Manager making use of the said scorecard after completing the next stage (see performance analysis below).

7.4 Performance analysis

Performance analysis is about making sense of the measurements collected. It requires interpretation of the measurements as conducted in terms of the previous stage to determine whether targets have been met, not met or exceeded and to project whether or not future targets will be met. Where targets have not been met, performance analysis requires that the underlying reasons therefore should be examined and appropriate 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 the relevant targets on the organisational scorecard, 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 then have to draft a recommendation for 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 scorecard to capture both the 'reason for the performance status' (in other words the results of the analysis undertaken) and the 'corrective action' proposed.

The completed organisational scorecard must then be submitted to a formal meeting of the senior management team for further analysis and consideration of the draft recommendations of the relevant Managers. This level of analysis should allow for examination of performance across the organisation in terms of all its priorities with the aim of revealing and capturing whether any broader organisational factors are limiting the ability or the municipality to meet any other performance targets in addition to those aspects already identified and captured by the relevant Manager.

The analysis of the organisational scorecard 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 scorecard, agreed to the analysis undertaken and captured therein and have reached consensus on the corrective action proposed, can the organisational scorecard be submitted to the Executive Committee for consideration and review.

7.5 Performance reporting and review

The next two stages in the process of performance management, namely that of performance reporting and performance review, will be dealt with together. This section is further divided into three sub-sections dealing with the requirements for 'in-year' versus annual reporting and reviews and lastly a summary of the various reporting requirements.

7.5.1 In-year performance reporting and review

*The submission of the scorecard 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 OPMS and it marks the beginning of what should become a regular event, namely using the performance report as a tool to assess and review the Municipality's performance and to make important political and management decisions on how the municipality can improve its performance. Further guidance on the submission of performance reports are set out in **Annexure "D"**.*

As indicated earlier it is recommended that the organisational scorecard be submitted to the Executive Committee for consideration and review on a quarterly basis. The reporting should therefore take place in October (for the period July to end of September) January (for the period October to the end of December), April (for the period January to end of March) and July (for the period April to the end of June).

The review in January will coincide with the mid-year performance assessment as per Section 72 of the MFMA. This Section determines that the accounting officer must, by 25 January of each year, assess the performance of the municipality and report to the Executive Committee via the Mayor 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 whereby the leadership of an organisation, after the performance of the organisation has been measured and reported to it, reviews the results and decides on appropriate action to be taken. The Executive Committee, when reviewing the organisational scorecard submitted to it, will have to ensure that the targets committed to in the scorecard have been met, and where they have not, that satisfactory and sufficient reasons for this have been provided by senior management and that the sufficient and appropriate corrective action has been proposed to address the reasons for poor performance. If satisfied with the corrective action as proposed these must be adopted as formal resolutions of Council and must be minuted and actioned accordingly.

Section 44(4) of the Municipal Structures Act, 1998 (Act 117 of 1998) as amended requires that the Executive Committee must report to Council on all its decisions taken. The outcome of the quarterly performance reviews by the Executive Committee must, in line with this requirement, be reported to the full Council for it to perform its oversight function over the performance of the Municipal Executive and Administration. In doing so Council must review the decisions taken and resolve whether it is satisfied with the corrective action adopted by the Executive Committee. If they are not satisfied then the Executive Committee recommendation must be amended accordingly and the amendments minuted and actioned.

7.5.2 Annual performance reporting and review

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

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

It is important to note that the municipal performance report of a municipality is only one element of the annual report. To ensure that the annual report compilation, tabling and review process is completed in time to inform the next cycle of performance planning in accordance with the IDP compilation/review process, it is recommended that the annual performance report be compiled and completed as soon after the end of each financial year as possible but ideally not later than two months after financial-year end.

The oversight report to be adopted provides the opportunity for the full Council to review the performance of the Municipality in line with its oversight role. The requirement that the annual report, once tabled, and the oversight report be made public also provides a mechanism for the general public to review the performance of the Municipality in line with the community's oversight role.

In order to facilitate the oversight process it is recommended that a municipal oversight committee be established consisting of a selected number of Councillors not serving on the Executive Committee. Council should also consider in line with oversight best practice that the chairperson of the oversight committee be a member of an opposition party.

The oversight committee will be responsible for the detailed analysis and review of the annual report and the drafting of the oversight report. In doing so the committee must establish mechanisms to receive and review representations made by the public on the annual report and also seek inputs from other Councillors and Council portfolio committees. Such mechanisms could involve all or any combination of the following:

- Producing a user-friendly citizens' report 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.

- *Using of various forms of media including radio, newspapers and billboards to convey the annual report.*
- *Inviting the public to submit comments on the annual report via telephone, fax and email.*
- *Holding public hearings in a variety of locations to obtain their input on the annual report.*
- *Making use of existing structures such as ward and/or development committees to disseminate the annual report and invite comments.*
- *Debating the annual report at a meeting of the IDP Representative Forum*
- *Hosting a number of public meetings or road shows 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 are invited to comment.*
- *Posting the annual report on the council website and inviting input*

It is further proposed that the oversight committee functions as a standing committee on municipal accounts (municipal socpa). As such the committee must examine:

- the financial statements of all executive organs of Council;
- any audit reports issued on those statements;
- any reports issued by the AG on the affairs of any municipal entity; and
- any other financial statements or reports referred to the committee by Council.

and

- may report on any of those financial statements or reports to Council;
- may initiate any investigation in its area of competence; and
- must perform any other oversight function assigned to it by resolution of Council.

As the oversight committee performs an oversight function on behalf of Council it is not a duplication of, and must not be confused with either the audit committee or the finance portfolio committee. The audit committee is an independent advisory body that advises Council and the Executive on financial and risk matters and can act as an advisory body to the oversight committee. The finance portfolio committee deals with financial management issues such as budgetary, revenue and expenditure management and supply chain management.

7.5.3 Summary of various performance reporting requirements

The following table, based on the legislative framework for performance management and this OPMS framework, provides a summary of the various performance reporting deadlines which apply to the Municipality:

| Report | Frequency | Submitted for consideration and/or review to | Remarks |
|--|--------------------------------------|---|---|
| 1. SDBIP's | Quarterly | Executive Committee | 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. Organisational Scorecard | Quarterly | Executive Committee and then in terms of an Exco report to full Council | This OPMS framework (see section 7.5.1 above) |
| 4. Implementation of the budget and financial state of affairs of the Municipality | Quarterly | Council | See section 52 of the MFMA |
| 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 |

7.6 Council and community oversight

One of the objectives of the performance management system is to support oversight by the Council and community over the performance of the Executive Committee and Municipal Administration. The cycle of performance management as set out at the beginning of this section also highlights the importance of Council and community oversight in each of the stages of the cycle. It is therefore important to reflect briefly on this aspect and how it relates to the cycle and process of performance management in the Umtshezi Municipality.

Oversight refers to the role of legislatures and citizens in monitoring and reviewing the actions of executive organs of government for efficiency, probity and accountability. The general purpose of oversight is to ensure that government policies are properly and efficiently implemented, that government departments run smoothly and in line with their democratic mandate and that the law is upheld. Oversight is exercised in the interests of society in general and should ensure that the considerable powers that government executives and administrations assume are monitored to avoid abuse and under-performance.

In the municipal context oversight has two facets namely internal and external. The internal dimension refers to the oversight of Council over the performance of the Executive Committee and the Municipal Administration in line with the separation of powers between the Council, the Executive and the Administration. The external dimension refers to the community and other spheres of government's oversight over the performance of a municipality as a whole. In this framework the oversight role of the Council and community is dealt with in the table included at the beginning of section 7.5 as well in sub-section 7.5.2 above.

It is important to note that reporting on performance as provided for in this framework will not in itself enable Councilors to fully exercise their internal oversight role effectively. Not everything a Department does would be reflected in quarterly performance reports or lends itself to review through key performance indicators and targets. It is therefore important for each of the Departments to, in addition to the required performance reports; submit monthly progress reports to the relevant Portfolio Committee of Council dealing with the broader activities of each Department during the preceding month.

For further guidance in respect of the oversight function at the municipal sphere of government the following resources would be of assistance:

- *The "Towards a Framework for Councilor Oversight" publication produced by the KwaZulu-Natal Department of Local Government and Traditional Affairs.*
- *MFMA Circular no. 56 of 2003 as issued by National Treasury.*

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. This 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 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 the internal audit section must, on a continuous basis, audit all performance and this 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 can 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 an OPMS. The internal audit section must therefore on a regular basis audit whether the OPMS of the Municipality is functioning as intended and described in this framework.

- **Compliance**

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

- **Reliability**

To rely can be defined as to trust or depend upon with confidence. Reliability in the context of OPMS refers to the extent to which any performance measures reported upon can 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 (see section 9.2 for more on data management).

The Municipality's internal auditors must submit quarterly reports on the audits undertaken to the Municipal Manager and the (performance) 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 give 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 OPMS 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 Umtshezi Municipality has already established a (performance) 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.

8.3 Performance Investigations

The (performance) Audit Committee should also be able to in consultation with Council 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*

While the internal audit section may be used to conduct these investigations, it is preferable that external service providers, who are experts in the area to be investigated, 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 general issues related to performance management need to be considered in implementing the OPMS of the Municipality:

9.1 Managing performance related data

Monitoring and reporting on municipal performance requires the collecting, collating, capturing and recording of a multitude of performance related data. This includes information on key performance indicators, baselines and backlogs, the targets set against each indicator and the actual performance of the municipality over a period of time against each key performance indicator and related target.

The data must be easily accessible for the purpose of extracting it for local, provincial and national reporting requirements as well as for the compilation of the municipal annual performance report which forms part of the municipal annual report compiled in terms of the MFMA. It is also required to facilitate the auditing of performance measures as per the Municipal Systems Act and the 2001 Municipal Planning and Performance Management Regulations.

*Data management systems vary from basic proper record keeping, making use of spreadsheets and/or databases to implementing advanced data management and information systems that integrate data across various platforms and extract it as and when required. In **Annexure “E”** recommendations are provided on how best the Umtshezix Municipality could go about managing performance related data.*

9.2 Annual review of the Performance Management System

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

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

9.3 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 be subject to the approval of the Executive Committee in consultation with the Municipal Manager before being adopted.

9.4 Integrating OPMS with the Council's existing management cycle

International best practice indicates that an OPMS has the best chance of succeeding if it is integrated with the current management cycle of a Municipality. The purpose of such an approach would be to ensure and 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 OPMS and this framework. An example of such an integrated cycle is attached as **Annexure "F"** and it is recommended that the Umtshezi Municipality develop and adopt a similar cycle that suits its own circumstances and requirements.

9.5 Institutional arrangements

Implementing the OPMS according to this framework will require proper co-ordination and administrative support. It is therefore important to designate an official to be responsible for managing and oversee the process at organisational level on behalf of the Municipal Manager.

This official should ideally be situated in the Office of the Municipal Manager and in the same unit responsible for overseeing and managing the IDP process. To assist the Umtshezi Municipality in identifying and appointing an official responsible for OPMS **Annexure "G"** provides a profile for the position as well as suggested job description.

It is very important to note that it would not be the designated official's responsibility to monitor, measure, analyse and report on performance but only to facilitate and support the process and to ensure that the required data is collated and available for analysis 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. Requirements for the implementation of the framework

*In order to facilitate the implementation of this Framework **Annexure "H"** provides in table format a summary of the various requirements set out herein inclusive of the relevant responsibilities and timeframes.*

11. 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 Umtshezi Municipality must continuously improve the way the system works to fulfill the objectives of the system and address the emerging challenges arising from a constantly changing environment.