

1. Introduction

The Department of Provincial and Local Government (DPLG) defined performance management as “a strategic approach to management, which equips leaders, managers, employees and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the municipality in terms of indicators and targets for efficiency, effectiveness and impact.”

Performance measures are measures of quantity, quality, time, sustainability and costs, which are used to assess the production and delivery of outputs and the resulting effects thereof. Therefore, performance is measured through the inputs, outputs and outcomes and results of actions or processes.

Performance management is primarily governed by the legislative frameworks relating to it and driven by top management and the council. The key legislative framework governing performance management is as follows:

- The Constitution of South Africa 1996 (Act 108 of 1996) [Section 152 & 195 (1)].
- The Municipal Planning and Performance Management Regulations (No 796, 24 August 2001).
- The White Paper on Transforming Public Service Delivery (Batho Pele 1998).
- The Local Government: Municipal Structures Act, 1998 (No. 117 of 1998).
- Local Government: Municipal Systems Act, 2000 (No. 32 of 2000).
- The Municipal Financial Management Act (No. 56 of 2003).

The guidance contained in this section is based on applying the balanced scorecard methodology, which is only one of many methodologies which could be applied to assist in the management of performance in a municipality.

2. Legislative framework

The principle legislative policy instruments and related requirements implicit for the establishment of performance management at municipalities, and with specific focus on financial performance, can be summarised as follows:



2.1 The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)

According to this Act, municipal councils must strive within its capacity to achieve the objectives set out in section 152 of the Constitution. In this regard, municipal councils must annually review:

- the needs of the community;
- its priorities to meet those needs;
- its processes for involving the community;
- its organisational and delivery mechanisms for meeting the needs of the community; and
- its overall performance in achieving the objectives.

Municipal councils must further develop mechanisms to consult the community in performing its functions and exercising its powers.

2.2 The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

The Constitutional principles have been taken forward in Chapter 6 of the Municipal Systems Act (2000) (MSA), which requires all municipalities to:

- develop a performance management system;
- set targets, monitor and review performance based on indicators linked to their IDP;
- publish an annual report on performance to be included in the annual report referred to in Chapter 12 of the MFMA;
- incorporate and report on a set of general indicators prescribed nationally by the minister for local government;
- conduct an internal audit on the performance of the municipality before tabling the report;
- have their annual performance report audited by the Auditor-General; and
- involve the community in setting indicators, targets and reviewing municipal performance.

Specifically, section 46 of the MSA refers to the annual performance report of the municipality that must be included in the annual report of the municipality.



2.3 The Municipal Financial Management Act (No. 56 of 2003) (“MFMA”)

The MFMA stresses the strong link between the review of the Integrated Development Plan (IDP) and the annual municipal budgeting process. It stresses that a municipality must, after publication of its draft Budget:

- ensure that public hearings on the budget inform the process to review its IDP; and
- strive for consistency between the annual budget to be tabled and the revised IDP (section 18 (5)).

Sections 72 (1) and 88 of the MFMA states that the accounting officer (Municipal Manager) of a municipality must assess the performance of the municipality during the first half of the financial year taking into account:

- the monthly statements referred to in section 71;
- the service delivery performance during the first half of the financial year; and
- the service delivery targets and performance indicators set in the SDBIP (defined in MFMA Circular 13 of 2005).

This report has to be submitted to the mayor of the municipality, National Treasury and the relevant provincial treasury.

Due to the extensive financial reporting involved in compiling the report, the Chief Financial Officer (CFO) is the key source of information and plays an important role in co-ordinating the report. Sections 62 to 70 also stipulate the responsibilities of the accounting officer in terms of financial management, which plays an integral role in the performance of the organisation and should be captured in the scorecards of the CFO to ensure that these responsibilities are conducted effectively in the municipality.

Section 121 of the MFMA refers to performance reporting in terms of the Annual Report of the municipality. (See MFMA Circular 11 of 2005, specifically Chapter 5.)

3. Objectives and functions of performance management

The objectives for performance management in a municipality are:



- a) In general, to establish a productive and performance orientated culture in the municipality and to ensure that services are rendered efficiently, effectively and with the desired impact.
- b) At the strategic level, to ensure that the strategies of the municipality are appropriate and successful in achieving the strategic objectives through the implementation of the IDP. In short, it must ensure that the right things are being done.
- c) At the operational level, to facilitate a collective effort towards achieving the strategic objectives of the municipality through the successful implementing of actions and the execution of functions and duties, the optimal use of resources, and creating means and opportunities to address and improve on performance. In short, it must ensure that the things are being done correctly.
- d) At the individual employee level, to have clarity on job expectations and give regular feedback on performance and participate in efforts to address and improve performance.
- e) At the Councillor level, to facilitate positive leadership and ensure accountability for the decisions that impact on municipal service delivery.
- f) For the community, to understand the type, level, standard and timing of services that they may expect from the municipality and receive feedback on such progress and success.

The CFO plays a special role in the achievement of the goals and functions of the performance management process. Common practice advocates the CFO as the coordinator of performance reporting in the absence of a designated individual, due to the legislative requirements governing financial reporting. The CFO of the municipality has become the custodian of the SDBIP that requires the CFO to adopt the following dual role:

The dual role of the CFO is illustrated as the responsibility for:

- the financial performance of the municipality (e.g. % of capital budget actually spent on capital projects; % of over-expenditure on the budget; % of debt covered); and
- the performance of the finance department as a functional unit. (e.g. % of employment equity targets reached; % of departmental training budget spent; % of

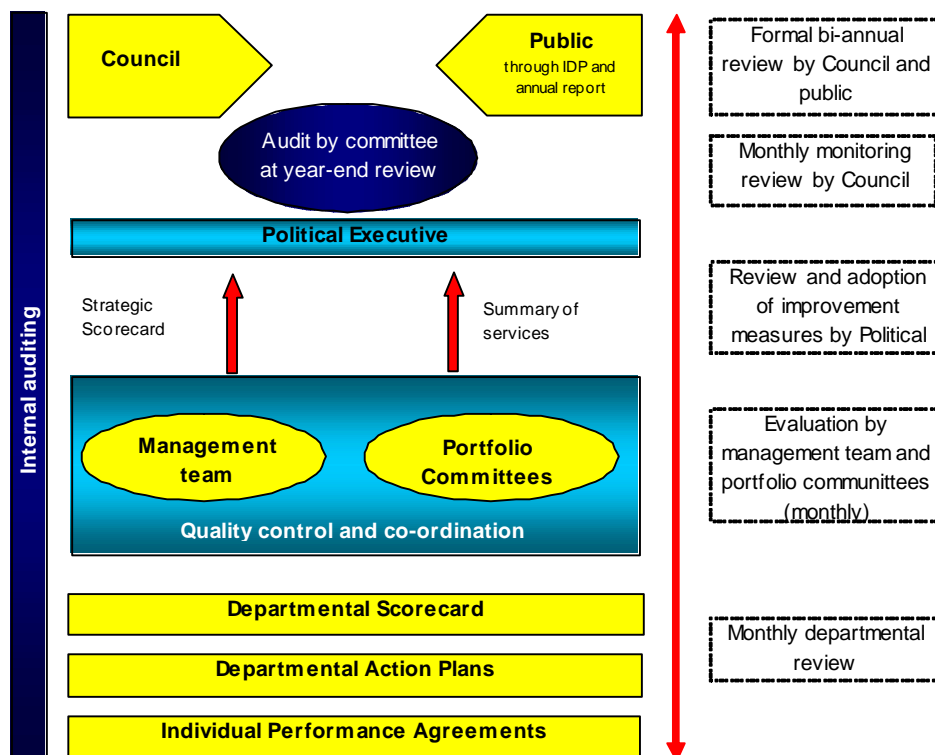


accounts posted by the 15th of every month; % of municipal accounts paid within 30 days)

4. Dimensions of Performance Management

Performance management at the municipality ought to be executed on three separate, but inter-related, dimensions of performance, namely organisational, departmental and individual dimension. Each department’s performance in the organisation should be aligned to the organisational performance dimension and, in turn, each individual’s performance should be linked to the departmental dimension.

The performance management cycle addresses the various dimensions of performance as the cycle is completed. The performance management cycle as depicted below supports the process for performance management within the municipality:



4.1 Managing Organisational Performance

Organisational performance is represented by the Strategic Scorecard and the IDP which involves Council, public and the political executive in planning the strategic direction of the municipality.

The performance of any ***Municipality as a service delivery mechanism*** is fundamentally determined by factors enabling it to perform its Constitutional and statutory mandates. It is important that these causal and contributory factors for performance excellence at the municipality be measured to determine performance gaps timeously with the objective to respond with appropriate remedial interventions. Organisational performance is represented by the strategic/organisational scorecard, the SDBIP and the operational and capital Budget which should be aligned to the IDP.

4.2 Managing Departmental Performance

Departmental performance is represented by the departmental scorecard and departmental action plans which entails the implementation of the strategy throughout the municipality. The key role players as depicted in the diagram above are the management team and portfolio committees. Managing strategy implementation deals with municipal performance at the strategic level by measuring its success in achieving the strategic objectives of the municipality through the ***implementation of the IDP***.

It should, therefore, mainly inform the municipality if it is doing the right things to produce the desired outcome or impact through its operational actions to achieve its vision. It should, therefore, also focus on measuring the ongoing and long-term operations of the municipality, linked with its annual business plan.

Annual departmental business planning can be defined as the detailed deployment of resources to achieve the IDP in terms of its annual development objectives. It includes annual action plans, which are structured and interconnected actions with fixed target dates. Annual business planning is the process which determines all activities regarding the **what, where, by whom and when** – on an annual basis. Clearly defined KPIs and performance targets furthermore direct it.

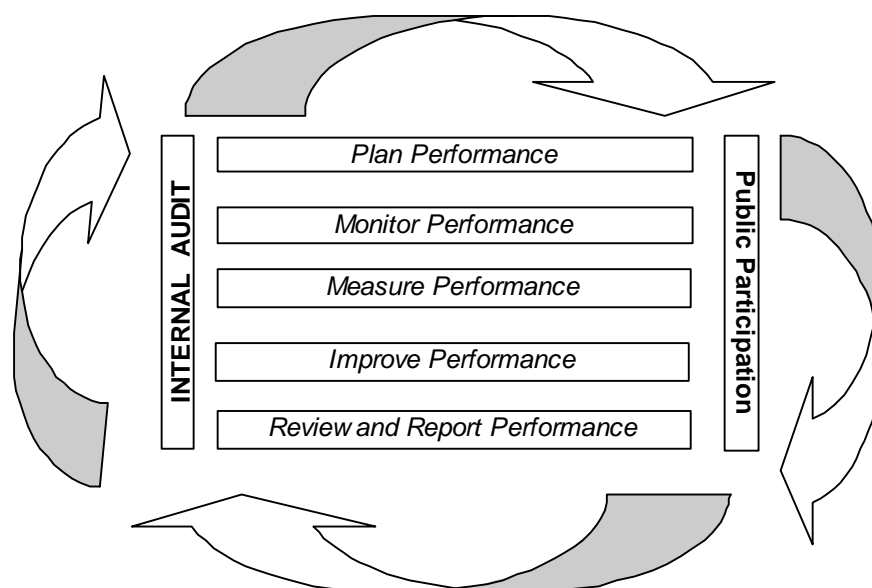


4.3 Managing Staff Performance

Staff performance management deals with **performance on the level of the individual employee**. Individual performance targets are also formulated during the business planning process referred to above and is documented in the individual performance agreements. Measuring staff performance provides Council and management with appropriate information on the behaviour of staff and outcomes in the workplace. Reviewing staff performance at regular intervals will provide the Council and management with appropriate information regarding performance gaps or excellence. Departmental heads' performance contracts should be aligned to their department's scorecard as this will ensure motivation for performance. This is also reinforced in section 53 (3) (b) of the MFMA and Circular 13, dealing with the SDBIP.

5. The Performance Management Process

The performance management process is inherent in the performance management cycle and consists of planning performance, measuring performance, monitoring and evaluating performance, reporting on performance and reviewing performance on all three dimensions mentioned above. Reviewing performance will inevitably result in the planning of performance for the next period, thereby completing the cycle. The other two important components are the ongoing auditing of performance and public participation in performance management.



5.1 Planning for performance

Performance planning is to be managed in terms of the IDP. The IDP process constitutes the process of planning for performance. It is crucial that objectives, indicators and targets are developed for all priorities in the IDP. The IDP process answers to most of the community participation and consultative legislative requirements for performance management.

The IDP process and document are the primary sources in the planning of performance from which a strategic/organisational scorecard should be developed and, consequently, from which the budgets should be created. IDPs normally determine the capital budget and projects for the next three financial years. Ideally, the strategic/organisational scorecard should represent a summary of the projects and programs planned for the financial year, indicating their budgets and performance indicators.

Once all programmes and projects for the financial year have been budgeted, planned and costed in the strategic/organisational scorecard, the SDBIP can be compiled and finalised with this information. Subsequently, the departmental scorecards can be compiled to represent the contribution that each department will be making to the achievement of the organisational performance. The following performance documentation should be completed in the planning phase of performance management:

- The IDP which stipulates projects according to key performance areas (KPAs) and development objectives with accompanying capital budgets.
- The strategic/organisational scorecard as informed by the IDP process which formulates projects and programmes with their KPAs, development objectives, KPIs, budgets and annual performance targets.
- The capital and operational budget of the municipality.
- The top layer and departmental SDBIP which should represent the outcomes of the IDP, budgets and strategic/organisational scorecard according to vote numbers. (Clear guidelines on the SDBIP can be found in MFMA Circular 13 of 2005).
- Departmental scorecards which formulates projects and programmes with their KPAs, development objectives, KPIs, budgets and monthly or quarterly performance targets.



- Performance contracts of Section 57 employees and possible performance plans developed for staff members.

These documents are the deliverables of the planning phase of performance management. The responsibility of the CFO is to:

- Assess all MFMA requirements for the financial year (e.g. prescribed targets, functions, reporting requirements documented in Circulars 11, 13, 28) and document them according to the projects and programmes that should be implemented for the Budget and Treasury Office for the financial year and the reporting requirements from other departments.
- Ensure communication of all reporting requirements to other departments for incorporation in their performance plans.
- Ensure the Budget and Treasury Office contributes to the IDP and the strategic/organisational scorecard those projects and programs that it will be engaging in the financial year, including a proper budget and performance indicators for each project and programme that is planned.
- Ensure the proper budgeting of the capital and operational budgets by assisting other departments in budgeting for their projects and programs and consolidating these into a capital and operational budget.
- Compile the top-layer SDBIP, taking into account the projects and programs as documented in the strategic/organisational scorecard, in accordance with the provisions in the MFMA and Circular 13 of 2005.
- Compile the departmental scorecard of the Budget and Treasury Office according to the contribution that it will make to the organisational performance. The CFO should identify the objectives and key performance indicators that he will be responsible for according to the IDP and the strategic/organisational scorecard and translate these into goals and targets for the financial department to achieve (e.g. if strategic/organisational scorecard indicates that the organisation should increase Employment Equity targets by 20%, then the target of the Budget and Treasury Office may be 5%).



- The CFO should review his/her performance agreement and align it to his departmental scorecard and agree performance agreements with his subordinates to achieve the set financial targets according to the compiled departmental scorecard.

It is imperative that proper proactive planning is conducted to ensure that all these documents are aligned and integrated as to ensure that measurements are consistent and duplication of efforts is reduced and effective reporting facilitated.

5.2 Measuring performance

The measurement of performance management occurs during implementation of the SDBIP, when projects and programmes are implemented and budgets expended. Actual achievements are then measured against key performance indicators and performance targets set for departments in the top-layer and departmental SDBIP, departmental scorecards and consequently the strategic/organisational scorecard and IDP. Measuring performance is the continuous activity to measure individuals to determine actual achievement against the KPIs and performance targets set in the departmental scorecards that will inform whether the municipality is on track with its performance targets stipulated in the top-layer SDBIP and strategic/organisational scorecard relating to the IDP.

Measuring can be conducted weekly, monthly, quarterly or half-yearly, depending on the nature of the indicator and target. Measuring is the responsibility of the individual Heads of Departments through feedback meetings, monthly reports and various other management information systems.

5.3 Monitoring and evaluating performance

Monitoring is defined as the ongoing scrutiny of measurements of performance over a period of time with the purpose of providing early warning systems, identifying trends, performance problems and excellence thereby enabling management to implement corrective action.

Evaluation is defined as the periodic assessment of performance to ensure the reaching of goals and targets by analysing performance information and identifying barriers to performance, formulating corrective action, rewarding good performance or deciding on alternative work processes.



Monitoring includes the systematic collection of information to enable management to evaluate whether project implementation is proceeding, as it should. It is important to ensure that the right information is obtained, and that this information is not manipulated to produce misleading results. This means that municipalities must ensure the integrity of measurement mechanisms.

Monitoring requires the development of an appropriate database and/or a standardised reporting framework for within the Municipality. Reports and/or databases must be analysed by the portfolio committees and top management as they are submitted.

The Municipal Manager needs to obtain feedback from departments and must regularly follow up on recommendations as, in turn, the departmental managers like the CFO must obtain feedback from his/her sections and regularly follow up on recommendations within the department.

Evaluation of the progress of the departments and the municipality will be based on the information gathered through the monitoring process. Monitoring is the responsibility of the Head of the Departments and the Municipal Manager. Evaluations are usually conducted monthly or quarterly or as determined by the individual manager.

Evaluation is a less frequent activity, which is designed to measure whether and to what extent the development objectives of the municipality are being achieved. It will measure the medium term impact and results of the IDP process. This provides the information required to re-appraise the IDP and specifically the development objectives and strategies.

The evaluation process does not just look at whether a municipality is performing adequately – it also analyses why there is under-performance or what the factors were that allowed good performance in a particular area. Municipalities have to make special arrangements for evaluating performance, e.g. setting up a specific task team or setting aside time in council meetings on a regular basis. Evaluation of performance enables early warning of non-performance and decisions on reward or corrective actions.



5.4 Reviewing and reporting on performance

Formal performance reviews take place during the mid-year budget and performance assessment in January (MFMA Section 72), and the end of each financial year when the annual performance report is prepared. In this process the municipality carefully analyses its performance in order to understand why it has performed well or badly during the period being reviewed. However, informal performance reviews are carried out throughout the financial year when management monitors the performance of the municipality through the review of monthly management information, e.g. comparing the actual results with the service delivery and budget implementation plan, adjusting forecasts based on current circumstances, etc.

Informal and formal reporting frameworks should be evident in the municipality to facilitate proper monitoring and evaluation of performance on departmental and organisational level.

The standard performance reporting framework includes:

- daily, weekly or monthly feedback meetings between management and staff on agreed performance;
- monthly and quarterly feedback to the Municipal Manager and reporting to Council;
- mid-year performance assessment during the first half of the financial year by 25 January, according to MFMA;
- annual Performance Report stipulated in section 46 of the MSA (as amended by Act 44 of 2003) that forms part of the annual report in terms of Chapter 12 of the Municipal Finance Management Act (see MFMA Circular 11 of 2005);
- functional Service Delivery Report as part of the Annual Report (See MFMA Circular 11 of 2005, Chapter 5);
- quarterly SDBIP reports;
- quarterly information for the internal auditors' performance measurement reports for representation at audit committee according to section 41 (1) (c) and 45 of the MSA (as amended by Act 44 of 2003);
- annual Auditor General audits;
- IDP process community meetings; and
- any request for performance reporting by the MEC for local government.

Legislation, specifically the MFMA (read together with Circular 11) and MSA stipulates that a municipality must prepare an annual report that reflects:



- the performance report that deals with:
 - the performance of the municipality during the financial year and a comparison between performance targets and performance in the previous financial year;
 - the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and
 - measures that were or are to be implemented to improve performance.
- financial statements for the financial year;
- an audit report of the financial statements as well as performance measures; and
- any other reporting requirements stipulated in other applicable legislation.

Performance reports must explain past performance (including deviations from performance targets) and highlight future plans. Annual performance reports will at least contain the following information:

- a summary of KPAs and development objectives;
- performance targets set for each KPA for the previous year;
- measurement of performance in terms of the KPI's for the previous year;
- an evaluation of performance;
- a review of delivery mechanisms in instances of under-performance, and corrective measures to improve performance;
- any amendments to development priorities and strategies contained in the IDP;
- KPIs and performance targets for the next financial year;
- audited financial statements of the municipality for the previous financial year;
- a statement by the Auditor-General regarding the integrity of the municipality's performance measurement mechanisms; and
- a review of the municipality's performance by the Auditor-General.

6. Developing scorecards

Various performance management methodologies or models can be utilised in measuring performance and compiling scorecards. A performance model can be defined as the grouping together of indicators, often based on the type of indicator, into logical categories or groups, as a means to enhance the ability of an organisation to manage and analyse its performance. Examples of these models are:

- The balanced scorecard approach.



- The municipal scorecard approach.
- The spreadsheet approach.

The above models can be applied in developing both the strategic/organisational scorecard and the departmental scorecard. The above scorecards are identical in format, with the only difference being that the strategic scorecard represents targets and goals at organisational level and the departmental scorecard represents targets and goals at a departmental level. An example of the difference is illustrated below:

An example of an entry in the strategic/organisational scorecard is as follows:

<i>Key Performance Area (KPA)</i>	<i>Development Objective</i>	<i>Key Performance Indicator (KPI)</i>	<i>Measure</i>	<i>Target</i>	<i>Baseline (Previous year actual performance)</i>
Financial Management	To ensure sustainable, financially sound Municipality.	% of Municipal capital budget actually spent on capital projects identified for particular financial year in terms of Municipality's IDP	%	85	80

An example of an entry in the Budget and Treasury Office scorecard is as follows:

FINANCIAL MANAGEMENT					
<i>Key Performance Area (KPA)</i>	<i>Development Objective</i>	<i>Key Performance Indicator (KPI)</i>	<i>Measure</i>	<i>Target</i>	<i>Baseline (Previous year actual performance)</i>
Expenditure Management	To ensure management expenditure within the Municipality.	% of expenditure on budget of department.	%	0	3

The strategic/organisational scorecard consists of the high level KPAs of the municipality, the relating development objectives, the KPIs identified for the development objective and the performance target identified. KPIs should enable the measurement of the national indicators (as prescribed in section 10 of the Municipal Planning and Performance



Management Regulations of 2001) and the strategic objectives of the municipality in the strategic/organisational scorecard as well as the departmental objectives in the departmental scorecard. The strategic/organisational scorecard is cascaded to enable the development of the departmental scorecards.

Standard elements are evident in a scorecard. These elements are:

- Key Performance Areas (KPA's).
- Key Performance Indicators (KPI's).
- The Performance Targets.

Selecting appropriate KPAs is the first step in compiling an effective scorecard. Section 26 (c) of the Municipal Systems Act requires that the Municipality identify development priorities for the municipality. Common practice normally clusters development priorities around the following KPAs in the IDP and strategic/organisational scorecard:

- Infrastructure and Basic Services.
- Social and Economic Development.
- Institutional transformation.
- Democracy and governance.
- Financial Management.

The section 24 (7) of the draft Local Government: Municipal Performance Regulations for Section 57 employees refers to basic service delivery, municipal institutional development and transformation, local economic development (LED), municipal financial viability and management, and good governance and public participation, as potential development opportunities.

Departments can develop their own departmental scorecard KPAs as long as they are aligned to those identified in the strategic/organisational scorecard and/or IDP. An example of departmental KPAs of the Budget and Treasury Office could be formulated around:

- Financial Reporting.
- Revenue Management.



- Expenditure Management.
- Supply Chain Management.
- a combination of generic management KPAs, such as those relating to Institutional Transformation (e.g. Labour Management, Skills Development, Employment Equity and Administration).

The CFO needs to identify the key performance areas of the Budget and Treasury Office to ensure that effective objectives are developed for the department as one key performance area can have numerous development objectives.

Developing development objectives is the next step and requires careful consideration of legislative mandates (National Indicators, responsibilities according to the MFMA), Auditor-General requirements or recommendations, community priorities and operational gaps in terms of best practice. Municipalities are advised to identify approximately five objectives per KPA as the management of more can become challenging.

Good examples of development objectives for the Budget and Treasury Office can be found in Chapter 8 of the MFMA e.g.:

KPA	Development objective	Reference
Revenue Management	To ensure that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled.	Section 64 (2) (h)
Expenditure management	To ensure that all financial accounts of the municipality are closed at the end of each month and reconciled with its records.	Section 65 (2) (j)

Once development objectives have been developed Key Performance Indicators (KPIs) can be developed. Key Performance Indicators are usually developed during the IDP review process and are typically linked to targets that will be used to determine whether a development objective has been reached. Indicators can be developed to measure various points in a process and can therefore be classified as indicators relating to inputs, processes, outputs or outcomes.



An example of these types of indicators can be seen in the following diagram:

<i>TYPE</i>	<i>INPUT</i>	<i>PROCESS</i>	<i>OUTPUT</i>	<i>OUTCOME</i>
Phase in prog	Acquisition of funds	Buying of software	Documents typed	Electronic register
Indicator	R value of funds acquired by end of March	Software bought by of financial year	Number of bylaws in electronic format by 25 June	Electronic register compiled
Measure	R	Date	Number	Date
Target	200 000	20-May-07	150	30-Jun-07
Baseline	100 000	N/A	50	N/A

KPIs are developed according to the selected KPAs and relate to performance objectives that a department or the municipality wants to achieve. The KPIs of the Budget and Treasury Office will typically relate to turn around time in terms of supplying accurate timeous management information, the management of expenditure versus income, financial reporting, legislative compliance in terms of the Auditor-General audits and reports, and statistical information management in terms of the recording, analysing and reporting of trends, ratios and other statistics.

The scorecard will include Key Performance Areas (e.g. Financial Management) that are linked to indicators as depicted below:

KPA: FINANCIAL MANAGEMENT						
Performance Objective	Performance Indicator	TARGET				BASE-LINE
		Q1	Q2	Q3	Q4	
VOTE: Financial Administration						
To increase revenue to ensure the financial viability of the Municipality	% of creditors' payments on time	95	95	95	95	80%
	% of accounts posted by the of every month	100	100	100	100	90%
To ensure effective management of expenditure to optimise the management of resources	% over-expenditure of operating budget	0	0	0	0	3.2%
	% under-expenditure on approved capital budget	5	5	5	5	7%



KPIs and their targets should be specific, measurable, attainable and time bound. The CFO should ensure that he/she is realistic in the number of KPIs and targets that are set and ensure that they relate to targets that can actually be recorded, measured or reported on in the municipality.

Baselines are indicators of performance in the previous financial period. Including a baseline (actual achievement for the previous financial year) in your scorecard is advisable in the measurement of programmes and projects since legislation prescribes that current performance should be compared with previous performance.

An example of a completed scorecard is as follows:

KPA	Development objective	KPI	Measure	Target	Base-line
Revenue Management	To ensure that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled at least on a weekly basis	% of money received daily deposited into Municipality bank accounts by end of each day.	%	95%	85%
Expenditure management	To ensure that all financial accounts of the municipality are closed at the end of each month and reconciled with its records	Reconciliation completed by 20 th of each month	Quality Scale: Yes/No	Yes	Yes

7. Delegations of Responsibilities

7.1 Performance Audit Committee

Regulations require that each municipality must have a performance audit committee that must consist of at least three members of which the majority of these members may not be councillors or employees of the municipality. A local municipality does not need its own committee but can make use of the district council's committee. The role of the committee is to act independently of the municipality.

The Council can deem that the Audit Committee can fulfil the functions of a Performance Audit Committee. However, no councillors may be members of the Audit Committee.



If a separate Performance Audit committee is established, the members should include one representative from organised labour and other members external to the municipality.

Regardless of the option a municipality choose, the composition of the performance audit committee should ensure that the following competencies are sufficiently catered for within the group:

- an understanding of performance management;
- an understanding of finances;
- an understanding of development, including rural development; and
- credibility within all the Municipality's communities and organs of civil society.

The operation of this audit committee is governed by section 14 (2-3) of the Municipal Planning and Performance Management Regulations 2001 (No 796, 24 August 2001). According to the regulations, the performance audit committee must:

- review the quarterly reports submitted to it by the internal audit unit;
- review the Municipality's performance management system and make recommendations in this regard to the council of that Municipality;
- assess whether the performance indicators are sufficient; and
- at least twice during a financial year submit an internal audit report to the municipal council.

It is further proposed that the performance audit committee be tasked with assessing the reliability of information reported. In order to fulfil their function a performance audit committee may, according to 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.



7.2 Internal Audit Function

Performance auditing is a key element of the performance management system and is the responsibility of the internal auditing unit as defined by Section 165 of the MFMA. The internal auditors will conduct performance audits monthly, quarterly or as required by the audit committee. Most municipalities prefer quarterly reporting.

This involves verifying that the measurement mechanisms are accurate and that proper procedures are followed to evaluate and improve performance. Municipalities will be required to submit their performance results to be audited by the municipality's external auditor on an annual basis. In addition to verifying the results of the measurement exercise, it will also verify the accuracy of the measurement methods.

Therefore, the internal audit function is expected to establish frameworks and structures to evaluate the effectiveness of the municipality's internal performance measurement control systems and make recommendations.

7.3 External audit function

The Auditor-General as well as the provincial public accounts committees will play an important role in this process. According to the Systems Act [Section 45], the Auditor-General must audit the results of the performance measurements as part of the municipality's external auditing process annually.

7.4 The Council

- Facilitate the development of a long-term vision.
- Develop strategies to achieve vision.
- Identify priorities.
- Adopt indicators and set targets.
- Review municipal performance bi-annually.
- Facilitate and ensure community participation.



7.5 The Municipality

Stakeholder	Performance Planning	Measurement Monitoring	Performance Reporting Reviews
Mayoral/ Executive Committee	<ul style="list-style-type: none"> • Play the leading role in giving strategic direction and developing strategies and policies for the Municipality. • Oversee the development of an IDP. • Approve and adopt indicators and set targets. 	<ul style="list-style-type: none"> • Intervene in performance problems on a strategic level. 	<ul style="list-style-type: none"> • Conduct the major reviews of municipal performance, determining where goals had or had not been met, what the causal reasons were and adopt response strategies. • Ensure that performance reviews at the political level are organised.
Municipal Manager	<ul style="list-style-type: none"> • Assist the Executive Committee in providing strategic direction and developing strategies and policies for the Municipality. • Manage the development of the IDP. • Communicate the plan to other stakeholders. • Ensure that the Strategic scorecard is cascaded down to departmental level. 	<ul style="list-style-type: none"> • Ensure that Regular Monitoring (measurement, analysis and reporting) is happening in the Municipality. • Intervene in Performance problems on a strategic and tactical level. 	<ul style="list-style-type: none"> • Conduct regular reviews of performance. • Review monthly and quarterly performance reports (management report) and identify corrective action where necessary.
HODs, including CFO	<ul style="list-style-type: none"> • Engage in the development of the IDP in terms of the setting of KPAs, KPIs for projects and costing of projects. • Financial Manager must develop the capital and operational budget. • Ensure that the plan is integrated. 	<ul style="list-style-type: none"> • Regularly monitor the implementation of the IDP, identifying risks early. • Intervene in Performance problems on a daily operational basis. • Ensure timely reporting of performance. • Measure 	<ul style="list-style-type: none"> • Ensure the availability of information • Propose response strategies to the Executive Committee • Report on progress against scorecards and SDBIP. • Review current performance and take corrective action where necessary. • Provide information for the Annual performance report



Stakeholder	Performance Planning	Measurement Monitoring	Performance Reporting Reviews
	<ul style="list-style-type: none"> • Identify and propose indicators and targets. • Communicate the plan to other stakeholders. • Contribute their inputs to the Strategic Scorecards and Top-Layer SDBIP. • Compile the Departmental Scorecard and action plans and integrate with other departments. • Enter into a performance agreement with the Municipal Manager. • Manage the development of subordinates' performance measurement system. 	<ul style="list-style-type: none"> • performance monthly or weekly to identify performance barriers or risks. • Manage budgetary expenditure and advise of over expenditure. • Manages the implementation of the SDBIP. • Ensure that the SDBIP is implemented according to the approved targets and timeframes. • Implement performance improvement measures approved by the mayor and the Council. • Manage the implementation of subordinates' performance measurement system. • Ensure that performance objectives in the performance agreements are achieved. 	<ul style="list-style-type: none"> • CFO function to compile annual report for audit purposes.
Departmental Managers	<ul style="list-style-type: none"> • Develop service plans for integration with other sectors within the strategy of the Municipality. 	<ul style="list-style-type: none"> • Measure performance according to agreed indicators, analyse and report regularly. • Manage implementation and intervene where necessary. • Inform decision-makers of risks to service delivery timeously. 	<ul style="list-style-type: none"> • Conduct reviews of service performance against plan before other reviews



7.6 Steering Committees

According to section 46 (1) (a) of the MSA, the municipality must report on the performance of each external service provider during the financial year. For every project undertaken by the municipality where a service or an external service provider will be procured, a steering committee must be established to ensure the following:

- overall project direction and providing support to project team;
- championing and communicating progress to stakeholders and submitting reports to the Council;
- demonstrating commitment to the project by participating in review sessions and meetings;
- providing direction to the team to ensure that goals and objectives of the projects are met;
- reviewing and authorising acceptance of milestone deliverables; and
- resolving conflicts pertaining to service level agreement/project charter.

Heads of departments must ensure that each service provider reports to the Municipality in accordance with lines of accountability and the intervals for reporting as required in the service level agreement / project charter.

Heads of departments shall take reasonable steps to ensure that steering committee meetings take place and progress and milestones are reported to the steering committee. The schedule of steering committee meetings must be submitted to the Monitoring unit per project, and copies of attendance registers and milestones report must also be forwarded to the Monitoring unit. The reasons for under-performance and delays in scheduled activities must be clearly spelt out, as well as measures to address under performance.

8. Community participation

Section 42 of the Municipal Systems Act 32 of 2000 requires a Municipality to involve the local community in Performance Management. The community can be engaged through a variety of methods as prescribed by legislation but mostly involvement is achieved through the communication and participation process in the IDP process, performance management and remuneration policy consultation and service delivery surveys, complaints and commendations.



Alternatively, Council reports bi-annually to the community through mechanisms determined by it through its community participation and communication policy.

9. Conclusion

What gets measured gets done, and what gets reviewed and monitored is overcome. Performance management requires an integrated approach by all stakeholders in the municipality that will enable a team effort in the achievement of the goals of the municipality. Effective planning, diligent measuring and monitoring, frequent reporting and continuous review of performance enables effective performance management, which will facilitate performance management becoming the new force driving the vision of improved service delivery and uplifted communities.

