

Raadslede	Councillors	Ooceba
Eden Distriksmunisipaliteit	Eden District Municipality	Umasipala Wesithili se Eden
Meneer/Dame	Sir/Madam	Mnumzana/Nkosikazi

25 Januarie / January / kweyoMqungu 2017

Kennis geskied hiermee ingevolge Artikel 29 (2) van die Wet op Plaaslike Regering: Munisipale Strukture, 1998, Wet 117 van 1998, dat die **Derde (3^{de}) Raadsvergadering** van die 2016/2021 termyn van die Eden Distriksmunisipaliteit gehou sal word in die **C A Robertson Raadsaal, Yorkstraat 54, George**, op **Maandag, 30 Januarie 2017 om 11:00** ten einde oorweging aan die items soos in die agenda uiteengesit, te skenk.

*Notice is hereby given in terms of Section 29 (2) of the Local Government: Municipal Structures Act, 1998, Act 117 of 1998, that the **Third (3rd) Council meeting** of the 2016/2021 term of the Eden District Municipality will be held in the **C A Robertson Council Chambers, 54 York Street, George**, on **Monday, 30 January 2017 at 11:00** to consider the items as set out in the agenda.*

Kukhutshwe isaziso ngokoMhlathi 29(2) woRhulumente Basekhaya: Umgaqo Wesimo soMasipala, 1998, uMgaqo 117 wango 1998, sokub **intlanganiso Yamashumi Amabini (3rd) yeBhunga** ka 2016/2021 yoMasipala Wesithili se Eden izakubanjwa kwiGumbi leBhunga I CA Robertson, 54 York Street, e George ngoMvulo, 30 kweyeMqungu 2017 ngo 11:00 ukuqwalasela imiba ekuluhlu lwengxoxo



UITVOERENDE BESTUURDER: KORPORATIEWE/STRATEGIESE DIENSTE /
EXECUTIVE MANAGER: CORPORATE/ STRATEGIC SERVICES / MANEJALA:
KWIINKONZO ZOLAWULO

ADDENDUM 1

<i>Item</i>	<i>Agenda</i>	<i>Bladsy/ Page</i>
MATTERS FOR CONSIDERATION / SAKE VIR OORWEGING / IMIBA EKUFUNEKA ITHATHELWE INGQALELO		
ITEMS DIRECTLY SUBMITTED TO COUNCIL / ITEMS DIREK AAN DIE RAAD VOORGEHOU / IMIBA ENIKEZELWE KWIBHUNGA		
98/01/17	<p>PERFORMANCE MANAGEMENT REPORT TO COUNCIL FOR THE PERIOD 01 JANUARY 2016 TO 30 JUNE 2016 / <i>PRESTASIE BESTUURSVERSLAG AAN DIE RAAD VIR DIE PERIODE 02 JANUARIE 2016 TOT 30 JUNIE 2016 /</i> INGXELO YOLAWULO LOMSEBENZI KWIBHUNGA YEXESHA 1 KWEYOMQUNGU 2016 UYAKUTSHO 30 KWEYESILIMELA 2016 (552840)</p> <p><i>Refer: Report (4/1/2/41) dated 06 November 2016 from the Municipal Manager (GW Louw) Chief Audit Executive (JW De Jager)</i></p>	485 – 493

DISTRICT COUNCIL

30 JANUARY 2017

DC 98/01/17

**PERFORMANCE MANAGEMENT REPORT TO COUNCIL FOR THE
PERIOD 1 JANUARY 2016 TO 30 JUNE 2016 /
PRESTASIEBESTUURVERSLAG AAN RAAD VIR DIE PERIODE 1
JANUARIE 2016 TOT 30 JUNIE 2016 / INGXELO YOLAWULO
LOMSEBENZI KWIBHUNGA YEXESHA 1 KWEYOMQUNGU 2016
UYAKUTSHO 30 KWEYESILIMELA 2016 (554432-1)**

(4/1/2/4/1)

06 November 2016

**REPORT FROM THE MUNICIPAL MANAGER (GW LOUW) / CHIEF AUDIT
EXECUTIVE (J-W DE JAGER)**

PURPOSE OF THE REPORT

The purpose of this report is to submit to Council the bi-annual report from the Audit and Performance Audit Committee ("APAC") to Council concerning the Municipality's Performance Management System for the last two quarters of the 2015/16 financial year.

BACKGROUND / DISCUSSION

Section 1.5 of the APAC Charter of Eden District Municipality stipulates that, with regards to Performance Management, the APAC must at least twice during a financial year submit a performance management audit report to Council. The purpose of such a report is to report to Council concerning the Municipality's Performance Management System, Policies and Procedures, and to provide recommendations to Council and the Municipal Administration regarding their conformance to legislative requirements.

The APAC's Performance Management Report to Council for the period 1 January to 30 June 2016 is included in **Appendix A** below.

FINANCIAL IMPLICATIONS

None.

RELEVANT LEGISLATION

Municipal Finance Management Act, No. 56 of 2003 – section 166
Municipal Systems Act, No. 32 of 2000 – section 45
Municipal Planning and Performance Management Regulations, 2001 – Reg 14
Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 – Reg 27

COMMENTS: MUNICIPAL MANAGER

The following actions have been taken to address outstanding matters raised in the APAC report:-

Updating of actual performance to audited results

Departmental KPI's have been updated and are reflected in the section 72 report as presented to Council.

Non-compliance to legislative requirements

Refer to comments from Executive Manager: Community Services below.

Reporting exceptions on top-layer KPIs

All Top-Layer KPIs' portfolio of evidence were reviewed and updated in time for the audit by AGSA. No unresolved matters.

COMMENTS: CHIEF FINANCIAL OFFICER

Noted.noted

COMMENTS: EXECUTIVE MANAGER CORPORATE STRATEGIC SERVICES

Noted.Noted

COMMENTS: EXECUTIVE MANAGER COMMUNITY SERVICES**Non-compliance to legislative requirements**

- The Eden Corporate Disaster Management Plan has been updated and does comply to the legislative requirements.
- Eden DM has been identified to be a leading municipality in terms of compliance to SPLUMA and LUMA. A service provider (GAPP) has been appointed to compile a draft SDF by end of June 2017. The SDF will subsequently be submitted to the MEC of Local Government for final approval.

COMMENTS: SENIOR MANAGER ROADS SERVICES

Noted.Noted

UITVOERENDE OPSOMMING

Paragraaf 1.5 van die Oudit en Prestasie Ouditkomitee ("OPOK") Manifes van Eden Distriksmunisipaliteit bepaal dat, met betrekking tot Prestasiebestuur, die OPOK minstens twee keer in 'n finansiële jaar 'n prestasiebestuur ouditverslag aan die Raad voorlê. Die doel hiervan is om aan die Raad verslag te doen oor die Munisipaliteit se Prestasiebestuurstelsel, relevante beleide en prosedures en om aan die Raad en Administrasie voorstelle te maak re voldoening aan relevante wetgewing en regulasies.

*Die verslag vanaf die OPOK aan die Raad re Prestasiebestuur vir die periode 1 Januarie tot 30 Junie 2016 is ingesluit in **Aanhangsel A**.*

RECOMMENDATION

That Council notes the Performance Management report from the Audit and Performance Audit Committee for quarter 3 and quarter 4 of the 2015/16 financial year.

AANBEVELING

Dat die Raad kennisneem van die Prestasiebestuurverslag van die Oudit en Prestasie Ouditkomitee vir kwartaal 3 en kwartaal 4 van die 2015/2016 finansiële jaar.

ISINDULULO

Sesokuba iBhunga lithathele ingqalelo ingxelo yoLawulo Lomsebenzi evela kwi Komiti Yezophicotho kunye Nophicotho Lomsebenzi kwikota 3 neye nekota 4 kunyakamali ka 2015/16.

APPENDIX

Appendix A: APAC Report on Performance Management Q3 and Q4 of 2015/16.

**APPENDIX A: APAC REPORT ON PERFORMANCE MANAGEMENT Q3 AND Q4
OF 2015/2016**

<p><u>EDEN DISTRICT MUNICIPALITY AUDIT AND PERFORMANCE AUDIT COMMITTEE</u></p>

**PERFORMANCE MANAGEMENT REPORT TO COUNCIL FOR THE PERIOD 1
JANUARY 2016 TO 30 JUNE 2016**

1. PURPOSE

The purpose of this synopsis is to report to Council concerning the Municipality's Performance Management System, Policies and Procedures, and to provide recommendations to Council and the Municipal Administration regarding their conformance to legislative requirements.

2. LEGISLATIVE REQUIREMENTS

The duties of the Audit and Performance Audit Committee relating to performance management are, amongst others, informed by the following legislative prescriptions:

2.1 Municipal Finance Management Act, No. 56 of 2003

Section 166: Audit committee

(2) An audit committee is an independent advisory body which must –

(a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to –

(v) performance management.

2.2 Municipal Systems Act, No. 32 of 2000

Section 45: Audit of performance measurements

The results of performance measurements in terms of section 41(1) (c) must be audited –

(a) As part of the municipality's internal auditing processes; and

(b) Annually by the Auditor-General.

APPENDIX A: APAC REPORT ON PERFORMANCE MANAGEMENT Q3 AND Q4 OF 2015/2016

2.3 Municipal Planning and Performance Management Regulations, 2001

Regulation 14: Internal auditing of performance measurements

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

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

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

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

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

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

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

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

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

(i) review the quarterly reports submitted to it in terms of sub-regulation (1)(c)(ii);

(ii) review the municipality's performance management system and make recommendations in this regard to the council of that municipality; and

(iii) at least twice during a financial year submit an audit report to the municipal council concerned.

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

2.4 Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006.

APPENDIX A: APAC REPORT ON PERFORMANCE MANAGEMENT Q3 AND Q4 OF 2015/2016

Regulation 27: Evaluating performance

(d) For purposes of evaluating the annual performance of the municipal manager, an evaluation panel constituted of the following persons must be established –

(ii) Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee.

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

(ii) Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee.

3. SCOPE AND PERIOD COVERED

3.1 The documentation reviewed:

This review encompasses the Ignite Performance Reports presented to the Audit and Performance Committee on a quarterly basis as well as the Internal Audit Quarterly Review Reports. The section 72 report on performance management was also taken into account.

3.2 The periods covered by this Report are:

<u>Quarter</u>	<u>Dates</u>
Quarter 3 of 2015/16	January 2016 – March 2016
Quarter 4 of 2015/16	April 2016 – June 2016

4. FUNCTIONALLITY OF THE PERFORMANCE MANAGEMENT SYSTEM

It is noted that the Performance Management System comprises of various components, namely:

- Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP)
- Section 52, 71 and 72 reporting
- Section 57 Performance Agreements
- Ignite Electronic Reporting System

APPENDIX A: APAC REPORT ON PERFORMANCE MANAGEMENT Q3 AND Q4 OF 2015/2016

4.1 Performance Measurements

In addition, performance is currently only measured in relation to Section 57 employees (Senior Managers) and the Municipal Manager. A roll-out to lower levels of staff is in progress – implementation will start in 2016/17.

5. COMMENTARY FROM THE COMMITTEE

5.1 General Comments

The third and fourth quarter reviews of Performance Management were done by Eden DM's internal audit unit.

Highlights from the third quarter review:

Updating of actual performance to audited results

The Audit and Performance Audit Committee is concerned about the finding stating that the actual performance on all applicable departmental KPIs (as captured on the SDBIP) are not adjusted to the audited results following the quarterly review performed by the internal audit unit. Management should take note of the audited results and ensure that these are updated on the SDBIP so that the actual performance as recorded is an accurate reflection of the performance for the quarter.

Non-compliance to legislative requirements

APAC is pleased to note the marked improvement and progress that was made in quarter three to address the instances of non-compliance that were reported in prior quarters, specifically the issue relating to the alignment between the IDP, SDBIP and the approved budget that has now been resolved.

Management should make every effort to address the following unresolved non-compliance matters:

- The Disaster Management Plan in Section E.6.4. of the 2015/16 IDP is not sufficient to meet the requirements as stipulated in MSA Sec 26(g); and
- The 2015/16 IDP does not include a spatial development framework ("SDF"), nor does it refer to the last available SDF data/information as reflected in the 2012 – 2017 5 year IDP, as required by section 26(e) of the MSA.

APPENDIX A: APAC REPORT ON PERFORMANCE MANAGEMENT Q3 AND Q4 OF 2015/2016

Cascading down of PMS to all employees

The cascading down of Performance Management has not been done for all lower level employees, as per the legislative requirement of Municipal Planning and Performance Regulations, 2000 regulation 9(2)(b). APAC notes that management is in the process of finalising SLAs with the service provider in order to start rolling PMS down to lower level employees. It will however remain in our reports until it is implemented in the municipality.

Highlights from the fourth quarter review:

Reporting exceptions on top-layer KPIs

Internal audit reported the following significant findings relating to top-layer KPIs:

- Verification of the reported progress revealed ten KPIs whose portfolio of evidence did not support the actual performance claimed and captured on the SDBIP.
- Assessment of the quality of the TOP level KPIs revealed one KPI where the relationship between the target, actual and calculation type was not consistent.
- Mid-year amendments to the source of evidence on one KPI was noted, but the actuals claimed against the previous “source of evidence” had not been re-evaluated to ensure that the full year’s actual number are supported by the required portfolio of evidence.

APAC wishes to commend management on addressing these findings prior to submission of the 2015/16 Annual Performance Report at the end of August 2016 that was to be audited by the Auditor-General as part of the annual statutory year-end audit.

Non-Compliance to legislative requirements

APAC notes the progress management has made in quarter 4 to address the two outstanding non-compliance matters, being:

- The Disaster Management Plan is not sufficient to meet the requirements as stipulated in MSA Sec 26(g); and
- The 2015/16 IDP does not include a spatial development framework (“SDF”) as it is outdated.

APAC will monitor progress on these matters which we urge management to resolve prior to finalisation of the 2016/17 IDP as to avoid repeat findings that could have an impact on the municipality’s audit opinion.

APPENDIX A: APAC REPORT ON PERFORMANCE MANAGEMENT Q3 AND Q4 OF 2015/2016

Cascading down of PMS to all employees

The cascading down of Performance Management has not been done for all lower level employees, as per the legislative requirement of Municipal Planning and Performance Regulations, 2000 regulation 9(2)(b). APAC notes the completion of phase one of the roll-out of PMS to lower levels of staff. It will however remain in our reports until it is fully implemented in the municipality.

APAC will monitor the follow up actions of the third and fourth quarter reports closely.

6. RECOMMENDATIONS

That council takes note of the specific concerns of the APAC with regards to this report.