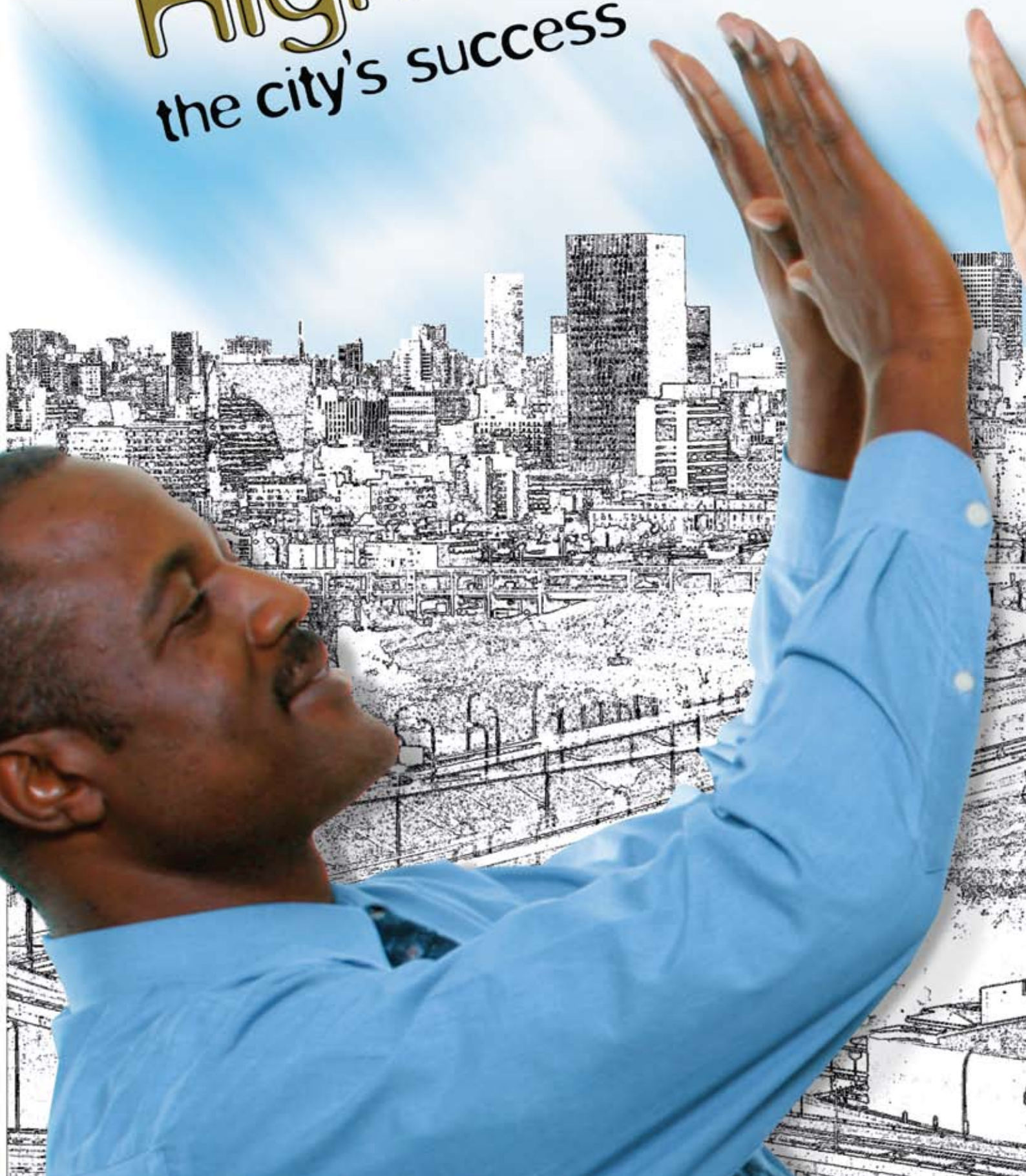


High-five

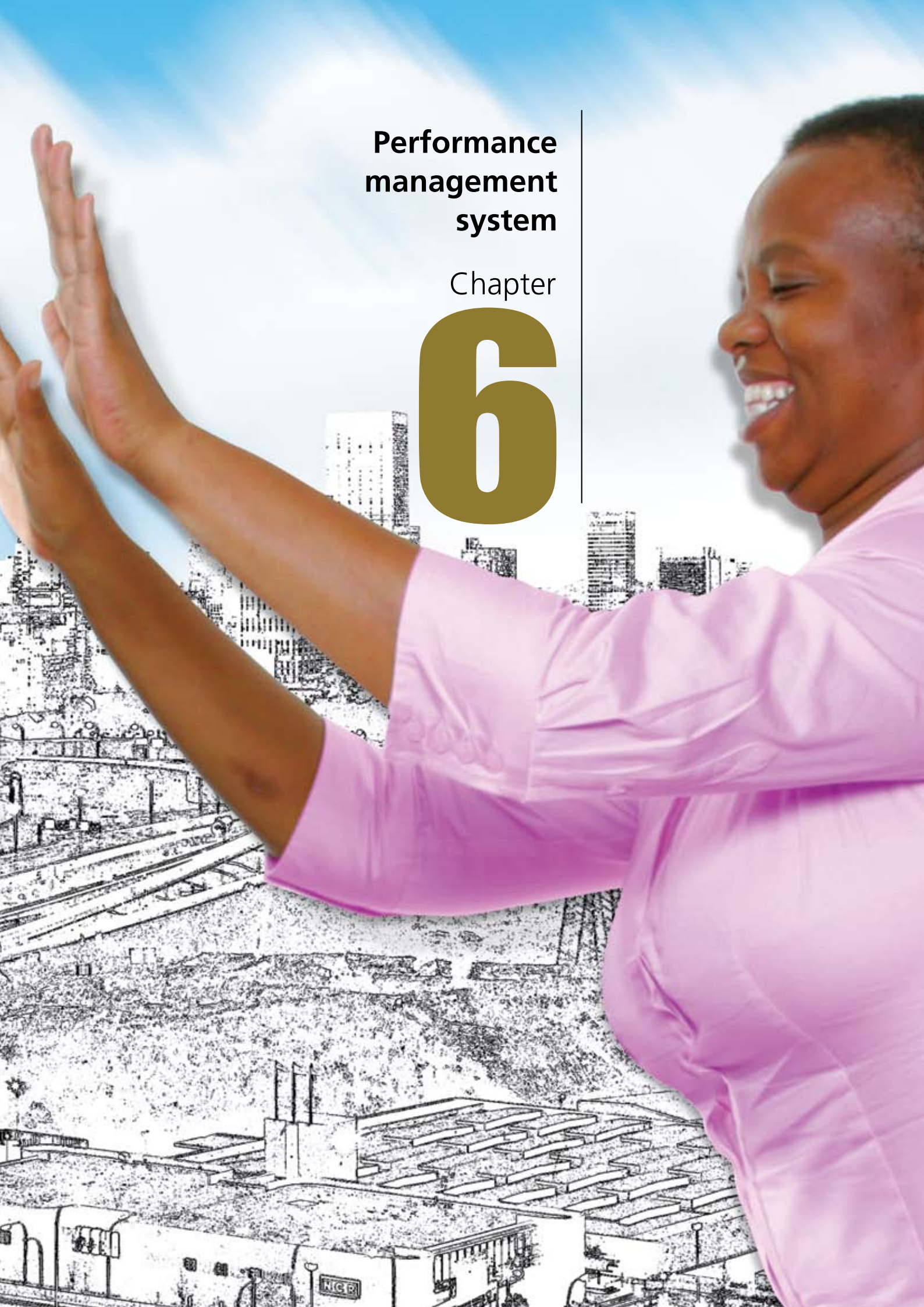
the city's success



**Performance
management
system**

Chapter

6



Introduction

The Performance Management System (PMS) is one of the mechanisms through which the City aims to improve organisational and individual performance to enhance service delivery. The City of Johannesburg's PMS was approved at Council in 2001 for implementation by mainly Section 57 employees (Levels 1 to 3). It was revised in 2007 to respond to the legislative requirements. Various pieces of legislation exist to govern the operations of local government. Legislation that governs performance management at the municipal level includes:

- **The Municipal Systems Act, (Act 32 of 2000) (MSA)**

The MSA requires all municipalities to promote a culture of performance through the establishment of a PMS, which must set out Key Performance Indicators (KPI) and targets, as well as monitor, review and report on municipal performance, based on indicators linked to the Integrated Development Plan (IDP), including the national indicators prescribed by the Minister responsible for Local Government.

- **The Municipal Planning and Performance Management Regulations, 2001 (MPPMR)**

In 2001, the Minister of Provincial and Local Government published the MPPMR. This requires that a municipality ensures that the PMS complies with the requirements of the MSA, demonstrates the operation and management of the PMS, clarifies roles and responsibilities, as well as ensures alignment of employee performance management and the IDP processes.

- **The Municipal Finance Management Act, (Act 53 of 2003) (MFMA)**

The MFMA sets out reporting obligations of the municipality on the budget and IDP implementation, to promote sound financial management.

- **The Municipal Performance Regulations for municipal managers and managers directly accountable to municipal managers, 2006**

In August 2006, the Department of Provincial and Local Government (DPLG) promulgated regulations for Section 57 employees, setting out how the performance of municipal managers and their direct reports must be planned, reviewed, improved and rewarded. The regulations make provision for the conclusion of written employment contracts and performance agreements.

The City's process of establishing and developing the PMS ensures integration between strategic planning and performance management, by linking the planned IDP priorities and objectives to the indicators and targets used to measure performance. In addition, the process promotes alignment between planned organisational performance, as reflected in the IDP and organisational scorecard and individual performance as contained in the individual scorecards.

The City of Johannesburg's structures to manage performance management

Regulation 7(2c) of the MPPMR requires municipalities to clarify the roles and responsibilities of each role player, including the local community, in the implementation of the PMS. The City established the necessary structures to manage and operationalise the system. The roles and responsibilities of the different structures are defined as follows:

Johannesburg Risk Audit Services (internal audit)

Johannesburg Risk Audit Services (JRAS) play an internal performance auditing role, which includes monitoring the functioning of the PMS and compliance with legislative requirements. The internal audit role also involves assistance in validating the evidence provided by executive directors in support of their performance achievements. The audit unit is required to provide performance audit reports to the Performance Audit Committee.

Performance Audit Committee

The Performance Audit Committee monitors the system's quality and integrity, by moderating the one-on-one performance assessment results for Section 57 employees, including the heads of MEs. This is to ensure equity and consistency in the application of evaluation norms and standards. The Committee further provides impartial recommendations on performance ratings to the Mayoral Committee, following the completion of objective appraisals.

Evaluation Panel

The Evaluation Panel evaluates Section 57 employees' (including the City Manager's) performance through approval of their final performance ratings, based on the Performance Audit Committee's recommendations. The 2006 Municipal Performance Regulations prescribe the composition of the Evaluation Panel.

Executive Mayor and members of the Mayoral Committee

The Executive Mayor and Members of the Mayoral Committee manage the development of the municipal PMS and oversee the performance of the City Manager and heads of department.

Council and Section 79 Portfolio Committees

Council and Section 79 Committees play an oversight role and consider reports from the Mayoral Committee pertaining to the functions in different portfolios. The role extends to the impact on the overall objectives and performance of the municipality.

Communities

Communities also play a role in the PMS through the annual IDP and reporting consultation processes, which are managed by the Office of the Speaker, in close collaboration with the Central Strategy Unit. Ward councillors are agents, facilitating community participation in the PMS, mainly through ward committees and regional people centres.

Performance management challenges in the City

When implementing the PMS, the City is simultaneously dealing with certain challenges, as identified in this section.

Fragmented performance management practices

The institutional arrangements within the City of Johannesburg consist of the core municipal administration, made up of the various departments, as well as Municipal Entities (MEs), acting as the City's service delivery agents in the form of Section 21 companies. The MEs are headed by Chief Executive Officers or Managing Directors, who report to their respective Boards of Directors. They are ultimately accountable to the Executive Mayor as the shareholder. The accountability framework and protocols governing the MEs, subject them to performance management practices, which differ from the core departments of the City. This manifests in a lack of integration in planning and performance management processes and outcomes.

Distinction between performance management of Section 57 and non-Section 57 employees

The legislative environment requires filtering down of PMS to employee levels lower than Section 57 of the MSA. The legislation does not, however, prescribe performance management practices at these lower levels. Varied responsibilities and contractual arrangements with staff present a challenge in enhancing a unified performance management culture and an objective system of managing performance across the employee levels.

Compliance with core competency requirements

The 2006 Municipal Performance Regulations for Section 57 employees prescribe the criteria for assessing employee performance, based on two components, namely the Key Performance Areas (KPA) and Core Competency Requirements (CCR), whereby the former accounts for 80% of the final assessment, while the latter makes up 20%. The selection and assessment of the CCR component has been challenging in terms of application and required resources. The City has thus been non-compliant with this requirement.

Evaluation Panel

The 2006 Municipal Performance Regulations for Section 57 employees further prescribe the establishment of an Evaluation Panel to evaluate the performance of all Section 57 employees, including the City Manager. During previous years, the JPAC has, in addition to its legislated role, also assumed the role of the Performance Evaluation Panel.

Inadequacy of Internal Performance Auditing

The internal performance auditing function has not been adequately fulfilled due to capacity constraints. Internal auditing efforts were largely channelled towards financial auditing. Consequently, internal audit reports, on the functioning of the PMS, could not always be available on a quarterly basis for consideration by the JPAC.

External assessment by the Auditor-General

The Auditor-General (AG) has a constitutional responsibility to express an opinion on the annual reports of municipalities, including financial statements, performance information and related systems, processes and procedures. The City received a clean audit opinion for the third consecutive year, since the beginning of the Mayoral Term. In carrying out the audit responsibility, the AG obtained sufficient and appropriate evidence to provide a basis for the following findings relating to performance information and the PMS:

- The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete;

- Adequate control processes and procedures were designed and implemented to ensure the accuracy and completeness of reported performance information;
- A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the City against its mandate, predetermined objectives, outputs, indicators and targets, as per the MFMA; and
- There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.

These findings indicate the appropriateness and functionality of the City's PMS. As the AG also highlighted findings requiring improvement to the system, the City developed an action plan to deal with these. The actions are stated in Table 6.1 below.

Table 6.1: Actions in relation to audit findings

AG's comment	CoJ's comment	CoJ's action plan
Issue no. 1: Non-compliance with regulatory requirements		
<p>The JPAC did not perform the following, as required by the 2001 Regulations:</p> <ul style="list-style-type: none"> • Review the quarterly reports of the internal auditors on their audits of the performance measurements of the municipality; • Review the municipality's performance management system and make recommendations in this regard to the Council of the CoJ; and • At least twice during a financial year submit an audit report to the municipal council concerned. 	<ul style="list-style-type: none"> • The quarterly internal audit reports were not submitted to the JPAC due to capacity constraints. The issue is currently being dealt with to ensure compliance in the 2009/10 financial year; and • The Performance Management Unit has been submitting quarterly performance reports to the JPAC, with input from a representative of the Internal Audit Committee during discussion of the performance information. 	<p>The JRAS, responsible for internal auditing, has developed a performance audit coverage plan for implementation during the 2009/10 financial year. Implementation of the plan will ensure compliance with the regulatory requirements.</p>

The future of the PMS in the City

The changing nature of the performance management environment requires continuous review of the PMS to ensure relevance and effectiveness. The City has continuously introduced new aspects into the system to ensure consistency with the changes, including legislative compliance requirements, as well as deal with identified implementation challenges. In the 2008/09 and 2009/10 financial years, substantial performance management activities that have a bearing on the future outlook of performance management within the City were initiated. While responding to the legislative environment, these activities and initiatives contribute to strengthening integration of strategic planning with performance management, enhancing the effectiveness of the system and promoting a performance culture across the organisation.

Group Performance Management Framework (PMF)

In response to the stipulated challenge of fragmentation in performance management practices, the City developed a Group PMF that was approved by Council in September 2009. The framework provides an overarching performance management philosophy and principles for the core city departments and MEs, together with mechanisms to support cooperation and governance, such as the sector performance evaluation approach. It is linked to the Performance Management Policy for application within the City, specifically for Section 57 and non-Section 57 employees, as well as Performance Management Guidelines to support its implementation. The objectives of the framework include:

- Improved regulatory alignment and compliance;
- Establishment of a group performance management philosophy;
- Improved performance management governance mechanisms;
- Role clarity in terms of the different organisational structures and individuals managing the performance management environment; and
- Introduction of the sector scorecard and evaluation approach to tighten integrated service delivery.

Group performance management is defined as the process of strategic planning through which performance objectives for the City of Johannesburg Group (including the City and MEs) are identified, based on the GDS and the IDP. It will then be monitored and measured via the City Scorecard (the SDBIP). This is further translated into sector scorecards, departmental and ME business plans and individual performance scorecards.

In the 2009/10 financial year, the City will pilot the application of the Group PMF with the Transportation and Infrastructure and Services Sectors. The pilot will provide an opportunity to assess potential challenges and strengths with policy implementation, before full roll-out across the sectors in subsequent years.

Performance management policy revision for Section 57 and non-Section 57 employees

The City regards performance management as an integral process in organisational development. As such, in order to ensure thorough focus on all aspects of performance management, the City has separated performance management policy provisions for Section 57 and non-Section 57 employees. Revision of the policy for non-Section 57 employees was conducted during the 2009/10 financial year. Furthermore, a review of the Performance Management Policy for Section 57 employees was conducted in 2008/09 and approved, for implementation from 2009/10.

The revised Performance Management Policy for Section 57 employees provides for, among others, the application of Core Competency Requirements (CCR). The City is investigating the most effective and efficient ways of identifying and selecting appropriate CCR for assessment, in addition to those that are prescribed by legislation. The application of CCR will assist in enhancing senior management competencies to deliver required output to influence the desired service delivery outcomes and impact.

The policy revision process also resulted in Council approval for the establishment of the Evaluation Panel to evaluate individual Section 57 employee performance, as prescribed in the 2006 Regulations. This will further enhance the PMS as the JPAC will be able to have greater focus on the assessment of the system, as well as sector performance evaluations.

Internal performance audit function

The JRAS, responsible for internal auditing, developed a performance audit coverage plan for implementation during the 2009/10 financial year. The plan involves the appropriate undertaking of the internal performance audit function, including quarterly reports on the operations of the PMS for submission to the JPAC. Implementation of the plan should ensure compliance with the regulatory requirements.

Conclusion

The City's PMS continues to evolve since its inception in June 2001. Implementation of the PMS over the years has provided valuable lessons for the City in the drive to promote a performance culture and integrate strategic planning with performance management.

The continuous revision of the performance management policy indicates the City's commitment to a more effective and compliant system of managing performance for improved results. As the performance management system continues to be enhanced, implementation of the IDP will be closely monitored and focused to achieve the desired service delivery outcomes that should impact favourably on the citizens of Johannesburg.