

## **Performance Agreement**

**Made by and entered into between**

**INGQUZA HILL LOCAL MUNICIPALITY  
("the employer")**

**Represented by the Municipal Manager, Mluleki Fihlani, duly authorized in  
terms of Section 57 (2) (c) of the Local Government: Municipal Systems Act  
No. 32 of 2000**

**and**

**Thokozani Lucky Madikizela  
("Chief Financial Officer")**

**In his capacity as the Chief Financial Officer: Budget & Treasury**

**2012/2013 FINANCIAL YEAR**

## **ACRONYMS**

<b>SDBIP</b>	-	Service Delivery and Budget Implementation Plan
<b>BEE</b>	-	Black Economic Empowerment
<b>EXCO</b>	-	Executive Committee
<b>CFO</b>	-	Chief Financial Officer
<b>HOD</b>	-	Head of Department
<b>IDP</b>	-	Integrated Development Plan
<b>LED</b>	-	Local Economic Development
<b>MFMA</b>	-	Municipal Finance Management Act, No. 56 of 2003
<b>KPA</b>	-	Key Performance Area
<b>KPI</b>	-	Key Performance Indicators
<b>CCR</b>	-	Core Competency Requirements
<b>RSA</b>	-	Republic of South Africa
<b>SCM</b>	-	Supply Chain Management
<b>PDP</b>	-	Personal Development Plan
<b>PA</b>	-	Performance Agreement
<b>PP</b>	-	Performance Plan
<b>OPMS</b>	-	Organisational Performance Management System

## DEFINITIONS

- Ruling Language** - Refers to the language parties to the contract choose to use as a medium for formal communication between themselves.
- Financial Year** - Refers to the 12 months period which the organization determines as its budget year.

## GENERAL PROVISIONS

### 1. INTRODUCTION

- 1.1 The Employer has entered into a contract of employment with the Chief Financial Officer: Budget & Treasury for a period of five (5) years, ending on 30 March 2017, in terms of section 57(1) (a) of the Local Government: Municipal Systems Act 32 of 2000 (“the Systems Act”).
- 1.2 Section 57(1) (b) of the Municipal Systems Act, read with the contract of employment concluded between the parties, requires the parties to conclude an annual performance agreement. That the parties hereby agree to have this contract developed in terms of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers.
- 1.3 The parties wish to ensure that they are clear about the goals to be achieved, and secure the commitment of the Chief Financial Officer reporting to the Municipal Manager representing the municipality, to a set of actions that will secure local government policy goals.
- 1.4 This performance contract is between **Lucky Madikizela**, the Chief Financial Officer: Budget & Treasury, and **Mluleki Fihlani**, the Municipal Manager. It is for the 2012/2013 financial year only. The expected performance reflected in this contract is based on the Integrated Development Plan 2012/2013 reviewed, and the 2012/2013 Service Delivery and Budget Implementation Plan. The two afore-mentioned documents have been adopted as

the working documents of Ingquza Hill Local Municipality and therefore, shall be the basis of performance assessment.

## **2. STRATEGIC OBJECTIVE**

The Chief Financial Officer has the overall responsibility of ensuring that he shall be, subject to the policy directions of the Executive Committee of the Municipality, responsible and accountable for administratively being in charge of the Budget & Treasury Office, performing such budgeting, accounting, financial statement preparation, financial analysis, financial reporting, investment and cash management, debt management, asset management, supply chain management, financial management and review, and any other functions as may be delegated to him by the Municipal Manager.

In addition to above, he shall be responsible for ensuring that the municipality has and maintains -

- (i) effective, efficient and transparent systems of financial and risk management and internal control; and
- (ii) an appropriate supply chain management and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

## **3. PERFORMANCE BONUS & ANNUAL SALARY ADJUSTMENT**

If the Chief Financial Officer achieves outstanding performance, he shall qualify for the annual performance bonus in accordance with the contract of employment, entered into between the Municipal Manager and the Chief Financial Officer on 01 April 2012, as well as the results of the performance evaluation agreed to in this contract. The acceptability of the level of his performance or otherwise shall be determined and declared by the performance evaluation team in accordance with the provision of this agreement, following the receipt of a report on the Chief Financial Officer's achievement or otherwise of the KPIs as reflected in clause 4 of this contract..

Annexure A attached has listed Key Performance Areas (KPAs) and Core Competency Requirements (CCRs) that are worth 100 points in total. Each KPA and CCR consists of

Key Performance Indicators that have different weightings; which weightings are then converted by the adopted rating calculator into the final weightings; which final weightings are to be assessed. The achievement of above 160 percent shall be regarded as 100% bonus warranting, above 130 percent to 160 percent, as average and warranting a proportional percentage of performance bonus, above 80 percent to 130 percent shall warrant some form of in-kind recognition, and below 50 percent, shall require the employer to effect remedial measures that may include incapacity disciplinary enquiry.

A performance bonus for outstanding performance or an in-kind recognition of effective performance shall only be effected after,

- I. The annual report for the financial year under review has been tabled and adopted by the Municipal Council;
- II. An evaluation of performance in accordance with the provisions of regulation 23, and this contract; and
- III. Approval of such evaluation by the Municipal Council as a reward for outstanding performance or effective performance.

The increment for 2012/2013 shall be based on the provisions of the Local Government: Municipal Performance Regulations for Municipal Managers directly accountable to Municipal Managers, 2006. The employer shall grant an annual salary adjustment linked to a cost-of-living adjustment based on market indicators, which is not performance based.

#### **4. EVALUATING PERFORMANCE**

The evaluation of the employee's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.

The annual performance appraisal will involve:

- I. Assessment of the achievement of results as outlined in the performance plan;
- II. Assessing the extent to which the specified standards or KPIs have been met with due regard to ad-hoc tasks that had to be performed under the KPAs and CCRs.

The criteria upon which the performance of the employee shall be assessed consists of two components, both of which shall be contained in the performance plan:-

- I. The employee must be assessed against both components, with a weighting of 80:20 allocated to the KPAs and the CCRs respectively;
- II. Each area of assessment will be weighted and will contribute a specific part to the total score.

A five-point rating scale to be used for both KPAs and CCRs, is as depicted hereunder:

Level	Terminology	Description	Rating				
			1	2	3	4	5
5	Outstanding Performance	Performance far exceeds the standard expected of an employee at this level. The key appraisal indicates that the employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.					
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.					
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.					
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.					
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.					

The performance bonus payment shall be categorised in two bands with some ranges per band.

The first performance bonus (cash rewards) payment band ranges between 5% and 9% of the all-inclusive remuneration package, as follows:

- I. A score of above 130% to 136%, to qualify for a 5% bonus;
- II. A score of above 136% to 142%, to qualify for a 7% bonus;
- III. A score of above 142% to 149%, to qualify for a 9% bonus.

The second performance bonus (cash rewards) payment band ranges between 10% and 14% of the all-inclusive remuneration package, as follows:

- I. A score of 150% to 155%, to qualify for a 10% bonus;
- II. A score of above 155% to 160%, to qualify for a 13% bonus;
- III. A score of above 160%, to qualify for a 14% bonus.

A performance bonus may not be paid on a pro-rata basis as the bonus is paid annually after complying with the legal requirements captured in this contract and the applicable laws.

The performance achievement ranging from 80% to 130% shall be regarded as fully effective and therefore warranting the employer to acknowledge and or recognize the employee, whichever is necessary. This category of performance acknowledgement and recognition is a non-financial rewards system. It will apply as follows:

- i. A score of 80% to 100%, to receive a letter of acknowledgement and recognition issued by the Municipal Manager;
- ii. A score of above 100% to 120%, to receive a recognition certificate from the Mayor;
- iii. A score of above 120% to 130%, to receive an academic/skills development programme grant to a maximum of R20 000.00 only; this to be paid directly to a learning institution of choice. The selected programme must be linked to the personal development plan (Annexure B).

A level of performance achievement of below 50% shall warrant the employer to execute corrective measures that may include disciplinary measures due to incapacity.

## **5. DEVELOPMENTAL REQUIREMENTS**

The Personal Development Plan (PDP) for addressing developmental gaps is attached as **Annexure "B"**.



**6. CONSEQUENCE OF SUBSTANDARD PERFORMANCE**

Where the employer, at any time during the Chief Financial Officer's employment, is not satisfied with the Chief Financial Officer's performance with respect to any matter dealt with in this Agreement, the employer will give notice to the Chief Financial Officer to attend a monitoring and review meeting.

The Chief Financial Officer will have the opportunity at the meeting to satisfy the Municipal Manager or the monitoring and evaluation team of the measures being taken to ensure that his performance becomes satisfactory and any program, including any dates, for implementing these measures.

**7. RULING LANGUAGE**

The contract is made out in the English language, which shall be the ruling language. All correspondence between the parties to this contract and all reports and documents pertaining to this contract shall be in English language.

**8. TERM OF CONTRACT**

This contract shall be deemed to have been entered into on the 1<sup>st</sup> of July 2012 and will expire on the 30<sup>th</sup> of June 2013. The parties will conclude a new performance agreement that replaces this Agreement by not later than 31 July 2013. This Agreement will terminate on the termination of the Chief Financial Officer's contract of employment for any reason.

**9. LIMITATIONS OF THE CONTRACT**

This contract is an agreement between the employer and the Chief Financial Officer about the expected performance of the latter during the specified term. This contract is subject to the employment contract which the Chief Financial Officer entered into on accepting his position and to South African legislation. In the case of any ambiguity, the employment contract shall prevail over this performance contract. Nothing contained in this Agreement in any way limits the right of the employer to terminate the Chief Financial Officer's contract of

employment with or without notice for any other breach by the Chief Financial Officer of his obligations to the Municipality or for any other valid reason in law.

**10. MONITORING AND EVALUATION**

The monitoring and performance reviews for each quarter as determined in the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers 2006, shall be comprised of the Municipal Manager, and his brief will be to assess the performance of the Chief Financial Officer in line with the performance requirements as outlined in Annexure A of this contract. Despite the in-year reviews, the employer shall establish an assessment team to conduct an annual performance review; the team shall be composed as follows:

- I. Municipal Manager,
- II. Chairperson of the Audit Committee,
- III. A member of the Executive Committee, and
- IV. Municipal Manager from another municipality.

The Corporate Services Manager shall provide secretariat services to the assessment team referred to above.

**11. DISPUTE RESOLUTION**

In case of disputes, which cannot be resolved through negotiations and mediation, the employee has a right to refer the case to the Mayor who must settle the case within thirty (30) days of receipt of a formal written dispute. The decision of the Mayor shall be deemed final and binding on both parties.

**12. JURISDICTION**

Regardless of the place of execution, performance or domicile of the parties, this contract and all modifications and amendments hereof shall be governed by and construed under and in accordance with the laws of the Republic of South Africa.

**13. WHOLE AGREEMENT**

The parties to this contract agree that this contract constitutes the whole agreement and arrangement for the performance of the Chief Financial Officer with effect from 01 July 2012.

No agreement, varying, adding to, deleting from or canceling this contract, shall be effective unless reduced to writing and signed by both parties. The following annexures and appendices attached to this contract will have the same force and effect as if they were written in this section of the contract:

**ANNEXURE A: PERFORMANCE PLAN**

**ANNEXURE B: PERSONAL DEVELOPMENT PLAN**

**APPENDIX 1: COMMITMENT OF MANAGEMENT TEAM**

**APPENDIX 2: OBLIGATIONS OF THE EMPLOYER**

SIGNED at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

**CHIEF FINANCIAL OFFICER**

**Signature:** \_\_\_\_\_

**Name Printed:** \_\_\_\_\_

**WITNESSES**

1. **Signature:** \_\_\_\_\_ **Name Printed:** \_\_\_\_\_

2. **Signature:** \_\_\_\_\_ **Name Printed:** \_\_\_\_\_

**FOR AND ON BEHALF OF INGQUZA HILL LOCAL MUNICIPALITY**

**MUNICIPAL MANAGER**

**Signature:** \_\_\_\_\_

**Name Printed:** \_\_\_\_\_

**WITNESSES**

1. **Signature:** \_\_\_\_\_ **Name Printed:** \_\_\_\_\_

2. **Signature:** \_\_\_\_\_ **Name Printed:** \_\_\_\_\_

# **ANNEXURE “A”**

## **PERFORMANCE PLAN**

### **14. KEY PERFORMANCE AREAS (KPAS) FOR 2011/2012**

#### **14.1 BASIC SERVICE DELIVERY**

OBJECTIVES	WEIGHTING	RATING CALCULATOR WEIGHTING %	KPI's	TARGETS			MEANS OF VERIFICATION
				TIME	QUALITY	QUANTITY	
14.1.1 To ensure that the implementation, enhancement and maintenance of an effective financial reporting system to ensure compliance with legislation and regulations	2	2.500%	Fully utilization of the Munsoft System	Monthly	DoRA	100%	Monthly reports filed with proof of submission to Portfolio Committee.
	2	2.500%	Treasury reports	Monthly	DoRA	100%	Monthly reports filed with proof of submission to Portfolio Committee.

14.2 MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

OBJECTIVES	WEIGHTING	RATING CALCULATOR WEIGHTING %	KPI's	TARGETS			MEANS OF VERIFICATION
				TIME	QUALITY	QUANTITY	
14.2.1 To create an environment that is suitable and conducive to training	3	3.750%	A trained workforce, in terms of the Municipal Skills Plan.	Up to 30/06/2013	S83, 107 & 119 of the MFMA	All interns and official in Budget and Treasury Office	Annual training report of staff with improved NQF levels in their chosen or related field of work, as reported by the Skills Development Facilitator.
14.2.2 To ensure that the implementation, enhancement and maintenance of an effective financial reporting system to ensure compliance with legislation and regulations	5	6.250%	Procurement of goods and services in terms of SCM policy	Up to 30/06/2013	As per adopted SCM Policy	100%	Assessment report from Provincial Budget & Treasury confirming functioning of SCM Unit.
	1	1.250%	Implementation of database system	30/06/2013	As per adopted SCM Policy	100%	Assessment report from Provincial Budget & Treasury confirming functioning of SCM Unit.
	4	5.000%	Revised and operational SCM Unit.	30/06/2013	As per adopted SCM Policy	100%	Assessment report from Provincial Budget & Treasury confirming functioning of SCM Unit.
			Below and above (functional contracts management component) the R200k threshold being managed at the SCM Unit	30/06/2013	As per adopted SCM Policy	100%	Assessment report from Provincial Budget & Treasury confirming functioning of SCM Unit.
14.2.3 To ensure that the procurement of goods and services, either through quotations or through a bidding process must be within the threshold values as determined by the municipality's supply chain management policy	2	2.500%	Monthly SCM reporting.(2)	30/06/2013	As per adopted SCM Policy	100%	Portfolio Committee resolution noting the of monthly SCM reporting.
14.2.4 Draft annual financial that are compliant with latest accountings standards	2	2.500%	Timely written responses to internal and external audit queries as well as implementation of recommendations from internal and external auditors. (2)	30/06/2013	Good corporate governance.	100%	Report of Manager: Internal Audit detailing compliance and/or non-compliance as regards specific queries and/or recommendations.

14.3 LOCAL ECONOMIC DEVELOPMENT (LED)

OBJECTIVES	WEIGHTING	RATING CALCULATOR WEIGHTING %	KPI's	TARGETS			MEANS OF VERIFICATION
				TIME	QUALITY	QUANTITY	
14.3.1 To ensure that the enhancement of preferential procurement system to ensure compliance with legislation and regulations	4	5.000%	Procurement of goods and services from black emerging entities.	30/06/2013	As per adopted SCM Policy.	75% of annual municipal spend.	Report from SCM Unit and Internal Audit Report, adopted by Top Management confirming meeting of affirmable SCM targets.

14.4 MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

OBJECTIVES	WEIGHTING	RATING CALCULATOR WEIGHTING %	KPI's	TARGETS			MEANS OF VERIFICATION
				TIME	QUALITY	QUANTITY	
14.4.1 Prepare realistic and strategic budget, effective control or expenditure as well enhancement of procurement system	2	2.500%	Four quarterly performance reports submitted to the MM, Mayor and Provincial Budget & Treasury no later than three weeks after the end of each quarter.	Quarterly	S52 of MFMA	100%	Four reports together with Council extract.
	2	2.500%	Twelve monthly reports and a mid-year report, submitted to the MM no later than the 10th working day of the next month.	Monthly	S71 and S72 of MFMA	100%	Proof of submission of monthly reports to the MM, Mayor and Provincial Budget & Treasury.
	5	6.250%	15% Savings on revised Budget & Treasury Department budgeted operating expenditure.	30/06/2013	Council resolution.	100%	Quarterly budget variance report confirming savings.
	3	3.750%	Integrated IDP, PMS and Budget process plan.	31/08/2012	MFMA	100%	Adopted Council Resolution together with the Process Plan.
	1	1.250%	AFS process plan for year ended 30 June 2013.	31/05/2013	MFMA	100%	Adopted Council Resolution together with the Process Plan.
	4	5.000%	AFS as at 30 June 2013 submitted to Auditor-General by 31 August 2011.	31/08/2013	MFMA	100%	Proof of submission of 2010/2011 Annual Financial Statements to the Auditor-General.
	15	18.750%	Unqualified Audit report for the year ended 30 June 2013.	31/12/2013	MFMA	100%	Auditor-General's report for the year ended 30 June 2011.
14.1.2 To ensure treasury management in respect of healthy cash flows and appropriate investments	1	1.250%	Successful securing of new loans, budgeted for in the 2012/2013 financial year, in terms of chapter 6 of the MFMA, and receipt of monies to fund capital expenditure.	01/01/2032 & draw downs quarterly thereafter	Signed loan agreement terms & conditions	100%	Adopted Council Resolution together with signed loan agreement(s), agreeing to the adjusted capital budget 2011/2012.
14.4.3 To maximize revenue collection	7	8.750%	Reminding transferring officers to transfer grants	Up-to 30/06/2013	In terms of the approved SDBIP for 2011/12.	100%	Grants transferred report.
			Review and approved of Revenue Enhancement Strategy.	31/12/2012	In terms of the approved SDBIP for 2012/13.	100%	Adopted Exco Resolution.



OBJECTIVES	WEIGHTING	RATING CALCULATOR WEIGHTING %	KPI's	TARGETS			MEANS OF VERIFICATION
				TIME	QUALITY	QUANTITY	
			Issuing of statements and bills	Monthly	In terms of the approved SDBIP for 2012/13.	100%	Top Management Resolution noting the Report from Steering Committee on success of implementation.
14.4.4 To ensure assets are safeguarded	6	7.500%	Updated GRAP compliant Fixed Assets Register.	Half yearly	GRAP	100%	Report from Manager: Internal Audit confirming proof of GRAP Compliant Fixed Assets Register.
14.4.5 To ensure efficient, effective, economic financial reporting and management	2	2.500%	Achievable debt to income ratio.	30/06/2013	Five year financial plan.	40%	Quarterly report and supporting schedules clearly indicating debt to income ratio.
	5	6.250%	Improved sustainable debt collection ratio by 30 June 2012.	30/06/2013	Five year financial plan.	80%	Quarterly report and supporting schedules clearly indicating cumulative debt collection ratio.

14.5 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

OBJECTIVES	WEIGHTING	RATING CALCULATOR WEIGHTING %	KPI's	TARGETS			MEANS OF VERIFICATION
				TIME	QUALITY	QUANTITY	
14.5.1 To ensure that the resources required supporting the strategic and operational commitments of the municipality are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of the municipality	1	1.250%	Strategic planning and departmental meetings/sessions/ workshops held with staff.	30/06/2013	In terms of the approved SDBIP for 2012/2013.	100%	Quarterly reports on workshops and/ or sessions.
	1	1.250%	Register of services rendered to customers at various places about different issues and staff.	30/06/2013	In terms of the approved SDBIP for 2012/2013.	100%	Registers of customers and staff issues attended to and resolved.

## 15. CORE COMPETENCIES REQUIREMENTS (CCRs)

### SELECTED CORE COMPETENCIES REQUIREMENTS

- 1) Financial Management (Objective 15.1)
- 2) People Management and Empowerment (Objective 15.2)
- 3) Client Orientation and Customer Focus (Objective 15.3)
- 4) Change Management (Objective 15.4)
- 5) Supply Chain Management (Objective 15.4)
- 6) Accountability and Ethical Conduct (Objective 15.5)

OBJECTIVES	WEIGHTING	RATING CALCULATOR WEIGHTING %	KPI's	TARGETS			MEANS OF VERIFICATION
				TIME	QUALITY	QUANTITY	
15.1 To ensure efficient, effective, economic financial reporting and management	7	35.000%	Continuous sensitization of management and staff on the cost-saving and belt tightening on non priority spend initiatives, and regular report back on progress in this regard.	30/06/2013	N/A	100%	Minutes of management and staff meetings confirming sensitization of management on cost-saving and belt tightening initiatives.
15.2 To create an environment that is suitable and conducive to training	2	10.000%	A training schedule of Budget & Treasury staff, developed in consultation with the Skills Development Facilitator and staff.	Ongoing	MFMA	80%	List of staff with improved NQF levels in their chosen or related field of work, clearly indicating the closed gap as identified in the Workplace Skills Plan.
15.3 To ensure that the resources required supporting the strategic and operational commitments of the municipality are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of the municipality	3	15.000%	Sensitization of Budget & Treasury staff on the implementation of the Batho Pele Strategy and Service Delivery Improvement Plan.	By 31/12/2012	N/A	100%	Minutes of Budget & Treasury Department meetings confirming sensitization of staff on the implementation of the Batho Pele Strategy and Service Delivery Improvement Plan.

OBJECTIVES	WEIGHTING	RATING CALCULATOR WEIGHTING %	KPI's	TARGETS			MEANS OF VERIFICATION
				TIME	QUALITY	QUANTITY	
15.4 To ensure that the enhancement of preferential procurement system to ensure compliance with legislation and regulations	4	20.000%	Sensitization of management on the implementation of the Supply Chain Management Policy of the municipality.	30/06/2013	N/A	100%	Minutes of management meetings confirming sensitization of management on the implementation of the Supply Chain Management Policy of the municipality.
15.5 To promote and uphold principles of good governance.	4	20.000%	Sensitization of Budget & Treasury staff on the implementation of the Code of Conduct for municipal staff members.	30/06/2013	N/A	100%	Minutes of Budget & Treasury Department meetings confirming sensitization of staff on the implementation of the Code of Conduct for municipal staff members, as set out in Schedule 2 of the Local Government: Municipal Systems Act, No. 32 of 2000, as amended.

**NB:** All performance requirements have a deadline of 30 June 2012, unless stated otherwise in the requirements.

## ANNEXURE “B”

### PERSONAL DEVELOPMENT PLAN

**NAME:** LUCKY MADIKIZELA  
**JOB TITLE:** CHIEF FINANCIAL OFFICER: BUDGET & TREASURY  
**EMPLOYER:** INGQUZA HILL LOCAL MUNICIPALITY  
**FINANCIAL YEAR:** 2012/2013

Competency area to be addressed	Proposed actions	Responsibility	Time-frame	Expected outcome
1. Strategic leadership and management.	Receive the appropriate knowledge and training and thereafter be assessed by an Assessor accredited by the Local Government Sector Education Training Authority (LGSETA) in terms of the SAQA guidelines and NQF registered unit standards and criteria.	Municipal Manager	By 30/06/2013	Achieving the minimum competency requirements, as prescribed in the Municipal Regulations on Minimum Competency Levels, issued in terms of the MFMA, No. 56 of 2003.
2. Strategic financial management.	Receive the appropriate knowledge and training and thereafter be assessed by an Assessor accredited by the Local Government Sector Education Training Authority (LGSETA) in terms of the SAQA guidelines and NQF registered unit standards and criteria.	Municipal Manager	By 30/06/2013	Achieving the minimum competency requirements, as prescribed in the Municipal Regulations on Minimum Competency Levels, issued in terms of the MFMA, No. 56 of 2003.
3. Risk and change management.	Receive the appropriate knowledge and training and thereafter be assessed by an Assessor accredited by the Local Government Sector Education Training Authority (LGSETA) in terms of the SAQA guidelines and NQF registered unit standards and criteria.	Municipal Manager	By 30/06/2013	Achieving the minimum competency requirements, as prescribed in the Municipal Regulations on Minimum Competency Levels, issued in terms of the MFMA, No. 56 of 2003.

## **APPENDIX 1**

### **Commitment of Management Team reporting directly to the Chief Financial Officer**

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I, Lucky Madikizela (CFO) hereby make this commitment to support the Accounting Officer, M Fihlani, to achieve targets as set in this performance contract between him and the employer. As a CFO, I understand that his targets are impossible to achieve without my full support and co-operation. I, therefore, accept both my individual and collective responsibilities towards the attainment of the set targets.

**1. Signed by** \_\_\_\_\_

**LUCKY MADIKIZELA**

**CFO**

## **APPENDIX 2**

### **1. OBLIGATIONS OF THE EMPLOYER (KEY ASSUMPTIONS)**

#### **1.1 Office Accommodation**

During the full period of the performance agreement the employer shall provide adequate office accommodation for the Chief Financial Officer. The occupational cost including the attendant ground rent obligations will be borne by the Employer.

#### **1.2 Personnel**

The employer shall be required to hire managers reporting directly to the Chief Financial Officer.

#### **1.3 Facilities and Equipment**

1.3.1 During the full period of the performance contract, the employer shall avail to the Chief Financial Officer all existing facilities and equipment which he will need in executing his duties.

#### **1.4 Other provisions**

##### **1.4.1 Approvals**

The Employer shall make a decision/comment on items submitted for approval/comment within two (2) week of receipt of the items.

##### **1.4.2 Tasks to the Employer**

The employer undertakes to execute all crucial activities that fall under his responsibility as required by this contract in order not to derail the continuity of department operations. If there is failure on the employer's part and the Chief Financial Officer feels that the attainment of targets of this contract is at stake, the two parties will meet and agree on the way forward.

##### **1.4.3 Substitution of the Chief Financial Officer**

The employer reserves the right to take appropriate action to replace the Chief Financial Officer as per employment contract of the Chief Financial Officer.

## **2 OBLIGATIONS OF THE CHIEF FINANCIAL OFFICER**

### **2.1 Conditions of service**

2.1.1 The Chief Financial Officer shall be the Head of the Budget & Treasury Department, subject to the conditions of service as stipulated by the employer. The conditions of service of the Chief Financial Officer shall include but not be restricted to:

2.1.1.1 Setting of specific of targets for managers reporting to him.

2.1.1.2 Advise Municipal Manager on all matters including progress made in the implementation of the SDBIP.

2.1.1.3 Setting and monitoring of performance indicators for the Budget & Treasury Department and execute corrective measures as and when necessary.

2.1.1.4 Ensuring that the departmental assets are in a good working condition.

2.1.1.5 Provision of high quality service within the department in a cost effective manner within agreed time frames.

2.1.1.6 Completing and submitting performance reports for the Budget & Treasury Department, to the Municipal Manager on a monthly and quarterly basis for information purposes.

2.1.1.7 Assessing performance reports for Budget & Treasury staff where necessary.

2.1.1.8 Preparation of the annual budget and once approved, adhering to it.

2.1.1.9 Implementing strategies to improve the morale of staff.

2.1.1.10 Attending meetings and other occasions on behalf of the department.

2.1.2 The Chief Financial Officer shall ensure that his staff has access and is well informed about the disciplinary procedure of the municipality.



- 2.1.3 Making recommendations to the Municipal Manager to hire staff in the Budget & Treasury Department as the need arises.
- 2.1.4 Determining the optimum staff level necessary for the accomplishment of targets and advising the employer on reduction or increase of staff in the department. Staff restructuring or reduction will utilize the existing municipal 'staff pool' as will be mutually agreed between the employer and the Chief Financial Officer in fulfillment of the current staff reduction policy. If such staff is to be laid off due to the staff reduction policy, the cost of severance and other terminal benefits shall be borne by the employer as required by the Labour Laws of RSA.
- 2.1.5 Carrying out all the necessary departmental staff training as shall be mutually agreed with the employer.

## 2.2 Standard of Service

- 2.2.1 The Chief Financial Officer shall exercise all his skills, reasonable care, responsibility and diligence in discharge of his duties under this contract. The Chief Financial Officer shall do so with sound professional conduct in accordance with generally accepted standards.
- 2.2.2 Nothing in this Agreement diminishes the obligations, duties or accountabilities of the Chief Financial Officer in terms of his contract of employment, or the effects of existing or new regulations, circulars, policies, directives or other instruments.

## 2.3 Supervision of Personnel in the Municipality

The Chief Financial Officer undertakes to supervise personnel in his department. If he is dissatisfied with performance of any staff, provisions of the relevant internal policy and legislative framework of RSA shall apply.

## 2.4 Targets and Milestones

- 2.4.1 The Chief Financial Officer shall do all in his power to achieve the targets and milestones indicated in the municipal IDP and Performance Management System.

2.4.2 The Chief Financial Officer undertakes to achieve the parent targets, which shall be directly related to the expected improvement in the level of services and therefore improvement in the quality of life within the municipality. The parent targets are those defined as performance requirements in Section 4 of this contract.

## 2.5 Reporting

2.5.1 The Chief Financial Officer shall submit detailed quarterly reports on the operation of the Budget & Treasury Department to the employer. The reports shall include details of achievement of targets and milestones for that quarter for information purposes. The quarterly report should reach the employer within one month after the quarter in question has lapsed.

2.5.2 The Chief Financial Officer also undertakes to submit any other report/s as required by the employer.

## 2.6 Expenditure

The Chief Financial Officer shall be responsible for the implementation of the approved operational and capital budget of the Budget & Treasury Department.

## 2.7 Maintenance of Assets (fixed and movable) in the Municipality

The Chief Financial Officer shall assist the Municipal Manager in the maintenance of assets in the department with the Municipal Manager having authority to enter into service contracts with service providers to carry out such maintenance.

## 2.8 Purchases

2.8.1 The Chief Financial Officer undertakes to utilize the most recently approved Municipal Supply Chain Management Policy (SCM) to handle all procurement within the municipality, according to the provisions of this contract. No procurement shall be allowed to proceed outside of the approved SCM policy, and the Municipal Internal Auditor shall ensure that no payments are effected contrary to this arrangement.

## 2.9 Books and Records

The Chief Financial Officer shall keep accurate books and records of all finance operations and shall permit the employer to inspect them and make copies where necessary.

#### 2.10 Financial Procedures

2.10.1 Financial year shall commence on the 1<sup>st</sup> July 2011 and end on the 30<sup>th</sup> June 2012, such period defined as the financial year shall be used for purposes of budgets, expenditures, cash flows and other operational requirements.

2.10.2 The employer reserves the right to ensure that finances are operated in accordance with the government's financial regulations and can utilize the services of an Auditor in this regard.

2.10.3 The Chief Financial Officer must ensure strict adherence of all approved municipal financial policies, including issues of cost effectiveness, cost efficiency and over expenditure.

#### 2.11 Budget

2.11.1 During the budget process the Chief Financial Officer shall make the necessary submissions to the Budget & Treasury Budget Office, reflecting the projected financial needs of his department for the following financial year.

2.11.2 The approval of the departmental budget shall constitute the authority to the Chief Financial Officer to incur expenditure accordingly and in line with the performance targets indicated in this performance contract.

#### 2.12 Liability

The Chief Financial Officer shall be responsible towards the municipality for the performance of services in accordance with the provisions of this contract, subject to the following limitation:

2.12.1 The Chief Financial Officer shall not be liable for any damage or injury caused by or arising out of the act, neglect, default or omission, of any

personnel in his department in the course of duty or anybody subcontracted by the municipality.

**3. OTHER PROVISIONS**

**3.1 Unforeseen conditions**

There may be some unforeseen conditions necessary for the success of this performance contract. If either party discovers such circumstances, during the course of operation of this performance contract, the matter shall be brought to the attention of the other, in writing. A meeting, whose timing shall be mutually agreed upon, shall then be convened to discuss the outstanding issues. The minutes of such a meeting shall form an addendum to this contract.