



2014/2015 FIRST QUARTER PERFORMANCE REPORT

FOR

ILEMBE DISTRICT MUNICIPALITY

14 November 2014

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1. INTRODUCTION

The Municipal Systems Act (MSA) of 2000 mandates municipalities to establish performance management systems, and the Planning and Performance Management Regulations of 2001 describes the municipality's performance management system as consisting of a framework that articulates and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed and to determine the roles of different stakeholders.

The first quarter covers the period 1st July 2014 to 30th September 2014 and the purpose of this report is to outline the progress/performance for this period as per the approved SDBIP for the 2014/2015 financial year.

Commitment in terms of submission of monthly reports with portfolios of evidence is improving continuously as per set deadlines from departments which assists in tracking progress on a monthly and quarterly basis.

However it should be noted that Finance quarter one performance report and incomplete portfolio of evidence was received on 07 November 2014 instead of 14 October 2014, which impacted on finalisation of Municipal Manager scorecard, organisational scorecard and submission of reports to Internal Audit .

The PMS system also assist in improving the way we plan to ensure efficiency and effectiveness in our core function. Monitoring progress is an ongoing process, but information management plays a central and crucial role. It is the responsibility of the PMS unit to verify all information submitted by departments for accuracy and completeness and to ensure credibility of the system and reliability of information prior to finalisation and approval of reports.

Due to ongoing challenges such as incomplete reports, incomplete portfolio of evidence as well as late submissions, we have still not reached the optimum level of reporting and can only improve this with the full commitment of Management to meet set timeframes

The Acting Municipal Manager appreciates the effort and enthusiasm shown and hopes it continues to meet the municipality's commitment to provide high quality reports.

2. ORGANISATIONAL SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN (SDBIP) AND MUNICIPAL MANAGER'S SCORECARD

ILembe's Organisational Scorecard continues to be organised according to the five prescribed National Key Performance Areas (KPA's) as follows:

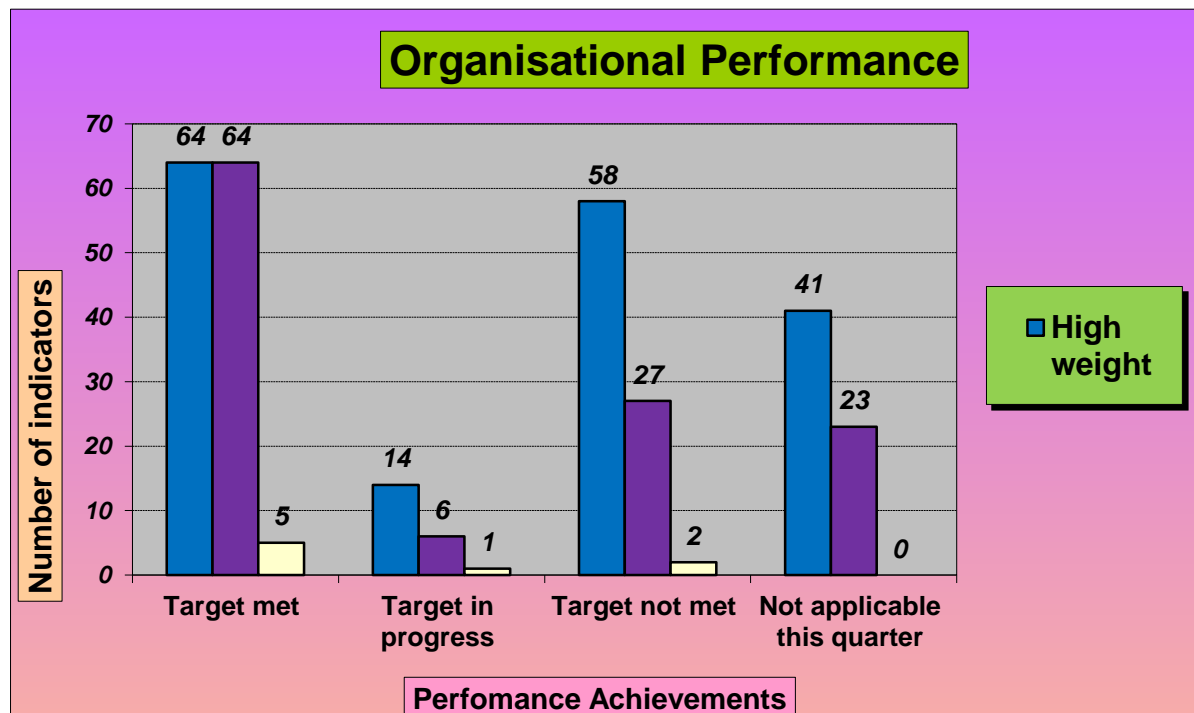
- ❖ Basic Service Delivery
- ❖ Socio-Economic Services
- ❖ Institutional Development & Transformation
- ❖ Financial Viability & Management
- ❖ Good Governance & Public Participation

2.1 OVERALL SUCCESS RATE

The table below depicts the performance of the district in relation to the various business units.

Indicators for all departments	High weight	Medium weight	Low weight	Total
Target met	64	64	5	133
Target in progress	14	6	1	21
Target not met	58	27	2	87
Not applicable this quarter	41	23	0	64
Total				305

Figure 1: Summary of Organisational performance



3. DEPARTMENTAL RESULTS

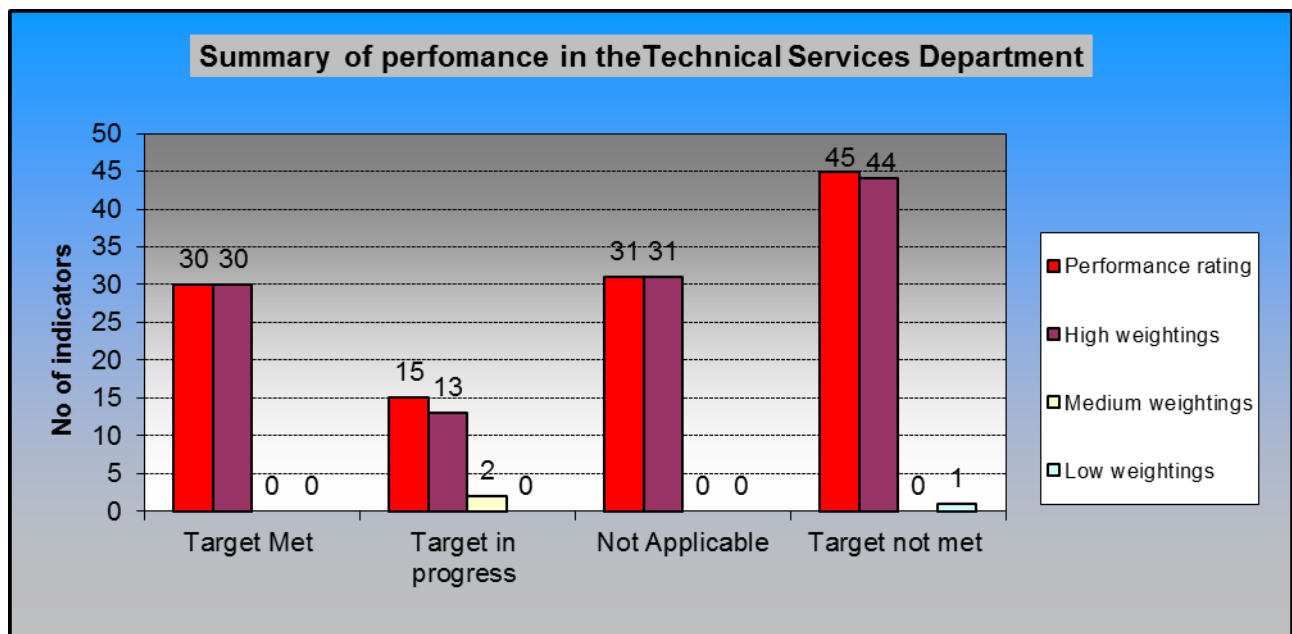
3.1. OFFICE OF THE MUNICIPAL MANAGER

The draft Framework and Process Plan for 2015/2016 IDP Review was adopted by EXCO on 19 August 2014. Final Plan submitted to EXCO for adoption on 9 September 2014 hence meeting postponed to 9 October 2014.

The Annual Municipal Performance Report for the 2013/2014 financial year was submitted to Auditor General on the 29th August 2014.

The internal audit unit completed 5 assignments to date, as compared to target of 3. The risk management unit has updated the risk register in this quarter, a Risk Committee meeting was held in July, to ensure effective risk management, understanding and the importance of this function.

3.2 TECHNICAL SERVICES



HIGHLIGHTS AND PROGRESS ON ACTUAL PERFORMANCE

The job opportunities created through the expanded public works programme (EPWP) in order to enhance job creation in the district were 359. The percentage of municipality's annual capital budget spent on agreed IDP projects is 18%, against the target of 15%.

For water connection in this quarter the main focus is on percentage progress towards connection and no actual household connection.

A total of 499 households were served with basic sanitation (VIP toilets), against a target of 588 for this quarter.

CHALLENGES

The results for Blue and Green drop status are not yet received from Department of Water Affairs (DWA).

In this quarter, 21% (7 out of 34 targets) of the water projects targets were met. The balance of 79% was not met due to the following reasons;

- Change of specification from 500kl to 1ml reservoir.
- The closing date for the Bid had to be extended from 24 to 31 October 2014 because bidders were unable to reach the site due to the closure of the R74 road.
- Objections on tenders were received.
- Delays in awarding of projects caused some projects to commence late.
- Contractors had cash flow problems which resulted in them not being able to complete the projects on time.
- The site handover is being delayed to coincide with the award of the relay of Phase 2A pipeline
- Extension of reticulation is on hold until lower Thukela offtake 3 has been implemented.

Actual expenditure on water projects is at R 27 797 444. 65 against a projection of R 31 500 000.

47% (9 out of 19 targets) of the sanitation projects targets were met. The balance of 53% was not met due to the following reasons;

- Construction started slowly due to new Co-ops being trained.
- Contractors had cash flow problems which resulted in them not being able to complete the projects on time.
- Poor performance of a contractor.

Actual expenditure on sanitation projects is at R 17 702 255.38 against a projection of R 10 600 000.

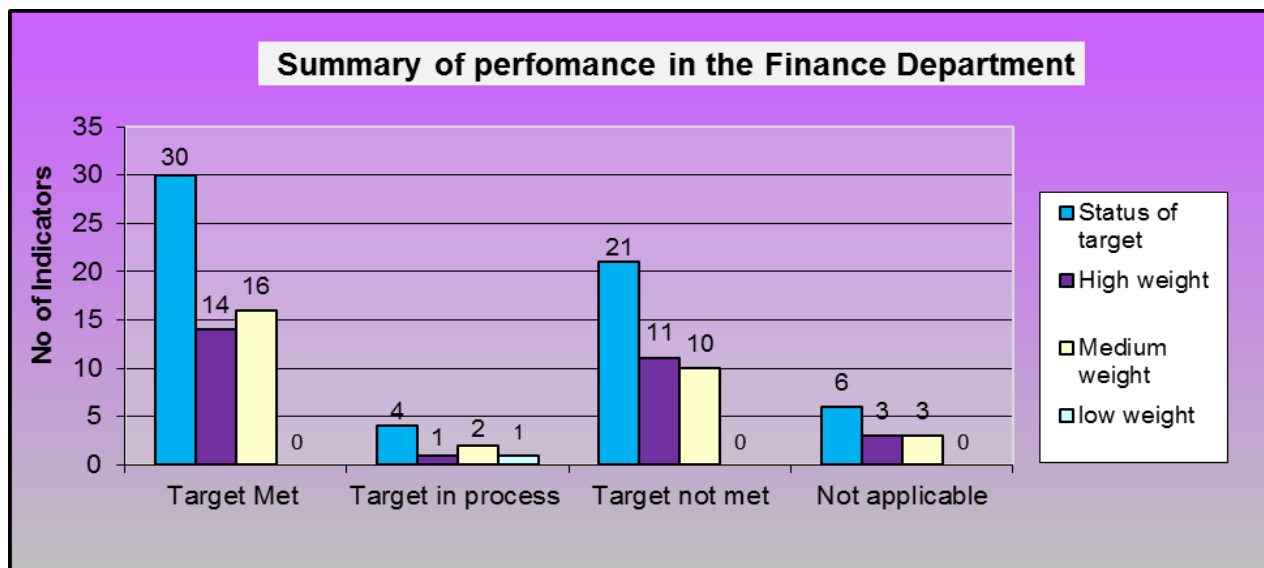
Refurbishment projects

- Contractor had challenges with existing services and labourers had to be increased and the working method had to be changed because there was a lot of interruption to other services

MEASURES TO IMPROVE PERFORMANCE/CORRECTIVE MEASURE

- The contract will be ceded to another contractor who will complete the works.
- Contractor will be requested to submit a revised program in order to speed up the works.
- More co-ops will be trained in order to accelerate construction.
- The contractor is on penalties and has been instructed to complete the works as soon as possible
- The existing services and labourers had to be increased and the working method had to be changed because there was a lot of interruption to other services

3.3 FINANCE DEPARTMENT



HIGHLIGHTS & PROGRESS ON ACTUAL PERFORMANCE

In terms of compliance with Municipal Finance Management Act, section 126 (a), (b) and achieving clean administration, Annual Financial Statements (AFS) for ILembe District Municipality were submitted to Auditor General on 01 September 2014 and the Consolidated (iLembe District Municipality and Enterprise iLembe) AFS were submitted on 30 September 2014 to Auditor General. The implementation and monitoring measures were put into place, as monitoring of the action plan was at 25% as per the planned target for this reporting period.

Statutory monthly reports were all submitted by deadline, on the 14th of each month. The Budget Process Plan was submitted to Council on 19 August 2014. In terms of compliance with the MFMA budget regulations and circulars the unit was fully compliant.

The Asset management unit verifies movable assets on quarterly basis, with 1 verification conducted as of end September 2014 and the asset register is updated on a monthly basis. Reconciliation between the asset register and AFS is conducted monthly, 3 reconciliations were conducted and reported for this quarter. Frequency of stock take is being done monthly. Monthly reconciliations were

conducted between the stock report as per Munsoft and AFS during this quarter. The calculation for Capital expenditure to total expenditure is 31% against target of 5%, which reflects higher spending on infrastructure and acceleration in service delivery.

Percentage of consumers paid in full versus the number of consumers billed is at 37% against a target of 31%. 96 % of overdue accounts were submitted to Technical Services for restriction in this quarter. The outstanding service debtors to revenue ratio is 11.62:1, which is higher than the targeted ratio of 2.5:1 and this is a result of low collection rate. 69% of debtors over 120 days were handed over to attorneys for collection against the projection of 5%.

The implementation of the annual procurement plan is 14% against a target of 25%. In terms of the procurement time the processes in recommending preferred supplier to departments the average turnaround time is 9.94 days and 6.68 days against targets of 10 and 5 days respectively. The turnaround time for processing all bids is at 140 days against a target of 120 days. Monitoring of performance of services providers is on track as all departments have committed in ensuring the submission of their reports to the SCM unit, monthly. Regular update of the contracts register is being done monthly. Credible information relating to expenditure per project is being compiled for the past financial year

Average number of days taken for trade creditors to be paid is 30 days.

Quarter 1 has 31% remuneration costs of total operating expenditure due to remuneration costs for the month of July 2014 included a once off back payment in respect of job evaluation and placement (R2,9 million). Both these categories of costs had a major bearing on the ratio of salaries expenses measured against total operating costs.

CHALLENGES

Monitoring of SOPs, dashboard reports could not be done and monthly AFS were not submitted to Finance Portfolio Committee and Audit Committee as the finance team was busy with preparation and submission of Annual Financial Statements to Auditor General.

Revenue enhancement expected results are not seen yet, as the revenue collection rate of 43% was reported against 70% target. Revenue collection rate was low due to the post office strike, as two major customers received their statements late hence their payment was late, only received in the first week of October instead of end of September. Also, there was an increase in tariffs with no corresponding increase in cash receipts from consumers

Furthermore, there was a delay in Utility transferring the prepaid water sales money into the municipality's bank account, those amounts also appeared in the October bank statement instead of September statement.

The implementation of the annual procurement plan is below target due to Technical Services projects awaiting resolution of issues relating to Environmental Impact Assessment (EIA), therefore these projects cannot go to Bid Specification Committee and are being held up.

Cash on hand is currently at 6 days due to low collection rate. The level of the cost coverage ratio of 0.2:1 against target of 2:1 which is relative to the cash on hand, the lesser the number of days for cash on hand, the ratio will also be less.

MEASURES TO IMPROVE PERFORMANCE/CORRECTIVE MEASURES

Each manager has prepared a presentation on how to do things differently in 2014/2015 financial year, so that year end submissions to Auditor General does not affect normal monthly processes.

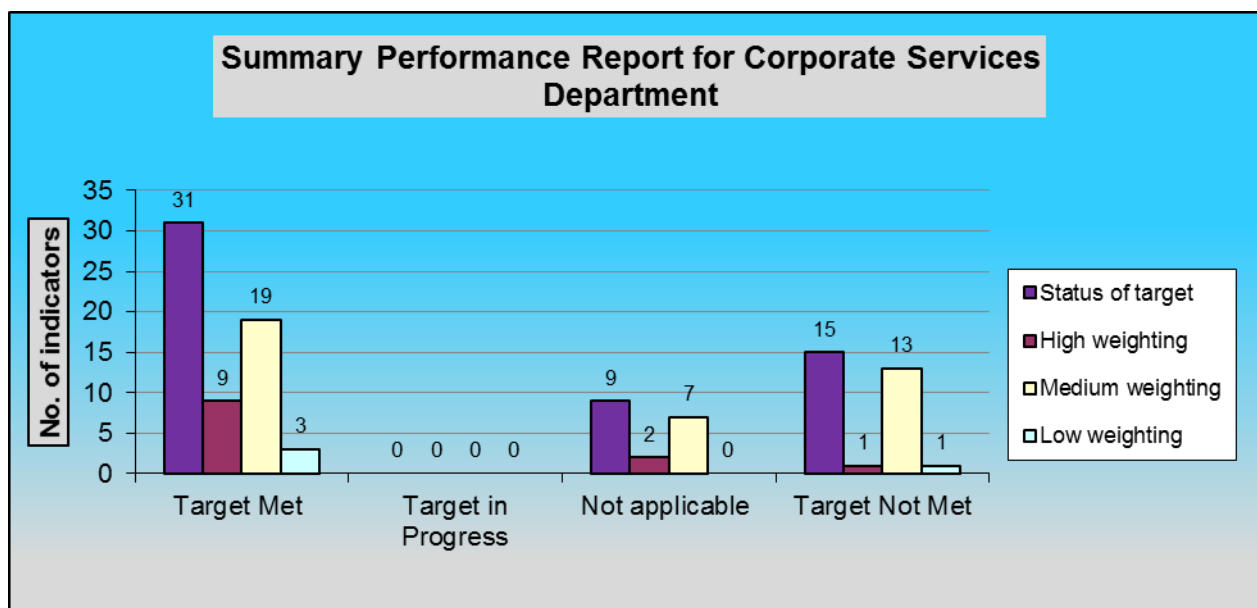
The delay in transferring prepaid water sales money into the municipality's bank account was discussed with the service provider-Utility and their performance will be closely monitored for them to comply with the signed SLA.

A comprehensive indigent outreach programme will be conducted to ensure that consumers who do not afford are treated as indigent, continued monitoring on the implementation of the intelligent meter project and debt collection strategy.

Enhancements of the credit control procedures will be implemented and the restriction via intelligent meters will also assist in improving collection rate.

Once EIA assessment issues are resolved and results received bid processes will continue.

3.4 CORPORATE SERVICES



HIGHLIGHTS AND PROGRESS ON ACTUAL PERFORMANCE

The percentage implementation of job evaluation reports is at 84% against the target of 50%.

Implementation of the work place skills plan is ahead of target with 27% employees trained against a target of 20% and 0.38% of the municipal budget spent.

Skills development has 10 staff enrolled for undergraduate degrees/diplomas and 27 councillors enrolled on skills programme. Employee wellness programme was successful as SARS assisted employees in filing their tax returns as part of financial wellness.

The new SharePoint support SLA was signed. The draft specification for the implementation of Phase 1 for the telemetry system was done. Funding being sourced for the Record Management system.

Drawing up and vetting of documents by Legal Services is at 3 days against a target of 10 days. Percentage of service legal agreements is at 100% in terms of finalisation within a month of request.

Council support with coordination of all Council, Exco and Portfolio committee is fully functional. The draft specification has been prepared for the installation of elevator.

Management of service providers is on track with reports being submitted timeously to the SCM unit in terms of performance.

The Environmental health unit continues to perform its functions in maintaining a safe and healthy environment with 122 sites serviced in terms of vector control, 69 water samples taken and analysed and 269 premises inspected to reduce food borne illnesses. 95% of license applications for food handling premises were processed and 100% of building plans were scrutinised within the specified period in terms of compliance with the health regulations.

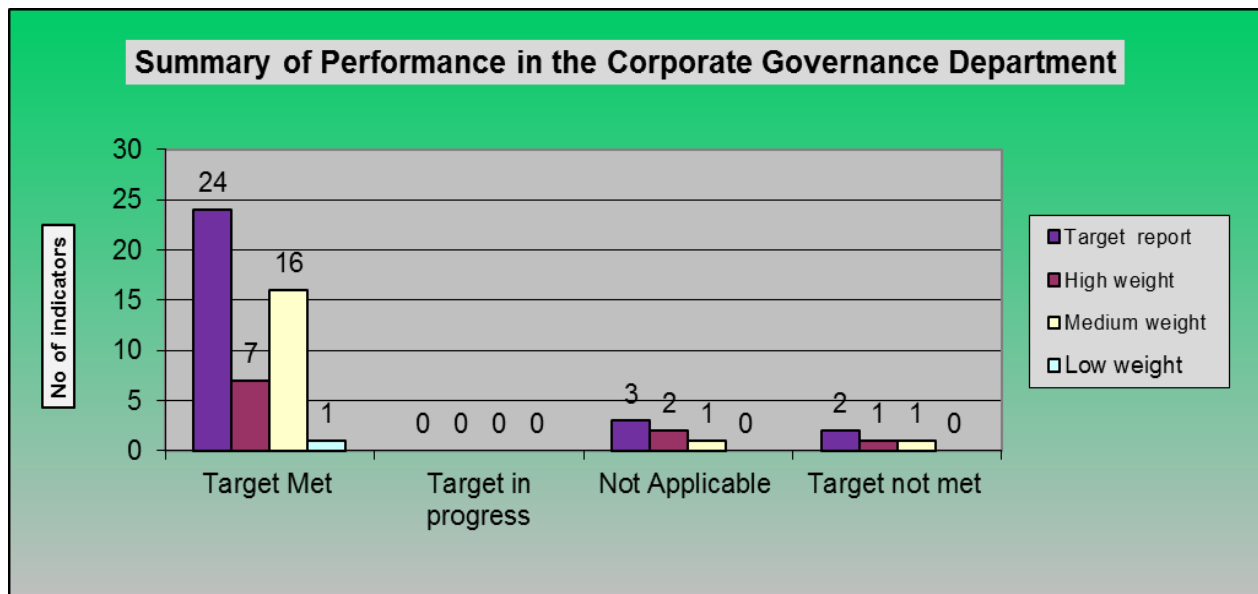
CHALLENGES

- Appeal process for the implementation of job evaluation reports is outstanding, to be finalised by quarter 4.
- The employees are attending training which is not part of Workplace Skills Plan (WSP).
- Worker was injured (IOD) unable to work at full potential.
- There was a misunderstanding with regards to actual sampling points, as a result some samples were rejected. 12% of unsatisfactory water samples were reported.

MEASURES TO IMPROVE PERFORMANCE/CORRECTIVE MEASURES

- Remaining posts to be evaluated by SALGA Job Evaluation Unit
- Skills development committee to meet in quarter 2 to review performance of WSP
- Motivate to expand Vector control team.
- A meeting was held and misunderstanding was clarified. More samples will be taken to meet target in months to follow.

3.5 CORPORATE GOVERNANCE



HIGHLIGHTS AND PROGRESS ON ACTUAL PERFORMANCE

There were 4 heritage celebrations held in this quarter. The 2013/2014 financial year information from departments has been consolidated into draft annual report and was submitted to Auditor General on 01 September 2014.

The concept on knowing your government has been presented at the speaker's forum. Effective public awareness was conducted with 4 mayoral radio slots and 32 advertorials in the print media. Enhancement of public participation was successful with 12 public consultations including IDP/Budget and PMS. Mayors District Intergovernmental Relations is well coordinated with 2 meetings held.

Management of service provider in terms of their performance is on track with quarter 1 report submitted to the SCM unit by deadline.

Emergency relief aid is maintained at 100% response to all incidents reported, 12 awareness campaigns and 6 capacity building sessions were held. Disaster management communication system training has been done with all disaster management and water call centre staff.

Implementation of the gender programmes as per the approved plan is at 10 against a target of 4 and 8 programmes were held as per the youth plan with 250 youth benefitting from the various programmes implemented.

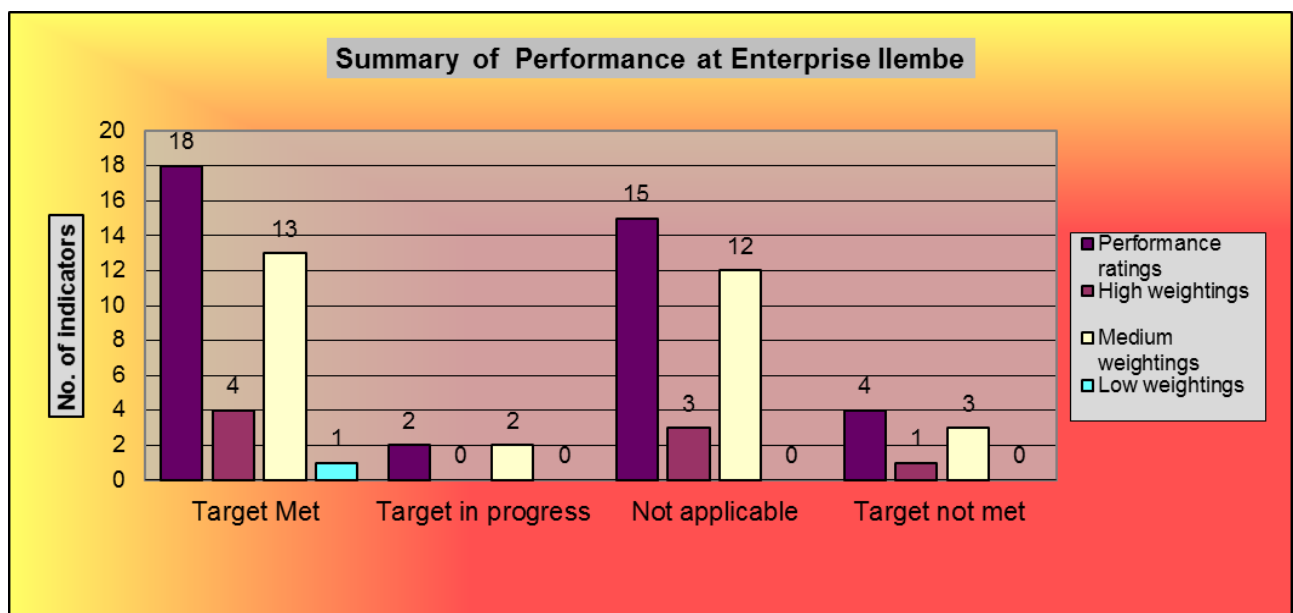
CHALLENGES

- Relocation of the communication system is not yet done as it is dependent on a fully functional Disaster Management Centre. The electrification process has not started, due to non-approval of the building plans by KwaDukuza local municipality.
- Maphumulo site visits were not conducted due to service delivery protests, whilst the dates for Ndwedwe co-incident with the firefighting training programme that was conducted by COGTA and USA 911 Fund

MEASURES TO IMPROVE PERFORMANCE/CORRECTIVE MEASURES

- KwaDukuza local municipality has been paid for consideration and approval of the Building Plans, and the hope is that electrification process will then be initiated. Once the building is electrified, relocation of staff and other I.T (telephone, networks etc.) process will then commence and this includes relocation of the Communication and Call Centre System.
- Planned one on one sessions have been confirmed for Ndwedwe (07 and 08 October 2014) and Maphumulo (09 and 10 October 2014)

3.6 MUNICIPAL ENTITY – ENTERPRISE ILEMBE



In terms of section 93B of the Municipal Systems Act, the parent municipality must ensure that the performance objectives and indicators for the municipal entity are established by agreement with the entity and included in the municipal entity's multiyear business plan in accordance with section 87 (5) (d) of the MFMA. It is for this reason that the report for the Enterprise iLembe has been included as part of this performance report.

HIGHLIGHTS AND PROGRESS ON ACTUAL PERFORMANCE

The percentage increase of yield from local iLembe Farms for the National Schools Nutrition Programme (NSNP) is 67% against a 20% target, the entity has increased the number of new open field's projects by 3 in this quarter. A further 7 co-operatives have been registered which will assist in increasing new job opportunities. To promote business retention and expansion and attract new investments, 3 business networking sessions were attended, 4 exhibitions were attended regarding tourism, marketing and promotions, with a further 1 advert/advertorial appearing in the Wildside Magazine. To increase visitors to District, 1 support event was hosted.

Percentage of employees trained is at 25% against a target of 5%. To ensure effectiveness of the Board of Directors as well as approval, input and guidance 1 board meeting was held in this quarter.

Monthly financial information reports and performance management reports were submitted by the stipulated deadlines.

CHALLENGES

Quarter 1 target of two (2) co-op farmers phased out of the NSNP programme was not met, due to drought that was experienced by farmers.

MEASURES TO IMPROVE PERFORMANCE/CORRECTIVE MEASURES

Enterprise iLembe need to have planting done on the project first, before phasing out co-op farmers on NSNP programme.

4. PERFORMANCE OF SERVICE PROVIDERS

Section 39 (g) of the ILembe District Municipality's Supply Chain Management Policy requires the accounting officer to establish and implement an effective system of logistics management, which must include the monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

RATING CRITERIA

For contractor performance rating purposes, the following rating criteria will be used.

PERFORMANCE WEIGHTING		
1	POOR	Performance did not meet most contractual requirements and contains serious problem(s) for which correction actions were ineffective
2	SATISFACTORY	Performance did not meet some contractual requirements, contractors actions appear only marginally effective or were not fully implemented.
3	GOOD	Contractual performance of contractor contains some minor problems for which corrective action taken by the contractor appear or were satisfactory
4	VERY GOOD	Performs meets contractual requirements some minor problems for which corrective action taken by the contractor were effective
5	EXCELLENT	Performance meets contractual requirements with few minor problems for which corrective actions by contractor were highly effective.

SERVICE PROVIDER PERFORMANCE REPORTS 2014/2015 - QUARTER 1 PERFORMANCE RATINGS

COMPANY NAME	EXCELLENT (5)	VERY GOOD (4)	GOOD (3)	SATISFACTORY (2)	POOR (1)	NOT ENGAGED	NO REPORT SUBMITTED
TECHNICAL SERVICES							
BLACK BALANCE					√		
ROYAL HASKONING DHV			√				
IBHONGO CONSULTING							√
SIVEST		√					
ZIYANDA CONSULTING							
MSW CONSULTING		√					
ZAI CONSULTING		√					
MVULA TRUST							√
LINDA MASINGA							√
JOAT CONSULTING			√				
HATCH GOBA			√				
MADAN SINGH CONSULTING							√
ESOR FRANKI	√						
EAST COAST IRRIGATION	√						
AFROSTRUCTURES		√					

SERVICE PROVIDER PERFORMANCE REPORTS 2014/2015 - QUARTER 1 PERFORMANCE RATINGS

COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
R & B PIPELINES		√					
ASPHALT CONSTRUCTION		√					
HIDROTECH INFRA		√					
HT CIVILS		√					
SUNSET BEACH TRADING			√				
NORTH COAST WATER RETICULATION				√			
UNICON CONSTRUCTION		√					
FIRST WORKS 119 CC			√				
NDISHI STHOMBE JV					√		
EGXENI CONSTRUCTION					√		
RGZ PROJECTS					√		
ROCKHARD PLUMBERS				√			
SIYADUDULA CONSTRUCTION					√		

SERVICE PROVIDER PERFORMANCE REPORTS 2014/2015 - QUARTER 1 PERFORMANCE RATINGS

COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
KULU CIVILS & PROJECT MANAGERS					√		
UMUZI CIVILS					√		
INYAMEKO TRADING					√		
LINDOKUHLE ENGINEERING				√			
NOKWEJA ENGINEERING				√			
SINGHS HARDWARE					√		
PHINGOSHE TRADING			√				
UMHLABOMUSHA TRADING			√				
P THREE TRADING ENT				√			
INGQOLOBANE PROJECTS			√				
THUBA CONSTRUCTION			√				
ABANGANI PROJECTS						√	
AQUA TRANSPORT					√		
VALAMEHLO TRUCK SALES				√			
TAKITSI TRADING							√

SERVICE PROVIDER PERFORMANCE REPORTS 2014/2015 - QUARTER 1 PERFORMANCE RATINGS

COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
MALUTHULI CONSULTING						√	
KK GARDENS WORLD							√
NGOTSHA CONSTRUCTION			√				
SIBA FAMILY TRADING ENT			√				
OKAMDEKENI TRADING			√				
RICINZ CONSTRUCTION			√				
ILUNGELO LAMI TRADING						√	
MAFUKU TRADING						√	
CORPORATE GOVERNANCE							
AURECON				√			
ISIDINGO SECURITY				√			
DEBBIE ISAACS				√			
CORPORATE SERVICES							
KENVOLKS MOTORS	√						
CMH COMMERCIAL PINETOWN	√						

SERVICE PROVIDER PERFORMANCE REPORTS 2014/2015 - QUARTER 1 PERFORMANCE RATINGS

COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
SUPERTECH PANEL BEATERS	√						
CHRYSLER JEEP DODGE UMHLANGA	√						
COASTAL AUTO SERVICES	√						
TREVS AUTO SERVICES	√						
DOLPHIN COAST TOWING & REPAIRS	√						
MOTOR KING	√						
ONE STOP AUTO INDUSTRIES & BREAKDOWN SERVICES	√						
STANGER MOTOR WORLD	√						
SONKE CONSULTING				√			
HLUNGA CONSULTING			√				
OPTICAL NETWORK SOLUTIONS				√			
DIMENSION DATA				√			

SERVICE PROVIDER PERFORMOMANCE REPORTS 2014/2015 - QUARTER 1 PERFORMANCE RATINGS

COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
KONICA MINOLTA					√		
NASHUA					√		
GIJIMA TECHNOLOGIES				√			
PHOTONOTE					√		
SMART OFFICE					√		
UNIQUEST TRAVEL							√
CHANTI TRAVEL							√
TRAVEL WITH FLAIR						√	
FINANCE							
USC METERING T/A UTILITY				√			
INDWE RISK SERVICES		√					
FIRST NATIONAL BANK	√						
D & D AMANZI				√			
KAYOSI TRADING				√			
BC INDUSTRIAL				√			
KFC ENGINEERING				√			

SERVICE PROVIDER PERFORMANCE REPORTS 2014/2015 - QUARTER 1 PERFORMANCE RATINGS

COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
UNICOAST				√			
CONTI CHEM PTY (LTD)				√			
OFFICE OF THE MUNICIPAL MANAGER							
BLACK BALANCE						√	

MEASURES TO IMPROVE PERFORMANCE OF CONTRACTORS/VENDORS

The Municipality has encountered challenges arising from the appointment of contractors who fail to execute the project to its completion stage. Some have cited underquoting as a reason for their failure. The Municipality has taken action in terms of MFMA Circular 43 against all those contractors found to be in breach of contract due to poor performance. We have served them with notices of intention to blacklist them. They are supposed to submit to the Municipality within 14 days reasons why the envisaged restriction should not be imposed. Thereafter the Municipality will have to notify Treasury so that these companies can be included on the Restricted Bidders database.

On the 22nd of September 2014, the Municipality conducted a workshop to assist local emerging contractors and service providers to successfully participate in the Council's procurement activities. It had been established that most service providers or contractors lack understanding of the SCM processes, resulting in them being unsuccessful when participating in the procurement processes. The intention was to empower them with knowledge as opposed to just disqualifying them. They were educated on the SCM processes, mandatory documents required when submitting a bid, evaluation processes and criteria, delivery, contract/performance issues, implications of non/underperformance, implications of objections, etc.

Amongst institutions that did presentations are; IDM (SCM, Technical & Expenditure), KZN Provincial Treasury: SCM systems, KZN Dept of Economic Development and Tourism, CIDB, SARS, KZN Treasury: Municipal Bid Appeals tribunal (Objections) and Dept of Public Works (EPWP Programme). Below are some of the issues that we were addressed;-

- Most of the emerging contractors are failing to successfully tender for a particular project due to lack of understanding of the SCM processes, especially, the mandatory requirements when bidding for a project and the funding sources once we have awarded them a project etc.
- In our Competitive Bids, most of them are failing to go past the functionality evaluation phase despite this being thoroughly explained in the bid specification document and during briefing sessions.
- Some struggle to secure funding needed to commence the project implementation after being awarded.
- Some submit expired documents or not update their expired/invalid documents at all, e.g., Tax Clearance Certificate, CIDB etc,
- Some fail to execute the contracts, resulting in the termination of such and the blacklisting of the defaulting contractors

- Some of these contractors who are disqualified during the bidding process tend to lodge objections/appeals, eventually delaying the project implementation,
- There is also a possibility that the Municipality might end up appointing a very expensive contractor/bidder for the implementation of a particular project, if most of the bidders quoting a lower amount are disqualified due to non-compliance with the conditions of bid,
- Some were not aware of their rights and responsibilities as part of the General Conditions of Contracts,
- Some don't understand how the payments system works.

5. CONCLUSION

The performance management system continues to improve and management is gradually getting familiar with the system and where target is not met, meaningful corrective measures are stated to ensure that these tools are really assisting the management and adding value in streamlining their work. The departmental reports are attached as annexure. The iLembe District Municipality wishes to reinforce its commitment and dedication in ensuring the service delivery and changing the lives of the people within our district.

ANNEXURE