



A U D I T O R - G E N E R A L

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE RESULTS OF PERFORMANCE MEASUREMENT OF THE CITY OF CAPE TOWN[NAME OF THE MUNICIPALITY or MUNICIPAL ENTITY] FOR THE YEAR ENDED 30 JUNE 2003[LAST DAY, MONTH AND YEAR OF APPLICABLE FINANCIAL YEAR]

1. AUDIT ASSIGNMENT

The results of the performance measurement for the year ended 30 June 2003[*last day, month and year of applicable financial year*] is the responsibility of the accounting officer.r.

My responsibility is to provide an assessment of the controls implemented by the accounting officer to develop and manage the municipality's performance management system as required by section 45(b) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

My role is not to assess or comment on the municipality's actual performance, but rather to evaluate the processes followed during the implementation of the performance management system.

2. NATURE AND SCOPE

I have performed the procedures agreed with the City Manager and described below regarding the performance management system of the City of Cape Town (municipality)[*name of municipality or municipal entity*]. My engagement was undertaken in accordance with the Statements of South African Auditing Standards applicable to agreed upon procedures engagements.

The responsibility for determining the adequacy of the procedures performed is that of the municipality[*name of municipality or municipal entity*]. My procedures were performed solely to evaluate the controls implemented by the accounting officer regarding the municipality's/municipal entity's [*delete whichever is not applicable*] performance management system against the criteria included in chapter 6 of the Municipal Systems Act, 2000, the Local Government: Municipal Planning and Performance Management Regulations, 2001 (No. R. 796 dated 24 August 2001) and best practices, so as to report on the applicable compliance with legislation and to assist in identifying possible areas for improvement.

The procedures performed during the factual finding were based on the feedback received from the completion of the high-level checklist by the accounting officer and included a review of the following key phases:

- Phase 1 - Development of an integrated development plan
- Phase 2 - Development and implementation of a performance management system
- Phase 3 - Development and implementation of key performance indicators
- Phase 4 - Setting targets for the developed key performance indicators
- Phase 5 - Service delivery by the municipality
- Phase 6 - Internal monitoring
- Phase 7 - Internal control
- Phase 8 - Performance measurement and reporting
- Phase 9 - Revision of strategies and objectives

[For each of the nine phases, list all the applicable phases relating to the auditing guideline and/or diagnostic guideline that were performed. These procedures are included in the office's manual on the auditing of the results of performance measurement within local government.]

3. FINDINGS

The findings on the various phases are as follows:

3.1 Phase 1 – Development of an integrated development plan (IDP)

The council has drafted, adopted and implemented an IDP for the 2002-03 financial year in terms of chapter 5 of the Municipal Systems Act, 2000 read with the performance management regulations (Regulations).

The IDP for the 2002-03 financial year did however not reflect the following as required in terms of section 26 of the Municipal Systems Act, 2000:

- (a) The municipal council's vision for the long term development of the municipality with special emphasis on the municipality's most critical development and internal transformation needs [Section 26(a)];
- (b) An assessment of the existing level of development in the municipality, which must include an identification of communities which do not have access to basic municipal services [Section 26(b)];
- (c) The council's development strategies which must be aligned with any national or provincial sectoral plans and planning requirements binding on the municipality in terms of legislation [Section 26(d)];
- (d) A spatial development framework which must include the provision of basic guidelines for a land-use management system for the municipality [Section 26(e)];
- (e) Applicable disaster management plans [Section 26(g)];

- (f) A financial plan, which must include a budget projection for at least the next three years [Section 26(h)]; and
- (g) The key performance indicators and targets determined in terms of section 41 [Section 26(i)].

In his comments to the above findings, the City Manager emphasised that the process and implementation of the IDP was disrupted mid-stream during the year under review due to a change in political leadership as well as the appointment of a new City Manager. He also indicated corrective actions to address the findings.

3.2 Phase 2 – Development and implementation of a performance management system (PMS)

During the 2002-03 financial year the council partially implemented a PMS as required by section 38 and 39 of the Municipal Systems Act, 2000.

3.3 Phase 3 – Development and implementation of key performance indicators (KPIs)

The municipality did not comply with the requirements of section 41(a) of the Municipal Systems Act, 2000 as there are no KPIs listed in the IDP.

According to the City Manager, the PMS tool, namely the Balanced Scorecard is still in the process of being implemented.

3.4 Phase 4 – Setting targets for the developed key performance indicators

As a result of the KPIs not being listed in the IDP, the council did not comply with section 41(1)(b) of the Municipal Systems Act, 2000 that requires measurable performance targets to be set for each of the development priorities and objectives.

3.5 Phase 5 – Service delivery by the municipality

3.5.1 Municipal staff

The Balanced Scorecard as a performance management framework was only adopted by council on 26 March 2003. According to paragraph 2.1 of the “Status report on Organisational Performance Management in the City of Cape Town”, dated 23 June 2003, the Balanced Scorecard methodology, as developed and approved by council, has been implemented at the executive levels of the municipality as part of the earlier national pilot project.

3.5.2 Service providers

To date, no framework has been developed to track the performance of the municipality's service providers.

3.6 Phase 6 – Internal monitoring

3.6.1 Municipality

Although the strategic map and indicators for the City Manager's directorate was in place, no planning and monitoring meetings took place and no performance targets were set. Whilst the performance of the City Manager's directorate was not measured, some of the City Manager's objectives were cascaded into the directorate of the Assistant City Manager, Sub-councils and City Health for whom planning and monitoring meetings were held and in effect measured.

As the City Manager's performance was not monitored as a whole, no proof could be obtained that regular meetings with the community forum was convened to monitor the municipality's performance in relation to the KPI's and performance targets.

Monthly and quarterly reports are submitted to the Mayor and the Portfolio Committee respectively on the status of the Organisational Performance Management System (OPMS). In addition, an annual performance report was compiled for inclusion into the annual report for the municipality for the financial year ended 30 June 2003 as required in terms of section 46(1)(a) of the Municipal Systems Act, 2000.

An evaluation of the documented monitoring framework, revealed that the framework does not include the following:

- (a) how the data is to be collected, stored, verified and analysed;
- (b) how reports on that data are to be compiled; and
- (c) the timeframes for reports on the data collected and analysed.

3.6.2 Service providers

No monitoring of the performance of the municipality's service providers took place for the period under review.

3.7 Phase 7 – Internal control

3.7.1 Internal Audit

In terms of section 45(a) of the Municipal Systems Act, 2000 the results of the performance measurements must be audited as part of the municipality's internal auditing process. However, no work was done on the 2002-03 financial year, due to the fact that resources were only allocated for this after the beginning of the 2003-04 financial year.

3.7.2 Audit Committee

The current audit committee's terms of reference were expanded by the council to include performance measurement. The council approved the audit committee's terms of reference during April 2003.

3.8 Phase 8 – Performance measurement and reporting

3.8.1 Municipality

Due to the fact that the planning and monitoring mechanism for the City Managers' directorate was not in place, the measuring of the performance of the City according to the Organisational Performance Management System (OPMS) could not take place. However, the performance of the directorates of the Assistant City Manager, Sub-councils and City Health was measured and some of the City Manager's objectives were cascaded into these planning and monitoring mechanisms.

An organisational performance management report, dated 30 June 2003, was compiled for the year under review, but this report was not based on the measurement according to the OPMS. From discussions with the Director: Performance Management it appears that this report was based on information that was obtained from various council minutes.

The following shortcomings were identified in the OPMS report:

- All the agreed objectives and indicators were not captured.
- The agreed targets relevant to the period, which the report covers, were not stated.
- Current performance over the relevant reporting period was not measured.
- No reporting was done on the general KPIs as required in paragraph 10 of the Regulations.
- It does not specify when the reporting was done.
- The source of measurement was not specified.
- It does not reflect on whether agreed targets have been met.
- The reasons for the level of performance were not analysed.
- Corrective actions were not suggested.
- The development and service delivery priorities and the performance targets set by the municipality for the following year were not reflected.

3.8.2 Service providers

To date, no performance measurement was done for the municipality's service providers.

3.9 Phase 9 – Revision of strategies and objectives

3.9.1 Review of municipality's performance

As a result of performance targets not being set in the IDP for the 2002-03 financial year, the municipality could not review its own performance against the performance targets as prescribed by section 41(1)(c) of the Municipal Systems Act, 2000.

In addition, no proof could be obtained that the review of the municipality's performance was done in accordance with the "best value review" framework principles of:

- Challenges
- Comparison
- Consult
- Competitiveness

3.9.2 Revision of IDP

Following the change in political control of council during November 2002, the council reviewed its vision, goals and strategic priorities and a newly formulated strategic plan for the municipality was approved by council on 11 December 2002.

Subsequently, council adopted a revised IDP for the 2003-04 financial year on 28 May 2003 and although a copy of the revised IDP was submitted to the MEC for local government, the submission was not accompanied by a statement detailing the process followed to compile the revised IDP, together with any explanations that may be necessary to amplify the statement in accordance with section 32(1)(b)(ii) of the Municipal Systems Act, 2000.

3.9.3 Evaluation of the review framework

The review framework (within the PMS) does not clarify the review methods to be used regarding the review of the performance of the municipality's staff or the review of the municipality's performance.

[For each of the listed phases, the auditor should indicate the results of the audit, irrespective of whether they were positive or negative. In cases where deviations from legislation and/or best practices were noted, sufficient detail should be provided to assist the municipality or municipal entity in addressing the area of concern].

4. CONCLUSION

Based on the premise that the above procedures do not constitute either an audit or a review carried out in accordance with Statements of South African Auditing Standards, I do not express any assurance on the results of the performance measurement as at 30 June 2003[*date*].

An audit of the financial statements in accordance with Statements of South African Auditing Standards was concluded and a report to this effect was issued on 4 February 2004 and is included in the annual report.

This report is solely for the purpose as indicated in section 2 of this report as well as for your information and is not to be used for any other purpose. Furthermore, this report relates only to the specific phases of the performance management system as specified above, and does not extend to any financial statements of the municipality [*name of municipality or municipal entity*], taken as a whole.

5. EMPHASIS OF MATTER [*if applicable*]

Attention is drawn to the following matters [*relating specifically to the results of performance measurement*]: **5.1 Internal audit department and performance audit or audit committee**

5.2 Internal control

5.3 Audit of results of performance measurement

5. APPRECIATION

The assistance rendered by the staff of the municipality [*name of the municipality*] during the audit of the results of performance measurement is sincerely appreciated.

S. Fakie
Auditor-General

Pretoria,

11 May 2004