



REPORT

OF THE
AUDITOR-GENERAL
TO THE COUNCIL ON
PERFORMANCE MEASUREMENT
OF THE
CITY OF CAPE TOWN
FOR THE
YEAR ENDED 30 JUNE 2005

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON PERFORMANCE MEASUREMENT AT THE CITY OF CAPE TOWN FOR THE YEAR ENDED 30 JUNE 2005

1. ASSIGNMENT

The compilation, presentation and publishing of performance measurements [as included on pages.....to.... of this annual report] and the implementation, management and internal control of supporting systems, are the responsibility of the accounting officer.

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 assess the processes followed during the implementation of the performance management system.

2. NATURE AND SCOPE

I have performed the procedures agreed with management and described below regarding the performance management system of the City of Cape Town. The assignment was undertaken in accordance with the Statements of South African Auditing Standards applicable to agreed upon procedures engagements.

The responsibility of determining the adequacy or otherwise of the procedures agreed to be performed is that of the City of Cape Town. My procedures were performed solely to evaluate the controls implemented by the accounting officer regarding the municipality's performance management system against the criteria set out in:

- chapter 6 of the Municipal Systems Act, 2000;
- the Local Government: Municipal Planning and Performance Management Regulations, 2001 (No. R. 796); and
- international good practices,

so as to report on the applicable compliance with legislation and to assist in identifying possible areas for improvement.

The procedures performed during our assignment were based on the feedback received from the completion of the high-level overview checklist by the accounting officer and included a review of the following aspects:

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

3. FINDINGS

I report my findings below:

3.1 Phase 1 – Development of an Integrated Development Plan (IDP)

3.1.1 Council had adopted an IDP for the 2004-05 financial year on 26 May 2004. A review of the IDP identified the following shortcomings:

- (i) No evidence could be obtained that the proposed amendments to the IDP was published for public comment before the IDP amendments were adopted by council on 25 August 2004, as required in terms of paragraph 3(4)(b) of the Local Government: Municipal Planning and Performance Regulations, 2001.
- (ii) Although a copy of the revised IDP was submitted to the MEC for Local Government, the submission was not in accordance with section 32 of the Municipal Systems Act, 2000 due to the following reasons:
 - the submission was not made within 10 days of the adoption or amendment of the plan [section 32(1)(a)] as only the amended IDP was submitted to the MEC on 10 September 2004; and
 - the submission was not accompanied by a statement that the process has been complied with, together with any explanations that may be necessary to amplify the statement [section 32(1)(b)].
- (iii) The IDP did not reflect the council's operational strategies as required in terms of section 26(f) of the Municipal Systems Act, 2000.

3.2 Phase 2 - Development and implementation of the Performance Management System (PMS)

3.2.1 Although the balance scorecard methodology for the municipality's organisational performance management system (OPMS) was adopted on 26 March 2003, an effective and proper review process did not take place as required in terms of section 40 of the Municipal Systems Act, 2000, as a permanent employment structure for performance management is in the process of being implemented, due to the restructuring process of the City.

3.2.2 The City's performance management system framework, as required in terms of Performance Management Regulation 7, does not:

- Determine the roles of the different role-players for the performance management process [Reg. 7(1)];
- Describe and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed [Reg. 7(1)];
- Demonstrate how it is to operate and be managed from the planning stage up to the stages of performance and reporting [Reg. 7(2)(b)];
- Clarify the roles and responsibilities of each role-player (including the local community) in the functioning of the system [Reg. 7(2)(c)];
- Clarify the processes of implementing the system within the framework of the IDP process [Reg. 7(2)(d)]; and
- Determine the frequency of reporting and the lines of accountability for performance [Reg. 7(2)(e)].

3.2.3 Although mechanisms were established by council to involve public participation in terms of section 42 of the Municipal Systems Act, 2000 a forum that will enhance community participation in the drafting and implementation of the municipality's integrated development plan and the monitoring, measurement and review of the municipality's performance in relation to the performance targets set by the municipality was not established in terms of Regulation 15(1).

3.3 Phase 3 - Development and implementation of key performance indicators

3.3.1 The Key Performance Indicators (KPIs) and targets for the 2004/05 financial year were adopted by council on 25 August 2004, which impacted on the roll-out of the performance management system. The following shortcomings in terms of the Municipal Systems Act, 2000 and the performance regulations were identified:

- (i) The KPIs set, did not include outcomes and impact with regard to the municipality's development priorities and objectives set out in its IDP [section 41(1)(a)].
- (ii) No evidence could be obtained that the community was involved in the setting of appropriate KPIs [section 42].
- (iii) KPIs were not set for each of the development priorities and objectives included in the municipality's IDP for 2004/05 [Reg. 9(1)(a)].
- (iv) No KPIs were set for the administrative units and employees or for municipal entities and service providers with whom the municipality has entered into service delivery agreements [Reg. 9(1)(b)].
- (v) No documented system and process exists that prescribes the annual performance review process for the review of the KPIs. The mechanism, system and process for review should at least:
 - identify the strengths, weaknesses, opportunities and threats of the municipality in meeting the KPIs set by it as well as the general KPIs prescribed by regulation 10 [Reg. 13(4)(a)].
 - review the KPIs set by the municipality in terms of regulation 9 [Reg. 13(4)(b)]; and
 - allow the local community to participate in the review process [Reg. 13(4)(c)]

3.4 Phase 4 – Setting of targets for key performance indicators

3.4.1 As referred to above, the KPIs and targets were adopted by council on 25 August 2004, which impacted on the roll-out of the performance management system. The following shortcomings in terms of the Municipal Systems Act, 2000 were identified:

- (i) No evidence could be provided to verify that the community was involved in the setting of performance targets [section 41].
- (ii) Since no annual performance report was included in the annual report of the City for 2003/2004, the performance targets set for the 2004/05 financial year were also not included [section 46(1)(a)(ii)].
- (iii) As a result of no KPIs being set for administrative units, employees, municipal entities and service providers, no performance targets were set for these as well [Reg. 12(1)].

3.5 Phase 5 – Actual service delivery process

3.5.1 Framework to track performance of service providers

As reported in the previous year's audit report, no approved framework exists to track the performance of the municipality's service providers.

3.6 Phase 6 – Internal monitoring

3.6.1 Municipality

- 3.6.1.1 The City's performance as required by section 41(1)(c) of the Municipal Systems Act, 2000 was not monitored as a whole, as the business plans being monitored through the balance scorecard methodology was limited to the directorates of Health Services, Parks and Nature Conservation, City Police, Emergency Services (until February 2005) and Sub-councils.
- 3.6.1.2 No evidence could be obtained that a community forum was in place and that the municipality convened regular meetings with the community forum to monitor the municipality's performance in relation to the KPIs and performance targets set as required by Regulation 15(2)(a)(v).
- 3.6.1.3 An evaluation of the documented monitoring framework revealed that the framework did not include the following, as the report writer facility within the framework still needs to be developed:
 - The framework does not determine how reports on the data are to be compiled.
 - It does not determine the timeframes for reports on the data to be collected and analysed.

3.6.2 Service providers

No monitoring of the performance of service providers took place in terms of a formally documented process for the year under review as no framework for the monitoring of the performance of service providers existed. Although there is a documented vender evaluation process for the monitoring of the performance of the service providers, the system is currently not activated.

3.7 Phase 7 - Internal control of the performance management system

As required by section 45(a) of the Municipal Systems Act, 2000 and performance regulation 14(1)(c)(i), internal audits were performed by the internal audit unit of the City's during the 2004/05 financial year.

3.8 Phase 8 – Performance measurement and reporting

3.8.1 Municipality

3.8.1.1 The measurement of the City's own performance, which should include the following in terms of Regulation 13, is not taking place:

- Cost, resources and time used to produce outputs in accordance with the input indicators referred to in Regulation 9;
- The extent to which the municipality's activities or processes produced outputs in accordance with the output indicators referred to in Regulation 9; and
- The total improvement brought by outputs in accordance with the outcome indicators referred to in Regulation 9.

3.8.1.2 The City's 2003/04 annual report did not contain a performance report for the financial year as required in term of section 46 of the Municipal Systems Act, 2000.

3.8.2 Service providers

No measuring and reporting of the performance of the municipality's service providers took place in terms of a formally documented process and against key performance indicators and targets as required in terms of section 41(c) of the Municipal Systems Act, 2000.

3.9 Phase 9 – Revision of strategies and objectives

3.9.1 Revision of performance of staff

3.9.1.1 A framework to track the performance of staff was only approved by Council on 23 June 2005 and consequently the review of the performance of staff, below Executive Director level, for 2004/05 could not be done in terms of this framework.

3.9.1.2 At the date of compiling this report, the performance evaluation of the City Manager and Executive Directors was not performed according to the review framework in the performance management system. Due to the restructuring process and disruptions to directorates and business units during the year under review, it was impractical to take the review of staff to levels further down.

3.9.2 Revision of municipality's performance

3.9.2.1 At the date of compiling this report, the City was still busy compiling the performance management report for inclusion in the 2004/05 annual report. It could not be determined whether the strengths, weaknesses, opportunities and threats of the municipality in meeting the KPIs and performance targets were identified during the review of the municipality's performance, as required in terms of Regulation 13(4)(a).

However, the OPMS progress report as at 31 May 2005 was submitted to the Audit Committee in August 2005.

3.9.2.2 Furthermore, no evidence could be obtained that the following KPIs as set in the 04/05 IDP were reviewed:

- Delivery of IDP flagship projects and targets;
- Percentage of income actually collected against billing;
- Percentage of new organizational structure populated; and
- Compliance with Municipal Finance Management Act and associated legislation.

4. CONCLUSION

Because the above procedures do not constitute either an audit or a review made in accordance with Statements of South African Auditing Standards, I do not express any assurance on any performance measurement as at 30 June 2005.

An audit of the financial statements in accordance with statements of South African Auditing Standards was concluded and a report to this effect will be included in the annual report.

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 City of Cape Town, taken as a whole.

5. APPRECIATION

The assistance rendered by the staff of the City of Cape Town during the assignment is sincerely appreciated.

S. A. Fakie

**S A Fakie
Auditor-General**

**Cape Town
30 November 2005**



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