



AUDITOR - GENERAL

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16 February 2006

The Mayor
Overstrand Municipality
P O Box 20
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**REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON
PERFORMANCE MEASUREMENT AT OVERSTRAND MUNICIPALITY FOR
THE YEAR ENDED 30 JUNE 2005**

1. The report of the Auditor-General in respect of the above-mentioned audit together with the relevant financial statements are submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126(3)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA).
 - 1.1 In terms of section 127(2) of the MFMA the annual report (which includes the audit report) should be tabled in the municipal council by the mayor within 7 months after the end of the financial year.
 - 1.2 If the mayor, for whatever reason, is unable to table in council the annual report within seven months, the mayor must comply with the requirements of section 127(3) of the MFMA.
 - 1.3 In terms of section 127(5) of the MFMA, the accounting officer must immediately after the annual report is tabled, make public the annual report, invite the local community to submit representations in connection with the annual report and submit the annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.
2. According to section 129(1) of the MFMA the council must consider the annual report by no later than two months from the date on which the annual report was tabled, adopt an oversight report containing the council's comments on the annual report which must include a statement whether-
 - the council has approved the annual report with or without reservations,
 - has rejected the annual report or

Reference: 21309REG04/05

Enquiries : Liezl Klue

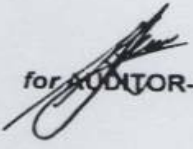
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- has referred the annual report back for revision of those components that can be revised.
- 3. Copies of the report have also been sent to the municipal manager and the Provincial Administration: Western Cape.
- 4. Please acknowledge receipt of the report.
- 5. Your kind co-operation is appreciated.

Yours faithfully


for AUDITOR-GENERAL

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AUDITOR - GENERAL

**REPORT OF THE AUDITOR-
GENERAL**

**OVERSTRAND MUNICIPALITY
PERFORMANCE MEASUREMENTS
FOR THE YEAR ENDED 30 JUNE
2005**

**REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL
ON PERFORMANCE MEASUREMENT AT OVERSTRAND MUNICIPALITY
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 Overstrand Municipality. 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 Overstrand Municipality. 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:

- Development of an integrated development plan
- Development of a performance management system
- Development and implementation of key performance indicators
- Setting of targets for key performance indicators
- Actual service delivery process
- Internal monitoring of performance measurement
- Internal control of the performance management system
- Performance measurement and reporting
- Revision of strategies and objectives

3. FINDINGS

I report my findings below:

3.1 Phase 1 : Development of an integrated development plan

The municipality has adopted a revised integrated development plan as prescribed by the Municipal Systems Act, 2000, with a system of participatory governance.

3.2 Phase 2 : Development of a performance management system

As required by section 39 of the Municipal Systems Act, 2000 the municipality has developed and implemented a performance management system, which has been adopted by Council.

3.3 Phase 3 : Development and implementation of key performance indicators

Key performance indicators in accordance with the municipality's integrated development plan has been set as required by section 41(1)(a) of the Municipal Systems Act, 2000. The review of all the municipality's key performance indicators was also performed on an annual basis in accordance with its performance review process which is included in the performance management system, as required by Regulation 13(4).

3.4 Phase 4 : Setting targets for key performance indicators

Performance targets have been set in accordance with the municipality's integrated development plan as required by section 41(1)(b) of the Municipal Systems Act, 2000.

With the revision of the integrated development plan, key performance indicators were also reviewed, as required by Regulation 11.

As required by section 46(1)(a) of the Municipal Systems Act, 2000, the annual report of the 2003-04 financial year included the performance targets for the 2004-05 financial year.

3.5 Phase 5 : Actual service delivery process

The municipality developed a framework in terms of its performance management system to track the performance of its staff and service providers and to report in accordance with the lines of accountability and the intervals for reporting as required in the framework.

3.6 Phase 6 : Internal monitoring of performance measurement

The municipality adopted a formally documented process/framework to assist with the tracking of performance and continuous monitoring of actual and targeted results of its staff and service providers.

3.7 Phase 7 : Internal control of the performance measurement system

In terms of section 45(a) of the Municipal Systems Act, 2000 the results of performance measurements must be audited as part of the municipality's internal auditing processes.

Although the municipality established an internal audit function on 1 October 2003, an approved audit plan was not in place for the 2004-05 financial year and consequently no structured approach to the internal auditing of performance measurement could be determined.

During the year under review a performance audit committee was also not yet established, as required by Regulation 14. Furthermore, no other audit committee was formed or utilised in this regard.

As a high capacity local authority, Overstrand Municipality has been exempted until 30 June 2005 from the establishment of internal audit and an audit committee as required by the provisions of section 165 and 166 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). An audit committee was, however, established on 1 November 2005.

3.8 Phase 8 : Performance measurement and reporting

During the year under review the municipality measured its own performance against a performance measurement framework and performance indicators as required by section 41(1)(c) of the Municipal Systems Act, 2000. Performance reviews of certain service providers were also performed during the year under review.

3.9 Phase 9 : Revision of strategies and objectives

The municipality has, as part of its performance management system, established a cycle and processes of performance review and improvement, whereby the municipality's strategies and objectives are revised in accordance with the review of the performance of the municipality.

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 Overstrand Municipality, taken as a whole.

5. APPRECIATION

The assistance rendered by the staff of Overstrand Municipality during the assignment is sincerely appreciated.



E Klue for Auditor-General

Cape Town

14 February 2006



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