

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON FACTUAL FINDINGS ON PERFORMANCE MEASUREMENT AT THE CITY OF CAPE TOWN FOR THE YEAR ENDED 30 JUNE 2006

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.

As required by section 45(b) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) 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. My role is not to assess or comment on the municipality's actual performance.

2. NATURE AND SCOPE

I have performed the procedures agreed upon and described below regarding the performance measurement system of the City of Cape Town. The assignment was undertaken in accordance with the International Standard on Related Services (ISRS 4400) applicable to agreed-upon procedure engagements.

The procedures were performed solely to evaluate the controls implemented and managed by the accounting officer regarding the municipality's performance measurement system against the criteria set out in:

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

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

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

3. FACTUAL FINDINGS

I report my findings below:

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

The council had adopted an IDP for the 2005-06 financial year on 31 May 2005. The shortcomings reported in the previous year's audit report regarding the development and approval of the integrated development plan (IDP) were rectified in the 2005-06 IDP.

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

The balanced scorecard methodology for the city's organisational performance management system (OPMS) was adopted on 26 March 2003 as a tool to document and monitor its performance against predetermined key performance indicators and targets. The city performed a review of the PMS during the year under review, as required in terms of section 40 of the Municipal Systems Act, 2000.

3.3 Phase 3 – Development and implementation of key performance indicators

The following shortcomings in the setting of key performance indicators (KPIs) in terms of the Municipal Systems Act, 2000 were identified:

3.3.1 Community involvement

In terms of section 42 of the Municipal Systems Act, 2000 the community must particularly be involved in the setting of key performance indicators through appropriate mechanisms established in terms of Chapter 4 of the Act. However, only limited evidence could be obtained during the audit of such community participation.

3.3.2 Setting of key performance indicators

No KPIs were set for municipal entities and service providers with whom the city had entered into service delivery agreements.

3.4 Phase 4 – Setting of targets for key performance indicators

The following shortcomings with the setting of targets for KPIs in terms of the Municipal Systems Act, 2000 were identified:

3.4.1 Community involvement

In terms of section 42 of the Municipal Systems Act, 2000 the community must also particularly be involved in the setting of performance targets for key performance indicators through appropriate mechanisms established in terms of

Chapter 4 of the Act. However, only limited evidence could be obtained during the audit of such community participation.

3.4.2 Setting of performance targets

As a result of no KPIs being set for municipal entities and service providers, no performance targets were set for these as well [performance regulation 12(1)].

3.5 Phase 5 – Actual service delivery process

3.5.1 Framework to track performance of staff

A framework to track the performance of the city's staff was approved by the council on 23 June 2005. In terms of the framework -

- the municipal staff reported in accordance with the lines of accountability and the intervals required for reporting
- the breakdown of the performance targets for all levels in the organisation was clarified
- methods for tracking their performance were clarified
- the lines of accountability within the municipality and the intervals for reporting were clarified.

3.5.2 Framework to track performance of service providers

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

3.6 Phase 6 – Internal monitoring

3.6.1 Municipality: Community involvement

In terms of section 42 of the Municipal Systems Act, 2000 read with performance regulation 15(2)(a)(v), the community must through appropriate mechanisms established in terms of Chapter 4 of the Act, monitor the city's performance in relation to the key performance indicators and performance targets. However, only limited evidence could be obtained during the audit of such community participation.

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.

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 on the progress with the implementation of the city's performance management system were performed

by its internal audit directorate during the 2005-06 financial year. The results of these reviews were communicated to the city's audit committee during its quarterly meetings.

3.8 Phase 8 – Performance measurement and reporting

3.8.1 Municipality

The city measured its own performance in terms of a reporting framework against each of the KPIs and performance targets as required in terms of section 41(1) of the Municipal Systems Act, 2000 and performance regulation 13 for the financial year. The city's 2004-05 annual report only included limited reporting on its performance during the financial year. At the date of finalising the audit, the performance information to be included in the 2005-06 annual report has not yet been finalised.

3.8.2 Service providers

No measuring and reporting of the performance of the city's service providers for the financial year took place in terms of a formally documented process and against key performance indicators and targets as required in terms of section 41(1)(c) of the Municipal Systems Act, 2000 and performance regulation 13.

3.9 Phase 9 – Revision of strategies and objectives

3.9.1 Revision of performance of staff

A framework to track the performance of staff was approved by the council on 23 June 2005 and the performance of staff on levels 0 to 3 was reviewed in terms of this framework during the 2005-06 financial year.

3.9.2 Revision of performance of service providers

No framework to track the performance of service providers according to a review framework in the performance management system had been developed and approved by the council and consequently their performance for 2005-06 could not be reviewed.

3.9.3 Revision of city's performance

A performance management report was prepared for inclusion in the city's annual report for 2005-06. The strengths, weaknesses, opportunities and threats experienced by the city in meeting the KPIs and performance targets were identified during the review of its performance, as required in terms of performance regulation 13(4)(a).

3.9.4 Revision of city's IDP

The city's strategies and objectives were reviewed and an IDP for the 2006-07 financial year was compiled and approved by the council on 31 May 2006.

4. REASONS FOR NON-COMPLIANCE

The matters of non-compliance, as reported in certain of the phases in paragraph 3 above, mainly arose due to the following reasons:

- The effect of the restructuring of the staff establishment of the responsible directorates.
- The fact that appropriate frameworks and policies to govern certain management responsibilities have not yet been fully developed and implemented.

5. STATEMENT

Since the above-mentioned procedures constitute neither an audit nor a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, I do not express any assurance on the performance measurements as at 30 June 2006.

Had I performed additional procedures, or an audit or review of the performance measurement in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to my attention that would have been reported to you.

This report relates only to the purpose set forth in the first paragraph of this report and does not extend to the financial statements of the City of Cape Town, taken as a whole.

6. APPRECIATION

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



I Theron for Auditor-General

Cape Town

21 December 2006



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