

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE PERFORMANCE MEASUREMENT AT LESEDI LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2005

1. AUDIT ASSIGNMENT

The results of the performance measurement in the annual report for the year ended 30 June 2005 as set out on pages [] to [] 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 evaluate the processes followed during the implementation of the performance management system.

2. NATURE AND SCOPE

I have performed the procedures as agreed with management and described below, on the performance management system of the Lesedi Local Municipality. The engagement was undertaken in accordance with 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 Lesedi Local Municipality. My procedures were performed solely to evaluate the controls implemented 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;
- 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 the 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 (IDP);
- Development and implementation of a performance management system (PMS);
- Development and implementation of key performance indicators (KPI's);
- Setting targets for key performance indicators;
- Actual service delivery process;
- Internal monitoring of performance measurements;
- Internal control of the performance management system;
- Performance measurement and reporting; and
- Revision of strategies and objectives.

3. FINDINGS

I report my findings below:

3.1 Development of an integrated development plan (IDP)

A formalised process was adopted for the development of the integrated development plan (IDP). The adoption, implementation and disclosure of the 2004-05 IDP was in accordance with legal requirements and included most of the essential characteristics required.

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

The municipality had an approved and adopted development framework and process for its performance management system (PMS). Both the framework and the actual performance management policy complied with the essential output criteria included in the legislation and guidelines.

The initial PMS focused more attention on the municipality's performance and top management's performance and not on the performance of service providers and other staff members.

The municipality established mechanisms to monitor and review the PMS, which stipulated that quarterly reports on performance should be submitted to council. I have not assessed the qualitative characteristics of these reports.

3.3 Development and implementation of key performance indicators (KPI's)

The 2004-05 IDP included key performance indicators (KPI's) and these were used as a basis for the development of operational KPI's. The KPI's in the IDP were based on the priorities and objectives identified. Although the municipality did institute KPI's for all the departments, none of these indicators were allocated to specific employees of the department.

Furthermore, no formalised KPI's were instituted for the service providers of the municipality.

3.4 Setting targets for key performance indicators

As reported in the 2003-2004 financial year the following items were still missing from the evaluation of the performance targets:

- The KPI's and performance targets were not assigned or developed for the municipality's employees and service providers.
- Although the municipality did institute key performance indicators and performance targets for all the departments, none of these indicators and targets were allocated to specific employees of the department. Except for senior management, the municipality did not monitor and measure the performance of any staff throughout the financial year in accordance with the monitoring and measuring framework.
- The municipality did not institute any key performance indicators and performance targets for the service providers of the municipality. The monitoring and measuring framework of the municipality did not include the actual data collection and analysis from service providers to the municipality. The performance report of the

municipality did not include the performance of its service provider against planned targets and previous financial year's performance.

3.5 Actual service delivery process

A framework was not established in terms of the performance management system to track the performance of staff and service providers.

The municipality did not report in accordance with the lines of accountability and the intervals for reporting required in the framework. Reporting requirements were not adequately addressed in the Performance Management System Framework, since detailed guidance was not given in respect of reporting.

3.6 Internal monitoring of performance measurements

Internal monitoring of the municipality's performance was conducted on a continuous basis and the performance of top management was monitored annually. However, during the financial year under review, the performance of other staff members was not monitored in accordance with the monitoring framework.

Since the monitoring framework of the municipality did not include a process for the collection and analysis of data, the municipality did not monitor the performance of its service providers in terms of this criteria.

3.7 Internal control of the performance management system

The municipality as part of its internal control established a performance audit committee according to Performance Management Regulation 14 (2). The composition thereof did however not comply with the King Code II on Corporate Governance. The municipality however, re-assessed the composition of the audit committee and re-elected audit committee members during the 2005-2006 financial year.

3.8 Performance measurement and reporting

The municipality's performance report contained a high level overview of the performance of the municipality. The performance of the service providers and staff of the municipality were not measured in accordance with the measuring framework of the municipality and therefore was not included in the municipality's performance report for the 2004-05 financial year.

3.9 Revision of strategies and objectives

Strategies and objectives were amended and an amended IDP was prepared for 2004-05 taking into consideration various external factors, including national and provincial strategies, as well as the latest legislative requirements. However, the municipality did not review the performance of its staff according to the review framework in the performance management system (PMS).

Further, the strengths, weaknesses, opportunities and threats of the municipality in meeting all the KPI's (including national general KPI's) and performance targets were not identified.

Proof did not exist that the review of the municipality's performance was done in accordance with the "best value review" – framework principles.

4. CONCLUSION

Because the above procedures did 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 the results of the performance measurement system as at 30 June 2005.

Had I performed additional procedures or had I performed an audit or review of the financial statements in accordance with Standards of South African Auditing Standards, other matters might have come to my attention that would have been reported to you.

The report is solely for the purpose set out in paragraph 2 of this report as well as for your information and is not to be used for any other purpose.

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 Lesedi Local Municipality, taken as a whole.

5. APPRECIATION

The assistance rendered by the staff of the Lesedi Local Municipality during the audit of the results of performance measurement is sincerely appreciated.

I Vanker for Auditor-General

Johannesburg

20 January 2006

