

REPORT ON PERFORMANCE

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL OF BUFFALO CITY MUNICIPALITY ON THE RESULTS OF PERFORMANCE MEASUREMENT FOR THE YEAR ENDED 30 JUNE 2004

1. AUDIT ASSIGNMENT

The results of the performance measurement in the annual report for the year ended 30 June 2004 as set out on pages 96 to 121 is 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 assist 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 management and described below regarding the performance management system of the Buffalo City Municipality. Our engagement was undertaken in accordance with the Statements of South African Auditing Standards applicable to an agreed upon procedures engagement.

The responsibility of determining the adequacy or otherwise of the procedures agreed to be performed is that of Buffalo City 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 included in Chapter 6 of the Municipal Systems Act, 2000, the Local Government: Municipal Planning and Performance Management Regulations, 2001 (No. R. 796) 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 our assignment were based on the feedback received from the completion of the high-level overview checklist by the municipal manager 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 measurements
- Internal control of the performance management system
- Performance measurement and reporting
- Revision of strategies and objectives

3. FINDINGS

The following matters were identified:

3.1 Development of an integrated development plan

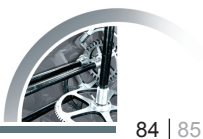
The integrated development plan (IDP) adopted by Buffalo City Municipality and the integrated development plan review of 2003-04 included all the essential characteristics as required by the relevant laws and regulations.

3.2 Development and implementation of a performance management system

The framework and the process in place for the performance management system complies with the essential output criteria included in the legislation and guidelines.

However, a shortcoming identified in the initial performance management system was that it focused more on individual performance (specific to section 57 employees and general managers) within the core municipality and not so much on other employees, service providers and public entities as required by legislation.

The framework for the performance management system clearly illustrates the relevant roles and responsibilities of each role player in the functioning of the system, and also the link to the IDP process and the employee performance management process.



3.3 Development and implementation of key performance indicators

The key performance indicators affected by the amendments of the IDP have been reviewed and reflected in the 2004-05 review process in accordance with the relevant legislation. The municipality has set key performance indicators for each of the development priorities and objectives included in the IDP, in accordance with the relevant legislation.

It is noted that the municipality has not set any key performance indicators specifically for employees other than section 57 employees and general managers, or service providers.

3.4 Setting targets for key performance indicators

Targets were set for each of the key performance indicators.

However, performance targets for the employees other than Section 57 employees and general managers, and service providers have not been included.

3.5 Actual service delivery process

The framework for the tracking of performance does not clarify the breakdown of the performance targets for all levels in the organisation, nor the service providers and municipal entities.

The service contracts for the section 57 employees and general managers do specify the methods for tracking their performance and the intervals for reporting.

3.6 Internal monitoring

Performance contracts for all section 57 employees and general managers have been completed and these officials have been assessed based on the performance targets set in their contracts. However, the municipality is in the process of cascading the performance management system to other employees, service providers and municipal entities; and are currently at a stage where they are re-defining and aligning their key performance indicators and performance targets.

3.7 Internal control

The municipality does have an operating internal audit activity. However, there has not been any internal audit activity in relation to the Performance Measurement System during the year under review.

As at 1 July 2004, an audit committee has been appointed and the charter has been amended to enable the committee to perform the function of a Performance Audit Committee. This has been done in accordance with regulation 14 per GNR. 796 of 24 August 2001: Local Government: Municipal Planning and Performance Management Regulations, 2001.

The internal audit department has not been able to perform any audit work on the functionality or compliance of the performance management system, or on the reliability of the key performance indicators, since the system has not been fully implemented and operational throughout the year under review.

3.8 Performance measurement and reporting

A cycle and process of performance reporting according to the performance measurement framework has been developed. The performance of the municipality and the section 57 employees and general managers will be reported on in the annual report of the municipality.

3.9 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. However, this process currently focuses on the section 57 employees and General Managers, and does not address other employees, service providers or municipal entities.

The municipality has developed a review framework, and does review the performance of the section 57 employees and general managers according to the review framework. The review framework does not provide a basis for the municipality to benchmark against other municipalities, or provide mechanisms for customer surveys or community feedback.

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 2004.

This report relates only to the specific phases of the performance management system as specified above, and does not extend to the financial statements of Buffalo City Municipality. An audit of the financial statements was concluded in accordance with statements of South African Auditing Standards and a report to this effect will be included in the annual report.

5. APPRECIATION

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

S.M. NGQWALA,
for Auditor-General

East London
30 November 2004

