

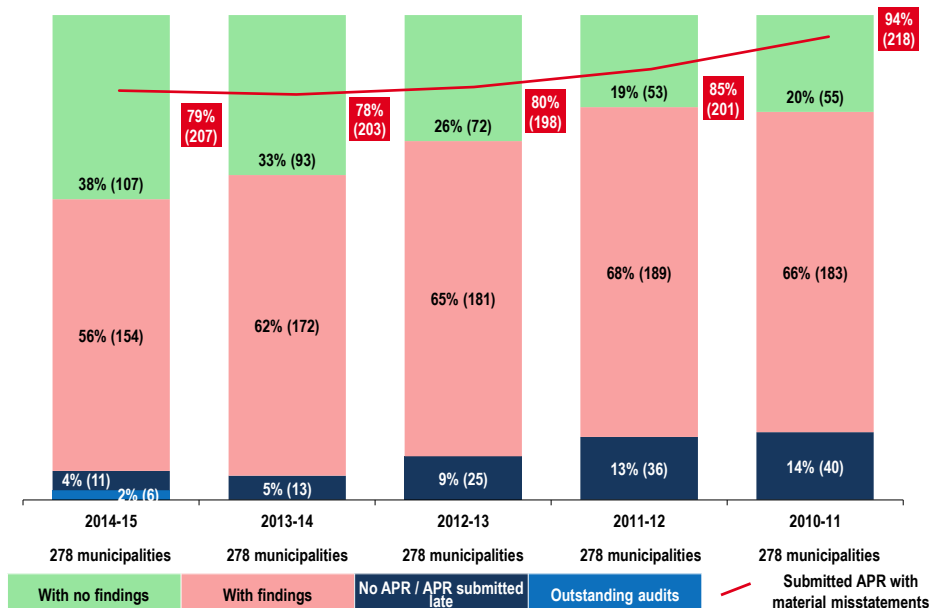
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The status of performance management

4. Annual performance reports

Figure 1 provides an overview of audit outcomes on the APRs, the APRs submitted with material misstatements (red line) and the municipalities that did not submit APRs or submitted them late over a period of five years.

Figure 1: Findings on annual performance reports and quality and timeliness of submission for audit



There has been a significant improvement in the submission of APRs since 2010-11 when 14% of municipalities had either not prepared APRs or not submitted them on time for the audit. This contributed to significant improvement in the Free State, the Northern Cape and North West as a result of continued monitoring by provincial treasuries and the provincial departments of cooperative governance. There was also a further slight improvement in 2014-15 when 10 municipalities failed to prepare APRs and one municipality submitted its APR late, compared to 13 municipalities failing to submit APRs in the previous year. These municipalities included the following:

- Eastern Cape (one): The APR of Inkwanca was submitted late
- Northern Cape (nine): Richtersveld did not prepare a report this year, while Karoo Hoogland, Khai-Ma, Kareeberg, Pixley Ka Seme district,

Siyathemba, Thembelihle, Ubuntu and Mier failed to prepare a report in the previous year

- Western Cape (one): Oudtshoorn also failed to prepare a report in the previous year.

There has been an overall increase in the number of municipalities with no material findings on the quality of their APRs since 2010-11 – the number has almost doubled. While there was a slight improvement in 2014-15, the main improvements occurred in 2012-13 and 2013-14 after a slight regression in 2011-12.

The main improvements during 2012-13 and 2013-14 occurred in the Eastern Cape, the Free State and KwaZulu-Natal. The improvement in these provinces was as a result of increased awareness of the requirement to report on performance, which was mostly due to our interactions with leadership and their willingness to implement our recommendations, including the implementation of performance information systems that are managed by competent personnel.

Overall, 79 municipalities (29%) had no material findings in the current and previous year, which means the controls and processes required to produce credible performance reports are in place to ensure the sustainability of the audit outcomes on APRs.

Figure 1 also shows a reduction since 2010-11 in the number of municipalities that submitted APRs that contained material misstatements, with only a slight reduction in 2014-15. The overall improvement over the five-year period can be attributed to improved key controls as well as our visibility and support to municipalities in the area of performance information.

However, with regard to the APRs that were submitted for auditing, 53 municipalities (21%) had no material findings in their 2014-15 audit report only because they corrected all the misstatements we had identified during the audit. This is an improvement compared to the previous year when only 36 municipalities (14%) corrected all the misstatements identified.

Figure 2 reflects the findings on the usefulness and reliability of APRs over the five-year period for municipalities that had prepared and timeously submitted APRs.

Figure 2: Findings on the annual performance reports prepared

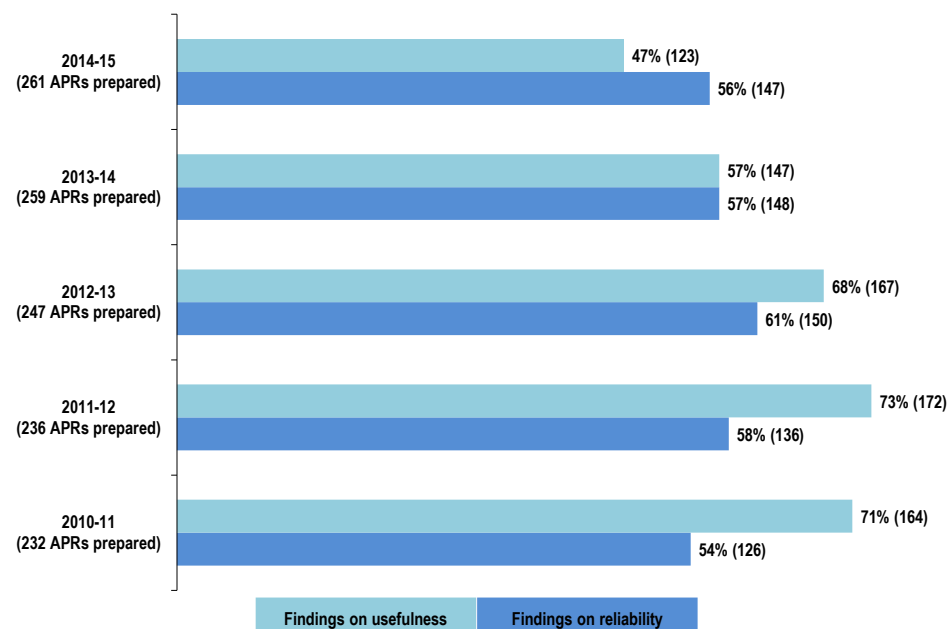


Figure 2 indicates a significant improvement in the **usefulness** of the information in the APRs since 2010-11. The number of municipalities with findings on usefulness decreased by 10% compared to the 147 reported in the previous year.

The most common findings on usefulness in 2014-15 were that municipalities reported on indicators that were not well defined (33%) or verifiable (30%) and reported information was not consistent with the objectives, measures and/or targets (29%), while targets were also not measurable (23%) or not specific enough (23%) to ensure that the required performance could be measured and reported in a useful manner.

The usefulness of the reported information improved as municipalities corrected their performance indicators and targets as part of the annual planning and budget processes based on the recommendations we provided and their increased understanding in application of the requirements for performance planning.

Figure 2 also shows a slight regression in the **reliability** of APRs since 2010-11, with a slight improvement compared to the previous year. The processes and controls required to produce reliable information on performance have shown little improvement over the period.

In the past five years there has been an improvement in municipalities' reporting on the degree to which services are delivered in accordance with the planned targets as per their integrated development plans (IDPs) and the service delivery and budget implementation plans (SDBIPs). However, progress made towards useful and reliable performance reporting is slow, which affects the ability of communities to hold municipalities accountable and makes it difficult for provincial and national government to track progress towards the service delivery goals in the MTSF and national development plan.