

AMATHOLE DISTRICT MUNICIPALITY

To : **The Municipal Manager**

Date : **June 2024**

Subject : **Audited Annual Performance Report**



PERFORMANCE INFORMATION RESULTS

JULY 2023 – JUNE 2024

**AUDITED ANNUAL PERFORMANCE REPORT 2023/2024
FINANCIAL YEAR**

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1. Introduction

Section 39 of the Municipal Systems Act 32 of 2000 requires municipalities to manage the development of the municipality's Performance Management System (PMS); assign responsibilities in this regard to the Municipal Manager and submit the proposed system to the Municipal Council for adoption. Amathole District Municipality (ADM) Performance Management Framework was first adopted in 2001 and has since been reviewed yearly as part of the IDP Review process.

2. Strategic (Institutional / Organisational) Level linked to the IDP

It is important at the Municipality, that the Council and management should have access to the appropriate information for considering and making timeous interventions to uphold or improve the capacity of its delivery systems. The performance of any *municipality as a service delivery mechanism* is fundamentally determined by factors enabling it to perform its Constitutional and statutory mandates. It is important that these causal and contributory factors for performance excellence at the municipality be measured to determine performance gaps timeously with the objective to respond with appropriate remedial interventions.

At a strategic level the five-year IDP of a municipality forms the basis for performance management, whilst at operational level it is the annual SDBIP. The IDP is a long-term plan and by its nature the performance measures associated with it will have a long-term focus, measuring whether a municipality is achieving its IDP objectives.

3. Early warning mechanisms

One of the key functions of a PMS is to serve as an early warning system to indicate so-called "gaps" in the levels of service delivery to the community. It is therefore imperative that the processes of regular monitoring, measurements and reviews are executed, to timeously identify those areas within which performance levels are to be found below satisfactory.

Reporting and review process is listed below:

3.1 Departmental Reviews (Monthly)

It is intended that departments review their performance at least monthly. Decision-makers should be immediately warned of any emerging failures to service delivery such that they can intervene if necessary. It is important that departments use these reviews as an opportunity for reflection on their goals and programmes and whether these are being achieved.

3.2 Municipal Managers Reviews (Quarterly)

Departments will then need to report on their performance in the required format to the municipal manager. Additional indicators that occur in the strategic and operational plans will also be reviewed. The formulation of a strategic scorecard and the process of review will be co-ordinated by the Performance Management team. The Municipal Manager's Review Panel will need to reflect on whether targets are being achieved, what are the reasons for targets not being achieved where applicable and corrective action that may be necessary.

3.3 Management Team Reviews

Each portfolio committee will be required to review the performance of their respective services against their service scorecard. The portfolio committee should appraise the performance of the service against committed targets. Where targets are not being met, portfolio committees should ensure that the reasons for poor performance are satisfactory and sufficient, and the corrective strategies proposed are sufficient to address the reasons for poor performance.

3.4 EXCO Reviews

On a quarterly basis, the Executive Mayoral Committee should engage in an intensive review of municipal performance against both the service scorecards and the strategic scorecard, as reported by the municipal manager.

Many of the indicators in the strategic scorecard will only be measurable on an annual basis. The quarterly reviews should thus culminate in a comprehensive annual review of performance in terms of both scorecards. The review should reflect on the performance of services and the strategic scorecard. The Executive Committee will need to ensure that targets committed to in the strategic scorecard are being met, where they are not, that satisfactory and sufficient reasons are provided and that the corrective action being proposed is sufficient to address the reasons for poor performance. The review should also focus on reviewing the systematic compliance to the performance management system, by departments, portfolio committees and the Municipal Manager.

3.5 Council and Community Oversight (Through Rep Forum Meetings)

The cycle of performance management requires Council and community oversight in each of the stages of the cycle. Oversight is exercised in the interests of society in general and should ensure that the considerable powers that government executives and administrations assume are monitored to avoid abuse and under-performance.

It is important to note that reporting on performance as provided for in the framework will not in itself enable Councillors to fully exercise their internal oversight role effectively. Not everything a Department does would be reflected in quarterly performance reports or lends itself to review through key performance indicators and targets. In addition to the required performance reports; monthly progress reports are submitted to the relevant Portfolio Committee of Council dealing with the broader activities of each Department during the preceding month.

Below is the performance report for the audited Annual Performance Report 2023.24 FINANCIAL YEAR

SUMMARY OF THE ANNUAL ORGANISATIONAL PERFORMANCE (TOP LAY SDBIP 2023.24)							
KEY PERFORMANCE AREAS	Outstanding Performance (5)	Performance Significantly above expectation (4)	Fully Effective (3)	Performance Not fully Effective (2)	Unacceptable Performance (1)	Not Applicable	TOTAL
Municipal Transformation and Institutional Development	0	1	2	1	1	2	7
Basic Service Delivery	2	0	2	1	1	1	7
Local Economic Development	0	0	0	0	1	0	1
Municipal Financial Viability	5	0	1	1	3	0	10
Good Governance and Public Participation	0	0	4	0	1	0	5
TOTAL	7	1	9	3	7	3	30

DETAILED PERFORMANCE RESULTS:

Municipal Transformation and Institutional Development

INDI REF	IDP REF	INDICATOR	ANNUAL TARGET	2023.24 ANNUAL PERFORMANCE RESULTS REASONS/EVIDENCE	SCORE	2022.23 ANNUAL PERFORMANCE RESULTS REASONS	SCORE	REMEDIAL
KPA 1: Municipal Transformation and Institutional Development				KPA Weight 20%				
KPI 1	MTI 01	% of Staff Migrated into the New Organogram	100% of staff in the new Organogram	Migration of staff is at 94% therefore target not met. Placement of staff was divided into 3 phases of which 2 of these phases have been completed	2	Target not achieved: The Placement Policy still has to approved by the Council for it to be implemented. Long consultation with Organized Labor is delaying progression to Council for approval.	1	The next phase to complete the 6% outstanding will unfold with immediate effect and will be reported to the EMC in the 2024.25 financial year.
KPI 2	MTI 02	% Reduction of human Capital Cost with adequately compensated staff	10% reduction of human Capital Cost with adequately compensated staff	Target not achieved: For the year the reduction was 5.68% against 10% targeted. However it is an improvement in comparison to the 3.69 % obtained during the 2022.23 year.	1	Target not achieved: There was no consultation with the Local Labour Forum structure	1	The target has got a dependency on employees resigning or retiring. The department to conduct staff profiling and identify areas of opportunity to reduce cost.
KPI 7	MTI 06	% institutional performance	80% institutional performance.	Institutional performance will be calculated when department's annual reports are consolidated into one Top Layer Report		achievement is 77% and the department have provided variance reports.	2	Institutional performance will be calculated when department's annual reports are consolidated into one Top Layer Report
KPI 3	MTI 03	No. of internal candidates capacitated on training interventions	85 candidates capacitated on training interventions	145 candidates capacitated on training interventions. Supporting evidence is availed	4	152 candidates capacitated on training interventions. Supporting evidence is availed.	5	None Target is met

INDI REF	IDP REF	INDICATOR	ANNUAL TARGET	2023.24 ANNUAL PERFORMANCE RESULTS REASONS/EVIDENCE	SCORE	2022.23 ANNUAL PERFORMANCE RESULTS REASONS/EVIDENCE	SCORE	REMEDIAL
KPA 1: Municipal Transformation and Institutional Development				KPA Weight 20%				
KPI 5	MTI 05	No. WIL candidates to participate in the work place integrated program.	10 WIL candidates to participate in the work place integrated program.	13 WIL candidates to participate in the Workplace integrated Learning program. Supporting evidence is provided.	3	11 WIL students with access to workplace integrated learning, supporting evidence is provide	3	None target is met.
KPI 6	MTI	No. of Interns participating in the internship program	5 Interns participating in the internship program	47 Interns participating in the internship program	5			None target is met
KPI 6	MTI	% reduction on fleet operating costs	10% reduction on fleet operating costs	Target not achieved: 46.41% increase on fleet operating costs. The repairs and maintenance costs are high due to the age of fleet as well as the terrain on which vehicles operate. Most vehicles have reached their utmost useful condition and require constant maintenance. The increases in fuel prices have a great impact on the high fuel costs and when vehicles have exceeded their useful lives they consume fuel in large quantities	1			ehicles that have exceeded their life span should be disposed and the municipality put in place a budget that will replace the aged fleet. The ADM council approved the leasing of vehicles in the coming financial year 50% of the vehicles will be leased and the aged vehicles will be disposed of through auction

KPI 7	MTI 06	% institutional performance	80% institutional performance.	Institutional performance will be calculated when department's annual reports are consolidated into one Top Layer Report		The actual achievement is 77% and the departments have provided variance reports.	2	Institutional performance will be calculated when department's annual reports are consolidated into one Top Layer Report
KPI 8	MTI 07	No of annual reports on implementation of the Delegations Framework	6 effectively functioning service points	N/A		6 effectively functioning service points being satellite offices in Ngqushwa, Mquma, Amahlathi, Ngqushwa, Mbashe and Raymond Mhlaba have been monitored and reported quartely as effectively functioning.	3	N/A

Service Delivery and Infrastructure

INDI REF	IDP REF	INDICATOR	ANNUAL TARGET	2023.24 ANNUAL PERFORMANCE RESULTS REASONS/EVIDENCE	SCORE	2022.23 ANNUAL PERFORMANCE RESULTS REASONS/EVIDENCE	SCORE	REMEDIAL
KPA 2: Service Delivery and Infrastructure KPA Weight 30%								
KPI 8	SDI 01	% Micro compliance sampling points complying with SANS 241 –	95% Micro compliance sampling points complying with SANS 241 -	Annual report on 99% micro compliance sampling points complying with SANS 241	3	Target not achieved: 95% micro compliance sampling points against 96% targeted for the year and this is due to load shedding the department could not take the required number of samples	2	None target is met.
KPI 9	SDI 03	% Micro Compliance of wastewater samples compliant to Water Use License conditions. -	60% Micro Compliance of wastewater samples compliant to Water Use License conditions	Target not achieved: 53.1% was compliant due to the Peddie and Adelaide wastewater treatment are 100% overloaded which makes it difficult to comply	2	Annual report on 68% compliance of waste water samples compliant to water use license conditions	3	The funding has been approved for the upgrading of the Peddie wastewater, PMU will advertise construction of the new plan. The appointment is targeted for Q3 24/25 fin year. Manual chlorination is done to mitigate pollution
KPI 10	SDI 04	No. of households with access to basic water supply	6 683 Households with access to basic water supply	10 095 households with access to basic water supply.	5	Target not achieved: The following projects were earmarked for this target: Mgwali South water supply, Shixini water supply. Due to poor performance the two projects were not completed. Also the following	1	None target is met.

						projects had an extension of time due to delays beyond the contractors control: Fort Beaufort bulk water supply and Ngqushwa villages water reticulation.		
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INDI REF	IDP REF	INDICATOR	ANNUAL TARGET	2023.24 ANNUAL PERFORMANCE RESULTS REASONS/EVIDENCE	SCORE	2022.23 ANNUAL PERFORMANCE RESULTS REASONS/EVIDENCE	SCORE	REMEDIAL
KPA 2: Service Delivery and Infrastructure KPA Weight 30%								
KPI 11	SDI 05	No. of assets refurbished	2 assets refurbishment, 3 refurbishment projects initiated (Multi Year Projects)	2 refurbishments completed and 3 still in progress of refurbishment.	3	Target not achieved: The service provider had cashflow problems which delayed the implementation and completion of the projects	2	None Target is met.
KPI 12	SDI 06	No. of households with access to basic level of sanitation.	5000 households with access to basic sanitation	644 households with access to basic sanitation. The municipality did not have any contractors with valid contracts during Q4. The previous panel had lapsed, and the municipality has advertised for contractors for a new panel for construction of VIP toilets. The bid was later re-advertised and is still under evaluation & ADM then extended the scope of the supplier in order fast track the erection of VIP which is still underway.	1	Annual report on 2479 households with access to basic sanitation, supporting evidence is availed.	3	ADM has extended the scope for the consultant and the consultant has further appointed subcontractors to erect the units to fast tract the process and make up for lost time.
KPI 13	SDI 07	645 functional meters on key accounts assessed.	645 functional meters on key accounts assessed.	645 functional meters on key accounts assessed together with list of 178 faulty meters were replaced during the year	5	Target not achieved: 0 meters installed due to No water meters in stock to implement installations internally. No service provider appointed as an alternative to implement the	1	None target is met.

						meter installation. There is insufficient staff at present to install the targeted number of meters. There is no fleet for staff to implement meter installations.		
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Local Economic Development

INDI REF	IDP REF	INDICATOR	ANNUAL TARGET	2023.24 ANNUAL PERFORMANCE RESULTS REASONS/EVIDENCE	SCORE	2022.23 ANNUAL PERFORMANCE RESULTS REASONS/EVIDENCE	SCORE	REMEDIAL
KPA 3:Local Economic Development KPA Weight 20%								
KPI 15	LED 03	No. of Economic development initiatives implemented \ Supported across the District.	6 Economic development initiatives implemented \ Supported across the District.	6 sector economic opportunities supported: 1.Heritage programmes supported 2.Tourism programmes supported 3. Agriculture Development programmes supported 4. Tourism programmes supported 5. Rural development support in 1 local municipality 6. Enterprise development programs	3	"6 sector economic opportunities supporte 1.Heritage programmes supported 2. Tourism programmes supported 3. Agriculture Development programmes supported 4. Tourism programmes supported 5. Rural development support in 1 local municipality Enterprise development programs	3	None target is met.
		% of Capital budget actually spent on capital projects.	100% of Capital budget actually spent on capital projects.	118.61 Capital budget actually spent on capital projects.	3	NVA		None target is met.

Municipal Financial Viability

INDI REF	IDP REF	INDICATOR	ANNUAL TARGET	2023.24 ANNUAL PERFORMANCE RESULTS REASONS/EVIDENCE	SCORE	2022.23 ANNUAL PERFORMANCE RESULTS REASONS/EVIDENCE	SCORE	REMEDIAL
KPA 4: Municipal Financial Viability KPA Weight 30%								
KPI 16	MFV 1/1	% of total operating revenue to finance total debt	45%	0% is achieved against 45% on target. Ratio calculation for Q3 of 2023/24 Sec 52(d) report of Q3 2023/24 is availed as evidence.	5	The target has been met for the quarter under review, as the municipality does not have any debt to finance.	3	None target is met.
KPI 17	MFV 1/2	% change in the cash backed reserves	0.10%	13 % change in the cash backed reserves is achieved exceeding 0,03% targeted. Ratio calculation for 2023/24 Sec 52(d) report for 2023/24	5	Target is not met . Cash backed reserves decreased by 0.10% instead of targeted increase to - 0.8%. The cash balance has decreased due to low collections and no new/additional revenue streams been identified. In addition, the final tranche of ES received in March, was short received by R66 million.	1	None target is met
KPI 19	MFV 1/4	% cash change in cash and cash equivalent	5%	15.3% is achieved Change in cash and cash equivalent against 1.25% on target. Ratio calculation for 2023/24 from Sec 52(d) report.	5	Target is not achieved. The institution is standing at - 0.256% against 5 % on target. The cash balance has decreased due to low collections and no new/additional revenue streams been identified. In addition, the final tranche of ES received in March, was short received by R66 million.	1	None target is met.

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KPA 4: Municipal Financial Viability KPA Weight 30%								
KPI 20	MFV 1/5	% change in Gross Consumer Debtors (Current and Non- current)	0.5% change in Gross Consumer Debtors (Current and Non-current)	Target is not met. Gross consumer debtors' percentage has increased by 4%. This is due to consumers not paying according to invoices amounts, restrictions and disconnections due to non-availability of vehicles, system challenges to perform accounts.	1	Target is not met. The consumer debtors have increased by 94%. This is as a result of credit control practices and processes not being strictly implemented during the year. Lack of resources (vehicles, tools, manpower) cited as the reason for not effecting restrictions as intended. Labour unrest for the first.	1	List of restriction and disconnection lists to be submitted to Engineering, improved indigent registration
KPI 22	MFV 07	% net operating surplus margin	-4%	50% net operating surplus margin is achieved against -4% targeted. Ratio calculation for Q2 of 2022/23. Sec 52(d) report of Q3 2023/24	5	50% net operating surplus margin is achieved against -4% on target. Sec 52(d) report are availed as evidence.	5	None Target met.

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KPA 4: Municipal Financial Viability KPA Weight 30%								
KPI 23	MFV 1/10	% of expenditure against total budget	98%	Target is not achieved. 84% is achieved against 98% on target. Debt impairment not yet accounted for on the SAP system and late invoices relating to 2023/24 still to be accrued. Major reason for debt impairment journal not yet processed is because of debtors age	2	Target is not met. 48 % is achieved against The total expenditure versus the total budget as at 30 June 2023 only yields a ratio of 48%. This is below the target of 98%. The variance is mainly due to under expenditure in employee costs by 14% which is due to an increased staff turnover rate. Another component that has contributed to the variance is the debt impairment which includes the provision of bad debts. The variance on other expenditure is due to the delayed SCM processes with Bids awaiting award.	1	Debt impairment journals to be processed on time and invoices to be received and recorded timeously before reporting commences
KPI 24	1	% change of unauthorised, irregular, fruitless and wasteful expenditure	20%	Target is not achieved. There is 7041% increase of unauthorised, irregular, fruitless and wasteful expenditure against quarterly target is 5% reduction. Supporting evidence of S52(d) is availed.	1	Target is not met . There is 150.10% increase in unauthorised, irregular, fruitless and wasteful expenditure. This is due to cash constraints. Not all service providers are willing to enter into payment arrangements and waive interest. Supporting evidence is availed as: Irregular Expenditure Register Fruitless & Wasteful.	1	All monies identified as either Unauthorised, Irregular and Fruitless and Wasteful will be investigated and recovered if any persons are liable. Also, monthly cash flow and daily bank situation report is performed in order to monitor cash flows.

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KPA 4: Municipal Financial Viability KPA Weight 30%								
KPI 25	MFV 12	% change in amount of irregular expenditure as a result of SCM Transgressions	3.2%	Target is not achieved. Irregular expenditure has increased by 4155.23%, which is an increase of R200 388 165,84. The Panels for Consultants and Contractors during the 2022/2023 financial year have been deemed to be irregular by AG. This resulted in the instances of irregular expenditure increasing as all projects awarded against these panels are also irregular.	1	Target is not met. There is 227,56% increase in Irregular Expenditure. This is as a result of projects that are not yet complete and further payments related to prior year irregular expenditure is still being made during 2022/2023 financial year. These items have already been investigated and written off by Council. Supporting evidence as availed as Irregular Expenditure Register (refer S52(d) Report)	1	Efforts will be employed to ensure that there are no new instances of irregular expenditure in the awarding of tenders. Council has now adopted a UIF and W Policy as well as a Policy for the Reduction of UIF and W Expenditure. The panels are no longer being utilised.

Good Governance and Public Participation

INDI REF	IDP REF	INDICATOR	ANNUAL TARGET	2023.24 ANNUAL PERFORMANCE RESULTS REASONS/EVIDENCE	SCORE	2022.23 ANNUAL PERFORMANCE RESULTS REASONS/EVIDENCE	SCORE	REMEDIAL
KPA 5: Good Governance and Public Participation KPA Weight 30%								
		No. of Digitalized Municipal business processes	Annual Report on the processes followed and the roll out of digitized business processes.					
KPI 28	GGP 05	Improved Audit Opinion	Implementation of OPCAR	Target is not achieved. 5% is implemented on OPCAR, while 45% is in progress. This is due to AG management report issued in Q3. A disclaimer in audit opinion 2022/23 has been expressed by Auditor General.	1	Target is not achieved. 30 % of audits have been resolved. The Auditor general took longer on site which left very little time for for the municipal to address the findings.	1	The Heads of Departments working with Unit Managers to ensure the speeding up of the action plan implementation to allow the Internal Audit Unit to do the verification
KPI 29	GGP 06	No. of Credible IDP 2024/25	Review and Implementation of the IDP	Final 2024.25 IDP is developed, and a copy is availed as evidence.	3	Final 2023.24 IDP is developed, and a copy is availed as evidence.	3	None – Target Archived

ANNUAL PERFORMANCE SUMMARY

- The annual institutional performance target for the 2023.24 financial year is 80% and the final score will be finalized on the completion of the draft financial statements. The indication though is that as there are targets that have not been met the performance will be less than the projected percentage.
- There are performance targets that have not been archived hence the performance is not at 100%. In terms of the performance framework there rating calculator has a score of 1 to 5, 1 being poor performance and 5 being performance above expectation.
- Further the score is not inclusive of the core competency scores of the Directors which will account for 20% of the final scores.
- There is a total of 10 targets that are falling within the not acceptable score, MTI 2, SDI 2, MFV 5 and GGP 1. For all the target wherein, the targets are not met the variance reports have been provided.
- Under municipal financial viability, the financial constraint and low revenue collection are the main indicators of poor performance of the institution Resulting to 5 targets met at level 1.
- This is despite the intervention of the Mandatory Financial recovery plan. A concerted effort with the support of COGTA and Treasure are in place to improve the financial positioning of the Municipality.
- The filling in of all positions for the Senior Management is an indication to ensure consistency and continuity on the strategies and the plans of the Municipality to improve performance.