



**Western Cape  
Government**

Provincial Treasury

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**How to plan SMART from a PDO perspective  
11 December 2012  
CFO Lekgotla  
Mossel Bay**

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Tell me, I will forget,  
Show me and I will remember  
Involve me and I will understand

# Content

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# Performance Information Concepts

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- **Performance Information**
  - How well the entity is performing against planned strategic objectives
- **Performance indicators**
  - Equity concerns and value for money in use of resources
- **Performance targets**
  - Track and measure performance in relation to Strategic Objectives

# Problems that municipalities experience

- Municipalities have difficulties in presenting their financials with the performance information on 31 August.
- Municipalities do not always have their own documented policies and procedures and still refer to the legislation as their reference
- No documented systems for each indicator they are reporting on
- Still big concern that municipalities does not budget so that the objectives can be linked to the budget. This is the basis from which the auditors are selecting the objectives to audit
- The alignment between what was planned and what is reported is not adhered to. The alignment between the Budget, IDP, SDBIP, Quarterly reporting and Annual Performance Reporting is not done

# Problems (continued)

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- Each indicator should have a clear definition and should explain the collection of the information for the numerator and denominator if the performance is reported as a %. Targets should be specific
- One of the biggest problems is still the availability of source information to confirm the validity, accuracy and completeness of the information reported. The municipality should have an audit file and should be referenced to the information reported
- Little to no involvement of the internal auditors and the audit committee

# Strategic Objectives

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- The number of strategic objectives is crucial
- Between five (5) and eight (8) strategic objectives
- Between 5 and 12 Indicators per objective
- MFMA Circular 63 – November 2012
- Municipalities- 100- 564 Indicators
- Manage Indicators

# Good Performance Indicators

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- **Reliable**  
Accurate enough for use and respond to changes in level of performance
- **Well defined**  
Clear and unambiguous definition- data collected consistently and easy to understand
- **Verifiable**  
Validate processes and systems that produce indicator
- **Cost effectiveness**  
Usefulness of indicators must justify cost of collecting data
- **Appropriate**  
Avoid unintended consequences, encourages service delivery improvements
- **Relevant**  
Relate to mandate and realisation of goals and objectives



# PDO Audit

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## Usefulness

- Consistency – between the planned and reported performance
- Measurability of Indicators – well defined
- Measurability of targets – against the source documentation
- Presentation – information to be an actual reflection of performance
- Relevance – to the objectives by the municipality

## Reliability

- Validity -5000 taps- List of 90 names for audit sample
- Accuracy – Agree the number of reported figure to listing
- Completeness – Identify 90 taps outside to the listing for audit sample

## Compliance

- Comply with all applicable legislation

# AOPO-Component

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- Key areas to confirm when finalising the AOPO component
- 8 Workbooks
- Guidance on what is required for the AOPO component
- Municipalities should use workbooks
- Training material will be included workbooks

# Categories and types of performance indicators

## OPINION-BASED INDICATORS

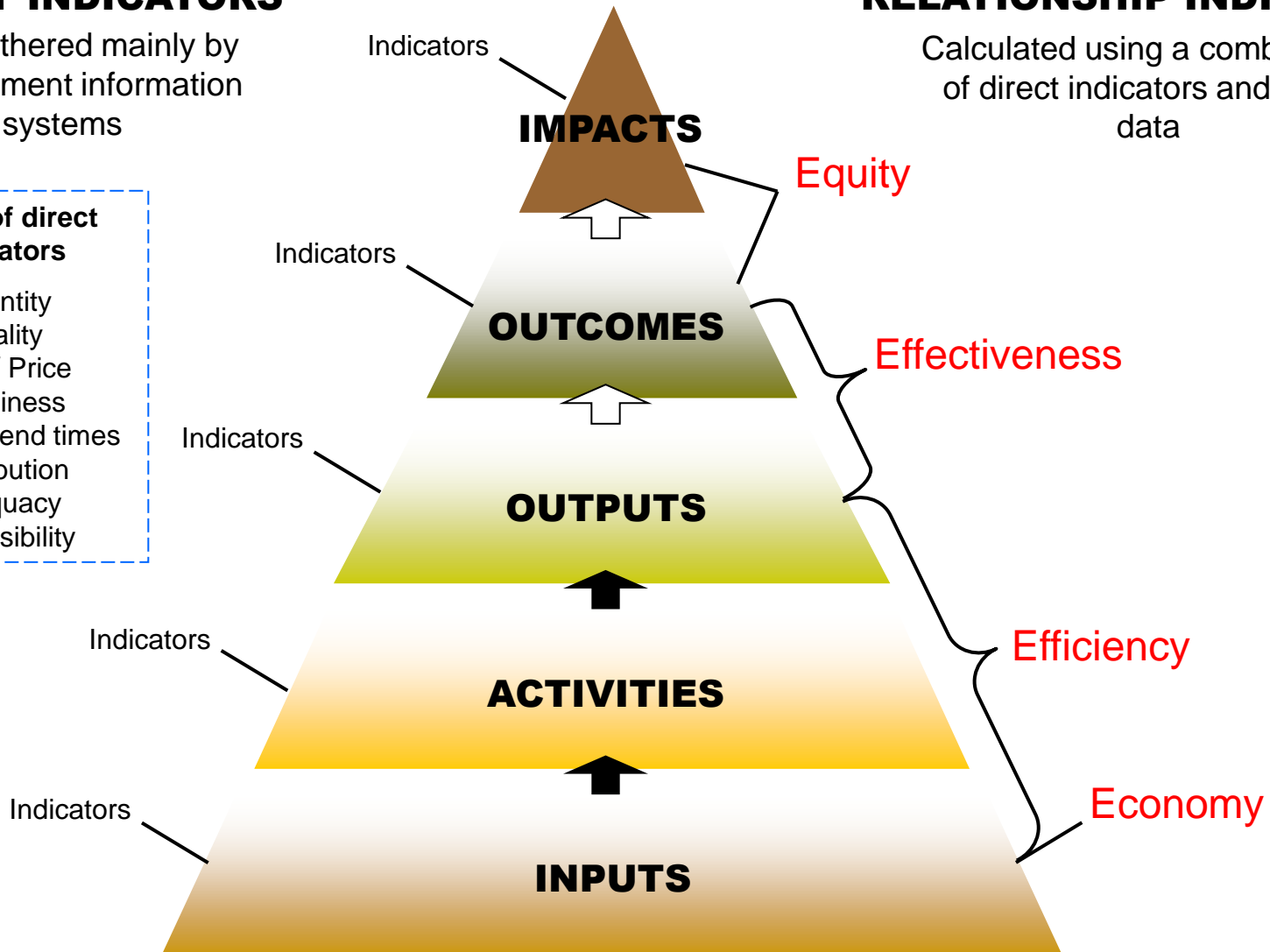
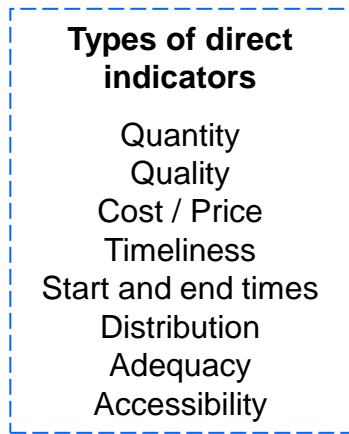
Data gathered through surveys

## DIRECT INDICATORS

Data gathered mainly by management information systems

## RELATIONSHIP INDICATORS

Calculated using a combination of direct indicators and other data



# Performance Targets

- **The baseline** is the current level of performance that the institution aims to improve
- **Performance targets** express a specific level of performance that the institution, programme or individual is aiming to achieve within a given time period
- **Performance standards** express the minimum acceptable level of performance, or the level of performance that is generally expected
- **Core set of performance indicators in concurrent functions**
- **Performance targets should be SMART:**
  - **Specific:** the nature and the required level of performance can be clearly identified
  - **Measurable:** the required performance can be measured
  - **Achievable:** the target is realistic given existing capacity
  - **Relevant:** the required performance is linked to the achievement of a goal
  - **Time-bound:** the time period or deadline for delivery is specified.

# Developing Performance Indicators

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Step 1: Agree on what you are aiming to achieve

Step 2: Specify the inputs, processes and outputs

Step 3: Plan and select the most important indicators

Step 4: Set realistic performance targets

Step 5: Document the processes and format for reporting performance information

Step 6: Establish processes and mechanisms to facilitate corrective action timeously

# Way forward

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- Co-ordinated support from PT, LG and AGSA
- Training – February 2013
- Challenges:
- 2010/11 – 6 Clean Audits
- 2011/12 - 9 Clean Audits on PDO's
- 2012/13 - 25 Clean Audits? – Can we do it?

**YES WE CAN**

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*Thank you*  
*Baie dankie*  
*Enkosi*



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