

PERFORMANCE MANAGEMENT WITHIN THE PARAMETERS OF THE PFMA

by

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I declare that **PERFORMANCE MANAGEMENT WITHIN THE PARAMETERS OF THE PFMA** is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

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Summary

The objective of this thesis is to describe and examine the current state of research and knowledge on performance auditing and performance reporting, and how these two components of performance management can be applied in the public sector in South Africa, and, at the same time, be in line with the provisions of the Public Finance Management Act.

The roles and responsibilities and supporting mechanisms available for implementation are reflected on and the application in national departments in South Africa is analysed. The analysis demonstrates that limited performance audits are conducted and reported on in the annual report. Although there has been a continuous improvement in performance reporting major shortcomings identified by the Auditor-General SA include the lack of sufficient supporting evidence and non-alignment between the planning, budgeting and actual reporting information. Accounting officers made reference to performance information in their reports but the content differed and audit committees also adopt various practices. Challenges include the lack of standards, support and incentives or sanctions for poor reporting. The study concludes with recommendations and suggestion for future research.

Key terms

Performance management, Performance Auditing, Performance Reporting, economy, efficiency, effectiveness, Public Finance Management Act, Auditor-General SA, internal audit.

List of abbreviations

ANAO	—	Australian National Audit Office
CCAF	—	Canadian Comprehensive Auditing Foundation
COCOG	—	Council on the Cost of Government
FAAA	—	Financial Administration and Audit Act
INTOSAI	—	International Organisation of Supreme Audit Institutions
MECS	—	Members of the Executive Committee
MFA	—	Municipal Finance Management Act
MSA	—	Municipal Systems Act
PAA	—	Public Audit Act
PFMA	—	Public Finance Management Act
PIPPR	—	Program for Improved Public Performance Reporting
PMS	—	Performance Management System
PSAB	—	Public Sector Accounting Board
SAI	—	Supreme Audit Institutions
SAICA	—	South African Institute of Chartered Accountants
SE&A	—	Service Efforts and Accomplishments

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PERFORMANCE MANAGEMENT WITHIN THE PARAMETERS OF THE PFMA

1. INTRODUCTION

1.1 Background

The world has, over the past few years, seen a global trend towards public sector reform as part of a broader initiative to improve service delivery in the public sector. Other focus areas for improvement are decision-making, planning, accountability and monitoring. Managing performance is a key element in the delivery of services by the public sector. The importance of performance management in both the private and public sectors is recognised throughout the world (Performance-Based Management Special Interest Group 2001:i). In the private sector, performance evaluation is almost automatic, based as it is on profitability and the rate of return on capital. However, in the public sector there is no profit motive, and performance is measured in terms of value-for-money principles, namely economy, efficiency and effectiveness.

The importance of performance in public sector service delivery in South Africa is demonstrated in the White Paper on transforming public service delivery *Batho Pele*, by its selection of one of the eight service delivery principles, namely: “Value for money – public services should be provided economically and efficiently.” (DPSA 1997:15)

An organisation needs performance information about the services it provides. Information about the nature and quality of the services is also needed, together with an assurance that the organisation’s resources are being economically acquired and efficiently and effectively utilised.

The importance of integrated reporting, including financial and non-financial information, receives prominent attention in the King Code of Governance for South

Africa 2009 (King III). Mervyn E King, the King Committee Chairman, highlights the necessity of integrated reports to increase trust and confidence of the stakeholders and provide legitimacy to the operations of the entity and the Committee have recommended integrated sustainability performance and reporting (Institute of Directors Southern Africa 2009:12). The King III also applies to the public sector and recommends that entities should by way of explanation indicate whether the principles have been applied or not (Institute of Directors Southern Africa 2009:16). The King III further states the Board should appreciate that strategy, risk, performance and sustainability are inseparable (Institute of Directors Southern Africa 2009:16).

This study focuses on performance related to service delivery in the public sector. The global trends and the importance of performance are well reflected in different sections of legislation in South Africa, some of which include the Constitution of the Republic of South Africa (hereafter referred to as the Constitution), the Public Finance Management Act (PFMA) and the Municipal Finance Management Act (MFMA).

Section 195(1)(b), chapter 10 of the Constitution (Act 108 of 1996), the country's supreme law, states that public administration must be governed by democratic values and principles enshrined in the Constitution, including the principle of promoting the efficient, economic and effective use of resources. Section 217(1) of the Constitution stipulates that when an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective (South African Constitution 1996). The constitutional requirements in this regard should be seen as an imperative, not a prerogative for public institutions and has to be adhered to diligently.

The PFMA is a key instrument for facilitating the reform of financial management in the public sector in South Africa. It gives effect to various sections of the Constitution and adopts an approach to financial management which focuses on outputs and responsibilities rather than the input approach previously employed. Previously financial management was limited to controlling and regulating financial resources

(expenditure). The change in focus resulted in financial management now also focussing on achievement of objectives within a clear accountability framework. The PFMA is positioned very high in the statutory order, as clearly reflected in section 3(3), which states that “in the event of any inconsistency between this Act and any other legislation, this Act prevails” (PFMA 1999).

The PFMA has also introduced performance management into the public sector. This aspect of the PFMA has been greeted with enthusiasm by some commentators. Gloeck, for example, makes the following observation:

“The Public Finance Management Act shows an awesome display of commitment to accountability and the application of sound management principles. It takes the responsibilities of public financial managers to new horizons and introduces what I refer to as statutory performance management (SPM). This commitment places South Africa amongst the world leaders with regard to public finance management ...” (Gloeck 2000:5).

The government’s views, expressed by the former Minister of Finance, Trevor Manuel, in the foreword to the PFMA, confirm the emphasis given to performance management. Mr Manuel states that the Public Finance Management Act is one of the most important pieces of legislation at the time passed by the first democratic government of this country. The Act promotes the objective of good financial management in order to maximise delivery through the efficient and effective use of limited resources. He further says that the aim of the PFMA is to modernise the system of financial management in the public sector, and that it represents a fundamental break from the past regime of poor information and weak accountability (PFMA 1999:Foreword).

The key objectives of the PFMA are summarised in the foreword as being to:

- modernise the system of financial management;
- enable public sector managers to manage, but at the same time be more accountable;
- ensure the timely provision of quality information; and

- eliminate waste and corruption in the use of public assets (PFMA 1999: Foreword).

The aims of the PFMA are further articulated by the Treasury's Chief Director for the PFMA Implementation as including the following:

- to modernise financial management in the public sector;
- to promote the efficient and effective use of public resources;
- to enable accounting officers to manage;
- to establish clear lines of accountability, and
- to provide a framework of best practices (Du Plessis 2004).

Both the Constitution and the PFMA promote the efficient and effective management of state resources. Shall (2000:13) observes that the PFMA emphasises the need for accountability for performance results by focussing on outputs and responsibilities, rather than just on procedural accountability which ensures that rules have been adhered to. In other words, in terms of budgeting and financial management, the focus is not only compliance with the relevant Appropriation Act, but also obtaining value-for-money from each department within government for every rand spent.

The importance of performance management and its appropriate application are further highlighted in that accountability for the efficient and effective use of resources is not limited to the Treasury Department or accounting officers (the head of a department or the chief executive officer) but is also devolved to line managers who are accountable for their particular areas of responsibility. This is detailed in section 45 of the PFMA, which states: "An official in a department ... (b) is responsible for the effective, efficient, economical and transparent use of financial resources within that official's area of responsibility" (PFMA 1999). This implies that each line manager is responsible for the resources deployed in a particular programme, and it is a requirement of Section 27(4) of the PFMA that measurable objectives must be submitted for each programme. Furthermore, line managers could also be held accountable for the outputs generated by that programme.

The MFMA also reflects the requirements for managing performance in sections 62, 121(c) and 165. Section 62 requires of the accounting officer to ensure resources of the municipalities are used effectively, efficiently and economically. Section 121(c) requires that the annual report includes the annual performance report and section 165 requires of the internal audit unit to advise the accounting officer and report to the audit committee on performance management (MFMA 2003).

1.2 The problems and their settings

From the above introduction it is evident that the need for performance management as part of the overall management of the public sector has been recognised. Some countries have gone a long way towards implementing performance management within the public sector (see chapter 3 of this study). The South African government chose to do the same but there are challenges ahead.

One of the biggest challenges in South Africa is that there is no agreed-upon approach or strategy for the implementation of performance management across all spheres of government. The promulgation of the PFMA for departments and the MFMA for local government has resulted in isolated implementations of aspects of performance management, but with no integration within the various spheres of government. The need for integrated guidance on performance reporting is also one of the important recommendations made by the Auditor-General South Africa (SA) in the General Report of 2005–06 (Auditor-General 2006:24).

In September 2009, the Minister for Performance Monitoring and Evaluation released a Green Paper on Performance Monitoring and Evaluation for public comment and discussion. The discussion document – “Improving government performance: Our approach” – describes the Presidency’s approach to performance management, monitoring and evaluation. The document describes this approach to include agreeing on outcomes, based on the Medium Term Strategic Framework relating to five priority areas of education, health, jobs, rural development and safety. Delivery requirements will be set in a performance letter from the President to a Minister, group of Ministers or Sector including the Member of the Executive Committee

(MECs). Report-back meetings with the President will be held every six months to evaluate progress and give guidance. The delivery requirements will be included in a delivery agreement that will describe the roles and responsibilities (The Presidency Republic of South Africa 2009:3).

This study focuses primarily on the area of economic, effective and efficient use of resources and specifically on the two components of performance management namely, performance auditing and performance reporting.

1.3 The objectives of the research

The objective of this thesis is to describe and examine the current state of research and knowledge on performance auditing and performance reporting, and how these two components of performance management can be applied in the public sector in South Africa, and, at the same time, be in line with the provisions of the Public Finance Management Act.

Performance Auditing:

Section 38(1)(b) of the PFMA (PFMA 1999) and section 62(1)(a) of the MFMA (MFMA 2003) both state that the accounting officers are responsible for the effective, efficient, economic and transparent use of resources of the department, trading entity, constitutional institution or municipality. This requirement could be met by conducting performance audits, also referred to as value-for-money audits.

Performance Reporting:

Section 40(3)(a) of the PFMA requires reporting against predetermined objectives, in other words performance reporting (PFMA 1999).

The objective of this thesis also includes the research on national and international developments within performance management to be able to learn from these experiences. In a very real sense the aim of the study is to learn from past and current experience here and elsewhere and consequently to develop, put in place and improve future practice in this field.

1.4 The hypothesis

For the purpose of the first part of the study, the hypothesis is that performance management, if meaningfully applied, will improve the services provided by the public sector and it will reinforce accountability of role-players in the public sector for resources used and outcomes achieved.

For the second part of the study, which deals with the application of performance management nationally, the hypothesis is that if performance in the public sector is optimally managed, it will have a positive impact on service delivery, accountability and value for money.

The last part of the study deals with the recommendations on the application of performance auditing and performance reporting as part of a performance management framework. The third hypothesis is that only with adequate skills and resources the application of both methods, if meaningfully applied, can contribute to improved accountability and value for money.

1.5 Limitations of the study

Since this study is explorative in nature, it does not attempt to address the complete performance management cycle within the public sector, but limits its attention to components of the cycle, namely performance auditing and performance reporting.

Insofar as the application of performance management in the different spheres of government in the Republic of South Africa is concerned, the study is restricted to national departments.

The most critical limitation as far as the application of performance auditing and performance reporting is concerned is the current limited available public information.

There are various performance management systems and models but the objective of this study is not to undertake a detailed analysis of these models and systems and consequently recommend the most appropriate one in terms of the PFMA.

1.6 Definitions

1.6.1 Performance management

Literature on this subject offers a number of definitions of performance management. The one that seems the most appropriate for this study is that of Du Randt where he points out that performance management is the tool of transforming the mission of senior managers into actions that can be planned for, measured, modified and corrected (2000:11). Performance management therefore has to focus on performance dimensions including:

- Mission – the effective achievement of statutory intents, executives' aims and commitments and the agency's functions and purposes.
- Service – responsiveness and timeliness, accessibility and equity and courtesy to client groups and stakeholders.
- Economy/Efficiency – spending within approved budgets, accountability for use of public money and demonstrating value-for-money and productivity.

He concludes that to ensure an effective framework for performance management, performance indicators have to build upon these three principle performance dimensions (Du Randt 2000:11).

Du Randt (2000:11) further suggests that indicators should cover outcomes, incidence prevalence, service utilisation, accurate benefit distribution, productivity, investment management, cost and revenue management, public satisfaction, accessibility and responsiveness. He further argues that performance management creates the link between stakeholder expectations (the law and legislature, suppliers, providers and consumers), senior managers' strategies (the organisation's mission, priorities and values), specific staff enrolment objectives (operations, job descriptions) and performance measures for each individual, programme, or department.

Another useful definition which is similar to Du Randt's, is proposed by Conradie and Schutte (2003:34). They add the importance of targets within this framework for performance management. According to these authors, performance management is a strategic approach to management, which equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques. These tools and techniques are utilised by role players to regularly plan, continuously monitor and periodically measure and review performance of the organisation in terms of set indicators and targets for efficiency, effectiveness and impact.

Outputs refer to tangible results, such as how much or how many, and according to the Estimate of National Expenditure (ENE), they may be defined as "the final goods and services provided or delivered by departments to clients that are external to the departments. Outputs may be defined as the 'what' those departments deliver or provide, contributing towards meeting the outcomes that government wants to achieve" (National Treasury Republic of South Africa 2003:48).

A definition of outcomes is also given in the 2003 ENE document: "Outcomes are the end social and economic result of public policies or programmes, and mainly refer to changes in the general state of wellbeing in the community. Examples include a safe and secure environment, healthy citizens, reduction in repeat offenders, reduced poverty levels and stable and self-sufficient families" (National Treasury Republic of South Africa 2003:48). In this sense there is some similarity with what is known in political science as the policy cycle. The outcomes relate to the pressures and inputs from the initial environment, including involved actors, the choice of steps taken to address the challenge and the subsequent decisions taken for execution of remedial steps. The latter should be monitored and evaluated and if needed be refined, reviewed, adapted or discarded. In short, the cycle has to accommodate given circumstances and challenges, suggest steps for better performance and outcomes, implement these steps, and be aware of shortcomings and re-design if necessary. (Compare Parsons, 1995: xvii, 5–7, 23–24, 35–38, 73ff). The Framework for Managing Programme Performance Information defines outcomes as the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and

objectives set out in its plans, thus, outcomes are what the entity wishes to achieve (National Treasury Republic of South Africa 2007:6).

Within the performance management cycle, defining and measuring performance outputs is less complex than defining and measuring outcomes as it is sometimes impossible to pinpoint who is responsible for these outcomes. Although processes are more difficult to measure than outputs, at least they can be identified, which is not always the case with outcomes. A combination of measurement of processes, outputs and outcomes could therefore provide a way around some of the limiting factors articulated in this study and further explored in chapter 7.

1.6.2 Performance measurement

In literature on this subject the terms “performance measurement” and “performance management” are used interchangeably. For example, an article by Radnor and Lovell states that “the paper will use the abbreviation PMS for a combined performance measurement/management system, and defines it as follows: ‘information systems that managers use to track the implementation of business strategy by comparing actual results against ... goals and objectives’ ” (2003:174). A performance measurement system typically comprises systematic methods of setting business goals together with periodic feedback reports.

Other authors, such as Conradie and Schutte (2003:34), regard performance measurement as a framework that describes and represents how an organisation’s business cycle and processes of performance planning, monitoring, measurement and review, reporting and improvement will be conducted, organised and managed. The performance framework also defines the roles and responsibilities of the various role players.

Performance measures define the relationship between inputs and outputs. In other words, they measure how successfully outputs are produced by using various inputs. In effect they measure the productivity of resource use (Shall 2000:14).

1.6.3 Performance reporting

Public performance reporting is described by the Canadian Comprehensive Auditing Foundation (CCAF–FCVI) (2002(b):1) as follows:

Public performance reporting refers to the formal mechanisms that a government uses to communicate with the public and legislatures in accordance with agreed guidelines. It is the formal response to a desire or need to report performance to those who have a legitimate interest in knowing, understanding and assessing performance, and then acting on this information.

Definitions and the content of meaning in describing performance reporting are similar yet different terminology is used in different countries. Compare for example, Fountain, Patton and Steinberg 2004:1; State Services Commission 2002:9 and HM Treasury Cabinet Office 2004:29.

To summarise: Performance management, measurement and reporting are the tools utilised by management to demonstrate to what extent it has achieved the objectives and addressed service delivery as defined in its strategic plans.

1.6.4 Performance indicators

Performance indicators define the relationship between outputs and outcomes. Thus, performance outcome indicators measure the impact on broader society of the outputs of a particular programme (Shall 2000:14).

A more comprehensive definition is provided by the Department of Provincial and Local Government (2001:19):

Output indicators are indicators that measure whether a set of activities and processes yield the desired products. They are essentially effectiveness indicators. They are usually expressed in quantitative terms (that is, number of or percentage of). An example would be the number of households connected to electricity as a result of the municipality's electrification programme.

Indicators are important because they enable organisations to review the achievement of objectives and provide a basis to measure and report on performance.

Outcome indicators are the indicators that measure the quality as well as the impact of the products in terms of the achievement of overall objectives. In terms of quality, they measure whether the products meet the set standards in terms of the perceptions of the beneficiaries of the services rendered. Examples of quality indicators include assessments of whether the services provided to households comply with the applicable standards by the community (Department of Provincial and Local Government 2001:19). In terms of the impact, outcome indicators measure the net effect of the products and services on the overall objective. An example would be to measure the impact of an electrification programme by establishing the percentage reduction in the number of houses destroyed by fire due to the employment of other sources of energy. Outcome indicators thus relate to programme objectives.

In practice it is much easier to develop output performance indicators because there is a clear link between inputs and outputs, which is tangible and easy to measure. On the other hand, the relationship between outputs and outcomes is much more difficult to articulate because many different factors may have an influence on society. To demonstrate this, Shall (2000:14) cites the example of a health programme that aims to reduce the incidence of tuberculosis (TB), where one of the output performance measures may be the number of people immunised or the cost per immunisation (tangible and easy to measure). The outcome performance indicator will be the actual incidence of TB. While this may be measurable, the link between output and outcome is less tangible, as there are additional factors such as housing conditions, adverse weather and levels of poverty which may also affect the incidence of TB.

The following figure graphically demonstrates the relationship between some of the definitions.

Figure 1: Key performance information concepts



Source: National Treasury Republic of South Africa, *Framework for Managing Programme Performance Information* (Pretoria, Government Printers, 2007), p. 6.

1.6.5 Performance auditing

Various terms are used for audits that go beyond the traditional financial statement audit and cover matters of economy, efficiency and effectiveness. In Canada the term used is “comprehensive auditing”, and according to Leclerc, Moynagh, Boisclair and Hanson (1996:228), this kind of audit “looks at how carefully an organisation has given attention to economy, efficiency and effectiveness”.

In the Financial Administration Audit Act (FAAA) 1995 of Western Australia (Western Australia Government), the term “performance examination” is used to refer to the examination of the efficiency and effectiveness of agencies and parts of agencies. In the same Act the terms “performance audits” and “value for money audits” are used to describe similar roles.

For the purposes of this study the term “performance auditing” will be used. In South Africa, the South African Institute of Chartered Accountants’ (SAICA) Guide on Performance Audit in the Public Sector (SAICA 2006:4) defines this as follows:

A performance audit may be described as an independent auditing process aimed at evaluating the measures instituted by management, or the lack of

these measures; ensuring that resources have been acquired economically and are utilised efficiently and effectively, and reporting on the acquisition and use of resources to management or the relevant authority.

The “3 Es” framework, as referred to in practice, measures efficiency, economy and effectiveness. All these concepts measure performance by way of different, yet interrelated, measures. A variety of definitions exist for the “3 Es”. Some of these are provided here to give a broader description of the “3 Es” and, in so doing, of performance auditing.

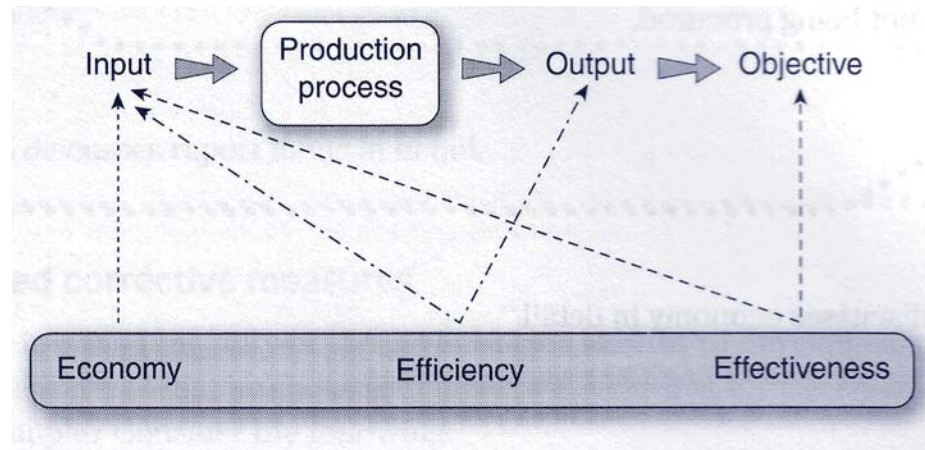
With regard to efficiency, Shall (2000:13) explains that it tries to capture how productively resources are translated into service delivery and basically asks the question, “Did we perform the job without wasting resources” or, “Did we do things right?”

Effectiveness has to do with the degree to which objectives are achieved. Effectiveness measures ask: “Did the job achieve the desired results?”, or “Did we do the right thing?” (Shall 2000:14).

Economy denotes the cheapest possible option for the production of the output. Economy measures ask: “Was the service delivered at the lowest possible cost?” or “Did the service delivered cost more than comparable services elsewhere?” (Shall 2000:14).

The following figure graphically demonstrates the relationship between the 3 Es:

Figure 2: Relationship between the 3 Es



Source: Prinsloo, J. and Roos, M., *Performance Auditing A step-by-step approach*, (Pretoria: Van Schaik Publishers, 2008), p. 9.

The “3 Es” measures cannot be used in isolation or separately from one another. It is not possible to get a complete picture of performance if one establishes that the service delivered was the cheapest but the fact that the service was not effective is overlooked. It is also of little use if information about effectiveness is available but there is no information about its cost.

A summary of the link between the different definitions could be as follows: One of the main reasons why government departments and public entities exist is to make a positive impact on citizens and communities (outcomes). In order to achieve these desired outcomes, a mix of goods and services (outputs) are provided and to generate these service delivery outputs, financial, human and other resources are required (inputs). To convert inputs into service delivery outputs a number of processes have to take place within departments. The first is the strategic planning process which reflects policy priorities. Operational plans are then drawn up within the framework of the overall corporate plan and budgets are compiled to reflect the resourcing of the strategic and operational plans. Once the planning phase is completed the implementation phase starts during which there should be continuous monitoring and evaluation processes, which should feed back into the planning phase (Ajam 2000:7).

1.7 Research methodology

The research methodology used in the study comprises mainly a literature study with the aim of finding and exploring information that could provide solutions to the problems set forth under the statement of problems (section 1.2) and, more specifically, how performance management can be applied in the South African context by combining performance auditing and performance reporting as part of the performance management framework. In this regard a variety of literature, theoretical, documental, practitioners reports and published and/or applied findings, are utilised.

The researcher also uses an empirical approach to review and analyse the practice of performance reporting and performance auditing of a selected number of national government departments. The objective is to compare these actual practices with accepted practices ascertained by reviewing the relevant literature. The analysis is based on an evaluation of the annual reports of the organisations and in this sense a comparative perspective is also utilised. This perspective is further applied in the two case studies of the Australian and Canadian governments which have implemented performance management in their countries. Insights drawn from these cases are incorporated into the South African experience discussed in this study.

The critical insights acquired during 22 years of work experience and exposure to work in this field by the researcher, is another key complement to the research methodology in this study.

1.8 Presentation of content

Chapter 1 provides a background to the study and reflects on the research question and methodology. It also describes definitions applicable for the study.

In chapter 2 the study explores the nature of performance management in the public sector by discussing and analysing the requirements of performance management in terms of legislation and guidelines. A performance management framework will also be discussed by demonstrating how the two performance categories – performance

auditing and reporting which form the basis of the study, fit within the mentioned requirements and framework. This is followed by an exploration of the current challenges for the successful implementation of the two categories.

The need for performance management and the international and national developments in the areas of performance auditing and reporting is the focus of chapter 3.

Chapter 4 reviews the different supporting mechanisms available in guidance documents to ensure the successful implementation of performance auditing and reporting. The lack of practical comprehensive guidelines in the areas of performance auditing and reporting compelled the researcher to explore what other mechanisms are currently available to promote their successful implementation.

Chapter 5 identifies the role different role-players should play to ensure the successful implementation of the two categories of performance management. The role-players in the public sector are identified as well as other role-players, such as the Auditor-General SA, external auditors and internal auditors.

In chapter 6 the study determines briefly how performance management for these two categories are currently applied in the Republic of South Africa by evaluating its application in national departments. It further identifies the current problems in the application of the two categories of performance addressed in the study.

Chapter 7 concludes and make recommendations on what is needed to ensure successful implementation of performance auditing and performance reporting within the performance management framework in South Africa.

2. THE NATURE OF PERFORMANCE MANAGEMENT

2.1 Introduction

Chapter 1 dealt with the articulation of the two components of performance management namely, performance auditing and performance reporting and how it should be applied in the public sector according to the provisions of the PFMA.

This chapter explores the nature of performance management in the public sector by taking a closer look at the requirements of performance management legislation and guidelines. It investigates a possible performance management framework and demonstrates how the two performance categories – performance auditing and reporting, the basis of the study, fit within this framework. The challenges for successful implementation are also discussed.

Various references are made in the PFMA and in Treasury Regulations and guidelines to certain requirements related to performance management. This chapter will demonstrate how these requirements can be addressed by conducting performance audits and by reporting on performance within a performance management framework (see section 2.3).

The requirements from relevant laws, regulations and guidelines indicate the importance of performance management within the South African context. Some of these requirements are further explored in the paragraphs below.

2.1.1 Requirements met by performance audits

Throughout the PFMA and Treasury Regulations reference is made to the effective, efficient, economic and transparent use of different resources as part of the responsibilities of accounting officers. The PFMA requires of accounting officers to maintain effective, efficient and transparent systems of financial and risk management, internal control, procurement and provisioning, capital evaluation, collection of outstanding amounts and to manage available working capital efficiently and economically (PFMA 1999 Sec. 38(1)).

The accounting officer can respond to these responsibilities by having performance audits conducted in various areas including financial management, risk management, internal control systems, procurement and provisioning, capital projects and all other main resources being acquired and utilised by the organisation.

The responsibility for effective, efficient and economic acquisition and utilisation of resources is not limited to accounting officers. It cascades down to all other officials, as stipulated in Section 45, which states that “[a]n official in a department, trading entity or constitutional institution ... is responsible for the effective, efficient, economical and transparent use of financial and other resources within that official's area of responsibilities ...” (PFMA 1999).

The Treasury Regulations provide further details on additional areas where conducting performance audits can address the requirements as stipulated. It is required of the accounting officer of an institution to manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for the identification, collection, safeguarding, recording, and reconciliation of information about revenue. (National Treasury Republic of South Africa 2005 par. 7.2.1).

The Regulations also refer to the effective, efficient and economical procedures and management in the areas of stock levels, utilisation of assets, revenue fund, banking and cash. (National Treasury Republic of South Africa 2005 par. 10.1.1; 10.1.2; 15.1.1; 15.10.1.1)

2.1.2 Requirements met by performance reporting

Right from the start, during introduction of the annual budget in the National Assembly or at provincial legislature, the PFMA requires of the accounting officer of each department to submit measurable objectives for each main division within the department's vote (PFMA 1999 Sec. 27(4)). The definition of these objectives is important here. Measurable objectives are defined as “specific, quantifiable outcomes that can be achieved within a foreseeable time period. They serve as a roadmap for achieving the department's goals and define the actual impact on the public rather than focussing on the level of effort that is expended. Measurable objectives are tools

to assess the effectiveness of an agency's performance and the public benefit that is derived" (National Treasury Republic of South Africa 2003:48).

As indicated in the Framework for Managing Programme Performance Information, information over several years is considered at any given time within government. These include the plans and budgets for the next year; the implementation for the current year; and reporting on the previous year's performance. Although performance information is reported publicly in the annual report, the performance information process begins when policies are being developed and continues through each of the planning, budgeting, implementation and reporting stages (National Treasury Republic of South Africa 2007:4). Again, the policy and decision-making as well as execution and evaluation stages as identified by policy theorists such as Parsons (1995) are relevant. In this sense the evaluative approach in accounting, performance evaluation as part of the management process reflects what is known in public administration and political science and management sciences as the "policy cycle" or "management loop" as far as optimum financial/profit/economical outcomes are aimed at and meaningfully achieved keeping the feedback loop in mind. (Compare Parsons (1995:1ff, 23ff, 33–39, 75–77) on micro and meta policy in the public sector). Parson's notes on "the enthusiasm for markets and management" as a result of the growing influence of management techniques in (US) government in the 1960s onwards is also relevant to this discussion (Parsons 1995:75).

The Treasury Regulations in South Africa include specific requirements during the planning phase that refer to performance reporting especially. The strategic plan of an institution must therefore include measurable objectives, expected outcomes, programmes outputs, indicators (measures) and targets of its programmes (National Treasury Republic of South Africa 2005 par. 5.2.2(d)). This includes all the elements of performance management, i.e. definitions referred to in the chapter 1 (section 1.6.1) of this study.

However, the requirements are not limited to planning and budgeting. The PFMA emphasises that annual reports and audited financial statements must present in a fair way the state of affairs of the department, trading entity or constitutional institution, its business, its financial results and its performance against predetermined objectives

(PFMA 1999 Sec. 40). The Treasury Regulations further require that the accounting officer in preparing the annual report of an institution must include information about the institution's efficiency, economy and effectiveness in delivering programmes and achieving its objectives and outcomes against the measures and indicators set out in any strategic plan for the year under consideration. (National Treasury Republic of South Africa 2005 par. 18.3.1).

This means that performance objectives should be set during the planning process, monitored during the implementation process and then evaluated and reported on in the annual report.

The Treasury Regulations further elaborate on the monitoring and evaluation of performance by requiring of the accounting officer of an institution to establish procedures for quarterly reporting to facilitate effective performance monitoring, evaluation and corrective action. As part of monitoring and evaluation performance should be monitored by way of reporting, however, many of the departments and public entities do not comply with this requirement as clearly reflected in the General Report of the Auditor-General for the 2005–06 financial year. The Auditor-General indicates in his report that consistency of performance information could not be confirmed as in most cases quarterly reports were not compiled (Auditor-General 2006:20).

Notwithstanding all these requirements, there are no comprehensive practical guidelines for the implementation of performance management in national and provincial departments and agencies. The new public sector management, though, seems to be characterised by a focus on results in terms of efficiency, effectiveness and quality of service and outcomes. Performance auditing and reporting therefore will have to receive much more attention and emphasis than before and some suggestions in this regard are included in chapter 7 of this study.

2.2 Performance Management Framework

For this study it is necessary to analyse what is meant by a performance management framework. Performance should focus on the conservation and utilisation of resources and emphasises economy and effectiveness in the delivery of services to the public. It should include a publicly articulated framework for evaluating performance with reference to explicit criteria that include empirically based benchmarking (Kusi 2004:18).

A framework is generally defined as “a basic structure of ideas” (Webster’s Seventh New Collegiate Dictionary 1971:332) and as “a construct by combination of parts or adaptation to design; contrive; devise; invent; compose; express; articulate (words); conceive, imagine ...” (The Readers Digest Great Encyclopaedia Dictionary 1972:345). The term framework relates to constitution (to constitute) or building structure in many cases preceded by (strong) scaffolding and it is in its broader meaning related to social processes (Encyclopaedia Britannica 1974 Vol 7:603). The term also relates to structure and formalism with certain qualifications (Compare Honderich, 1980:974 and 1005).

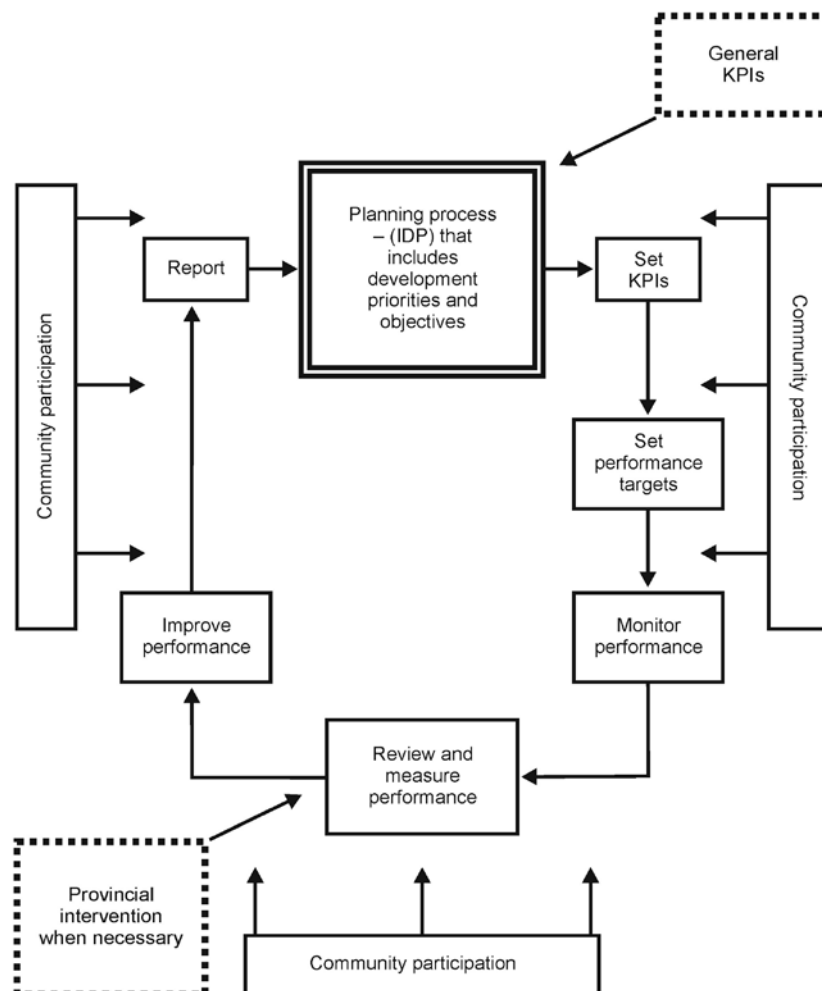
A performance management framework should therefore include the necessary definitions, processes, criteria and standards.

The Municipal Systems Act (MSA) 2000, Act No. 32 of 2000, identifies the core components of a performance management framework to include:

- Appropriate performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality’s development priorities and objectives set out in its integrated development plan.
- Measurable targets.
- Monitor performance.
- Measure and review performance at least once a year.
- Improve performance.
- Establish a process of regular reporting. (MSA 2000 Sec. 41)

A guide in this regard was completed by the Department of Provincial and Local Government (DPLG) with the objective of introducing readers to the proposed performance management framework. The following figure is an extraction made from the DPLG Introduction to Performance Management for Local Government in South Africa Guide (DPLG nd:12)

Figure 3 – The PMS Framework at a municipal level



Source: Department of Provincial and Local Government, *Introduction to Performance Management for Local Government in South Africa Guide*. (Pretoria: DPLG nd), p. 12.

Assigning accountability is critical for the successful implementation of a performance management system and should form part of the overall performance

management framework. The different role-players in the context of this study will be discussed in chapter 5.

It will be of little use within the performance management framework if performance is measured and the mere measurement is the end of the process. Once performance is measured it is necessary to determine performance gaps, develop performance improvement plans, execute the plans and follow-up on the successful implementation of the plans. This is in line with the management cycle of planning, executing, controlling and continual improvement.

Once the performance management framework is developed it needs to be effectively communicated and implemented to ensure its sustainability.

National Treasury has issued a Framework for Managing Programme Performance Information (National Treasury Republic of South Africa 2007). The objectives of this framework are to enable the readers to understand:

- The importance of performance information as a management tool;
- The link between the framework and the Government-wide Monitoring and Evaluation System;
- The role of performance information in planning, budgeting and reporting;
- Key concepts, including the criteria for good performance indicators;
- An approach to developing performance indicators;
- The capacity required to manage and use performance information;
- The roles of key government institutions in performance information management, and
- The publication of performance information.

The Framework for Managing Programme Performance Information issued by Treasury only addresses a part of the needed overall Performance Management Framework. Since the need for an overall performance management framework has been examined here, performance auditing and reporting may be more closely analysed and positioned within the framework.

As indicated in chapter 1, this study will focus mainly on the measurement of performance and specifically how performance auditing and performance reporting can assist in the process of measurement of performance. Once planned performance management is implemented, it will become necessary to measure and assess performance based on the extent to which predetermined objectives are achieved and how efficiently and effectively the allocated resources have been used after being acquired economically. Performance reporting, including indicators, should measure efficiency, effectiveness and economy or a combination thereof, which is why the framework for evaluating performance is known as the “3 Es” framework. Performance auditing should measure the management measures to ensure resources were acquired economically and are utilised efficiently and effectively.

2.3 Performance categories

Performance management carries out, *inter alia*, a monitoring and controlling function in the public sector. This section of the study explores how performance auditing and performance reporting can be used in a performance management framework to contribute towards this important monitoring and controlling function.

The definition of the comprehensive audit, put forward by Leclerc et al (1996:232), refers to the two performance categories explored here.

Audit serves an accountability relationship. It is the independent, objective assessment of the fairness of management’s representations on performance or the assessment of management’s systems and practices, against criteria, reported to a governing body or others with similar responsibilities.

From the above it could be deduced that there are management representations on performance that are reported to a governing body or others with similar responsibilities (performance reporting), and there are the assessment of systems and practices against criteria (performance auditing). This can be directly related to the definition of performance reporting and performance auditing provided in the following sections.

2.3.1 Performance auditing

In Canada the term used is “comprehensive auditing”. Leclerc et al (1996:228), state that a comprehensive audit looks at how carefully an organisation has given attention to economy, efficiency and effectiveness. The authors further indicate three broad approaches to comprehensive auditing. The first approach focuses on the quality of management systems and practices to assess the extent to which the organisation pays due regard to economy, efficiency and effectiveness. For the purposes of this study this is referred to as *performance auditing*, which is discussed further in this section.

The second approach is adopted where management makes representations on the performance and the auditor provides an opinion as to the completeness and integrity of these representations. Management representations are addressed in the next section of this chapter. The audit thereof is addressed in chapter 5 (section 5.3.1).

The third approach involves the auditors themselves undertaking the measurement of and reporting on performance. The authors maintain that in Canada this is not a common practice and it only happens in cases where the governing body wants assurance about performance but management does not have the capacity or is not prepared to make representations that satisfy this need (Leclerc et al 1996:229).

As Ajam (2000:6) points out, in South Africa the importance of performance auditing is recognised in the PFMA, which forms part of the whole reform process in terms of which operational efficiency is measured. For example, performance auditing attempts to measure whether government departments are producing the maximum possible service delivery outputs with the resources available to them.

In South Africa the Auditor-General has the statutory authority to carry out performance audits as stipulated in the Public Audit Act (PAA 2004) in section 20(3) where it is reflected that the Auditor-General may report on whether the auditee’s resources were procured economically and utilised efficiently and effectively. The PAA repealed the previous Auditor-General Act, No 12 of 1995. In Section 3 (4)(d) of this act it was stated that the Auditor-General must be satisfied that satisfactory management measures have been instituted to ensure resources are procured economically and utilised efficiently and effectively. Section 5 (b) of the same act

further said that the Auditor-General must draw attention to material cases where the utilisation of resources for a service is, in his or her opinion, uneconomical, inefficient, ineffective or not conducive to the best interests of the State or the statutory body concerned.

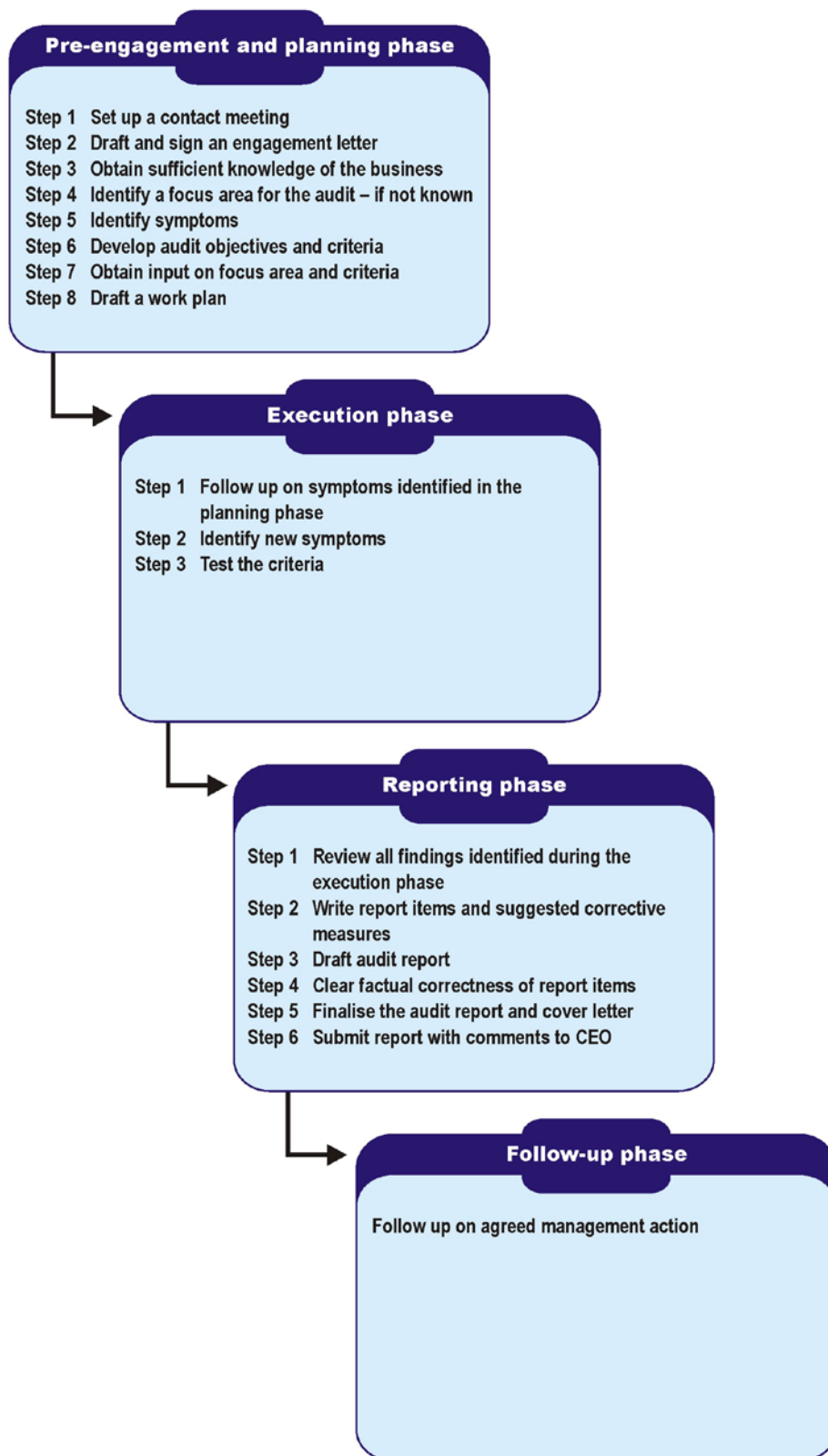
A performance audit, like any other audit, will start with the audit engagement. The engagement could be required by a legislative authority or may arise from a contractual arrangement. In South Africa the only clear legislative authority for performance audits that are to be conducted is contained in the Public Audit Act.

However, if one looks at the responsibilities of the accounting officers in terms of economy, efficiency and effectiveness, arguably the extent and scope of performance auditing should be expanded. Accounting officers would have to be able to demonstrate how they have fulfilled the responsibility for the effective, efficient, economical and transparent use of the resources. The accounting officer must be able to demonstrate this by reporting on the number of performance audits done, the main resource areas covered over the period and the results of the performance audits. The performance audits could be done internally by the internal auditors or external experts could be appointed to conduct performance audits.

The performance audit process is comprehensively dealt with in the literature. Useful sources are the SAICA “Guide on Performance Auditing” and the “Performance Audit Manual. Policies, standards and guidelines for the planning, execution, reporting and follow-up of performance audits” issued by the Auditor-General SA (Auditor-General 2008(a)) as well as four chapters in the “Canadian Comprehensive Auditing Foundation Book on Comprehensive Audits” (Leclerc et al 1996: 251-296).

Although the purpose of this study is not to explore the performance audit process, the following flowchart provides a brief overview of the process.

Figure 4 – The Performance Audit Process



Source: Prinsloo, J. and Roos, M., *Performance Auditing A step-by-step approach*, (Pretoria: Van Schaik Publishers, 2008), p. 22.

The execution of performance audits within the contractual arrangement environment, and the extent to which internal audit sections conduct performance audits, are explored later in this study, in chapter 6 on applications in South Africa.

2.3.2 Performance reporting

The second approach to comprehensive auditing described by Leclerc et al that could be adopted is where management makes representations on the performance and the auditor provides an opinion as to the completeness and integrity of these representations (1996:229).

Any government should report on its performance to fulfil its accountability function. As reflected on in chapter 3 (exploration of the perspectives and development internationally and nationally) this may be done by setting clear objectives and standards of service against which the performance can be measured. In South Africa there are very definite legislative requirements for reporting on performance. According to the Auditor-General SA, limited detailed guidance is provided in South Africa to enable acceptable performance reporting (Auditor-General 2003:36). The current Framework for Managing Programme Performance Information is a broad framework. Unfortunately no detailed guidance and only limited support for implementation exists at the moment.

Although the PFMA stipulates that performance information be reported, the quality of the information is sub-optimum. This is confirmed by the Auditor-General in the 2004–05 and 2005–06 General Reports where various audit findings on the quality of performance information is reported (Auditor-General 2005:14–23) (Auditor-General 2006:15–16).

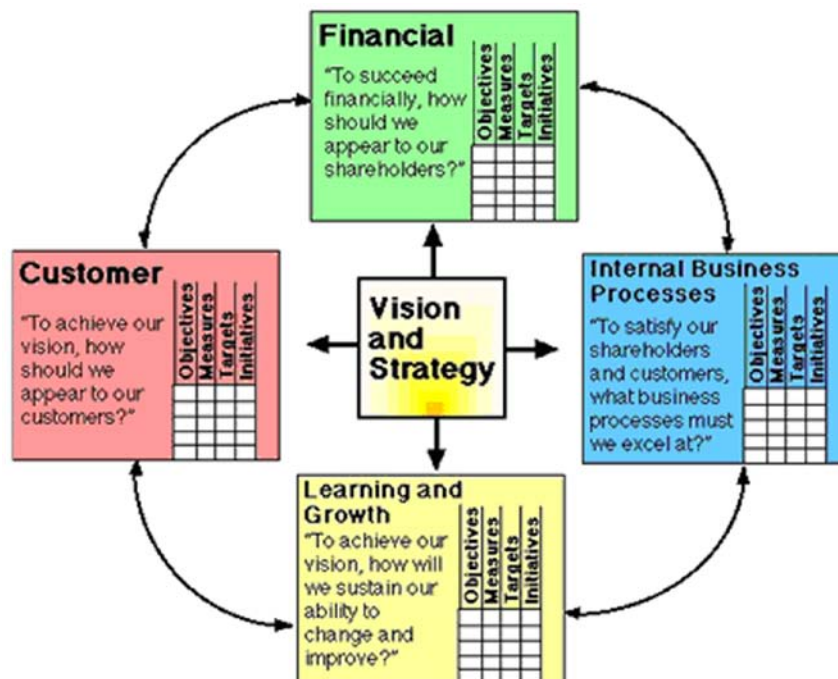
Various models are used as tools to report on performance. Although it is not the objective of this study to evaluate the different models or to make recommendations as to the most appropriate one, some of these models are briefly discussed in this section. A model that is used extensively in South Africa is the Balanced Scorecard. According to Gering and Rosmarin the Balanced Scorecard is a tool that uses indicators to communicate strategy and to measure its successes by operationalising strategic discussions, and by assigning accountability for well-defined results (Gering and Rosmarin 2002:23).

The “Balanced Scorecard” is a strategic management approach developed in the early 1990s by Dr Robert Kaplan of Harvard Business School, and Dr David Norton. Doctors Kaplan and Norton describe the approach:

The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation.

The four perspectives from which the balanced scorecard identifies an organisation are the learning and growth perspective; the business process perspective; the customer perspective and the financial perspective (JISCinonet (accessed: 26/6/2008)). The figure below depicts the balanced scorecard.

Figure 5: The Balanced Scorecard

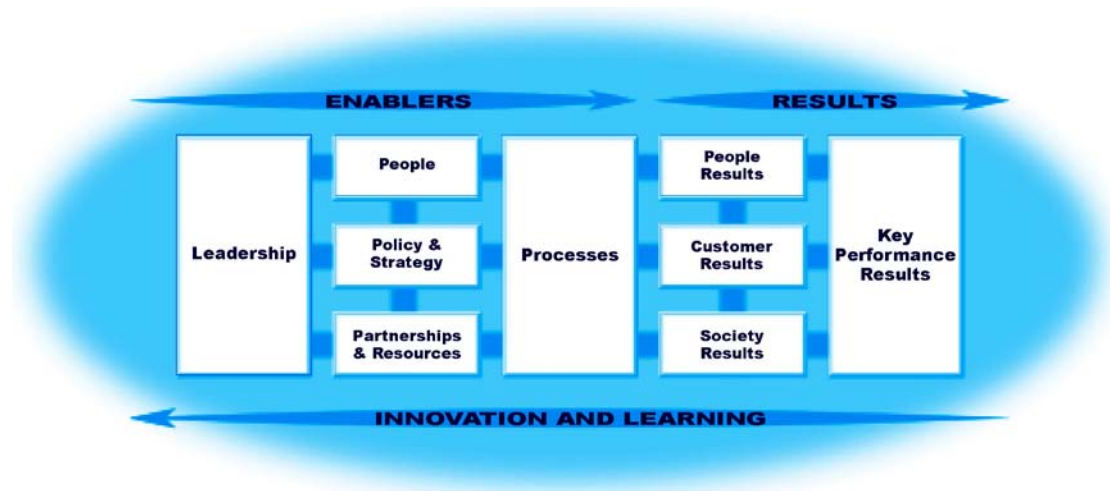


Source: JISC <http://www.jiscinonet.ac.uk/infokits/analytical-tools/balanced-scorecard>. (accessed: 26 June 2008)

Another model is the South African Excellence Model which is based on the premise that excellent results with respect to performance, customers, people and society are achieved through leadership, driving, policy and strategy that is delivered through people, partnerships and resources, and processes.

This model is presented in the diagram below. The arrows emphasise the dynamic nature of the model. They show innovation and learning helping to improve enablers that in turn lead to improved results.

Figure 6: The Business Excellence Model



Source: Business Excellence Model - <http://www.efqm.org>. (accessed: 26 June 2008)

CCAF recommends that public performance reporting should:

- Focus on the few critical aspects of performance.
- Be forward looking as well as retrospective.
- Identify key strategic risks, explain their influence on policy choices and performance expectations and relate results achieved to the level of risk accepted.
- Disclose and discuss key considerations affecting capacity to sustain or improve results and meet expectations.
- Disclose and discuss any other factors critical to successful implementation of strategies or to an understanding of performance.

- Integrate financial and non-financial information to show how resources and strategies influence results.
- Provide comparative information about past performance and about the performance of similar organisations when doing so would significantly enhance readers' ability to understand and use the information being reported.
- Be based on credible quantitative and qualitative information fairly interpreted and presented.
- Disclose the basis on which it has been prepared. In particular, explain:
 - the basis for selecting the few critical aspects of performance on which to focus.
 - changes in the way that performance is measured or presented.
 - the basis on which those responsible for the report hold confidence in the reliability of the information being reported
 (CCAF-FCVI 2004(a):6).

It is said that the above public performance reporting principles are very comprehensive and will contribute to a very high quality of performance reporting to fulfil the accountability responsibility. However, the current application of these principles would need to be further explored to assess to what extent current performance reports in South Africa comply with these principles.

2.4 Summary and conclusions

The first part of this chapter highlighted the comprehensive requirements for performance management in terms of the PFMA and Treasury Regulations and the responsibility of the accounting officers and other officials in this regard.

Notwithstanding all these requirements, there are limited proposed strategies, overall performance management frameworks or comprehensive practical guidelines for the implementation of performance management in national departments. The second part

of this chapter explored the meaning of a performance management framework and the elements that need to be included in such a framework.

The last part of the chapter demonstrated how the two performance categories which form the basis of this study fit within a performance management framework by analysing the definitions. It addressed the accountability factor and briefly reflected on the process of performance auditing and the different models and principles that could be applied as part of public performance reporting.

This chapter reports on the need for accounting officers to demonstrate they fulfilled their responsibility for the effective, efficient, economical and transparent use of the resources. The nature and extent to which the accounting officers demonstrate fulfilment of their responsibilities need to be further explored.

In terms of performance reporting, limited guidance is provided in South Africa to enable acceptable performance reporting. The current application needs further exploration to assess to what extent current performance reports in South Africa comply with public performance reporting principles.

Before this study explores the available supporting mechanisms for the implementation of the two categories – performance auditing and performance reporting – of performance management, the role-players and the current application in South Africa, it is necessary to study the historical perspectives and development in these two areas. This will be done in chapter 3.

3. HISTORICAL PERSPECTIVES AND DEVELOPMENT

3.1 Introduction

The previous chapters reflect on the nature of performance management and how the two performance categories – performance auditing and performance reporting fit into a performance management framework in the public sector. Attention is also given to the legislative requirements. This chapter will explore why there is a need for performance management by giving historical perspectives and looking at international and national developments in the areas of performance auditing and reporting.

An analysis of the international development in performance auditing and reporting could include many countries. For the purpose of this research it was decided to trace the development in Canada and Australia, specifically Western Australia. These two countries are considered to be highly advanced in the areas of performance auditing and performance reporting within the public sector. In a document on the history of the Western Australia Audit Office reference is made to Canada being considered the world leader in the development of “Value for Money” – comprehensive operational auditing. In the same document it is mentioned that the outstanding Australian performance and reputation made people from over the world to come and learn from this country. In the mid-90s Australia was being recognised as the leader in public sector practices (Auditor-General for Western Australia 2003(b) (accessed 12/6/2009)).

3.2 The need for performance management

The most important reason for managing and measuring performance is the rule of thumb principle that “what gets managed and measured gets done.” Performance management and measurement is critical for effective management in general and it also facilitates effective accountability. It further enables various interested parties, including those accountable, to track progress and identify areas for improvement.

Chapter 1 of the Framework for Managing Programme Performance Information (National Treasury Republic of South Africa 2007:1) cryptically states that:

If you do not measure results, you can not tell success from failure.

If you can not see success, you can not reward it.

If you can not reward success, you are probably rewarding failure.

If you can not see success you can not learn from it.

If you can not recognise failure, you can not correct it.

If you can demonstrate results, you can win public support.

In the public sector the demand for public services is increasing, but the availability of resources is limited. To strike a balance between demand and availability performance – what is being done and how is it being done – needs to be assessed. Performance audits can indicate the shortcomings in management measures and ensure economy, efficiency and effectiveness. Performance reports can inform citizens about government plans in terms of performance and then report back to the citizens on what has been achieved. In the policy making arena this is known as the feedback loop which, in turn, can produce optimum outputs to the benefit of the public. (On the policy cycle and feedback on outputs delivered by the public service, consult Parsons (1995:23ff, 77 and 153).

In the South African context the need for performance management, including monitoring and evaluation, is reflected upon in the Policy Framework for the Government-wide Monitoring and Evaluation System. Monitoring and evaluation assist the public sector in evaluating government's performance and help users to conclude about the choice of policy priorities, resourcing of the policy objectives and actual service delivered. It also helps to identify challenges that have to be addressed to ensure performance (The Presidency Republic of South Africa 2007:1).

The development of performance management, various management tools to implement performance management and measurement received a lot of focus as early as the 1960s by way of planning, programming and budgeting. The need for performance management has been recognised internationally and nationally and the following two sections will further investigate the historical perspectives and

international development in performance auditing and performance reporting in Canada and Western Australia.

3.3 International development in historical perspectives

3.3.1 Case One: Canada

3.3.1.1 Performance auditing

In Canada performance auditing developed as early as the 1970s due to client demand for better accountability information. Apparently at the time management was unwilling or unable to properly report on performance and the auditors were asked to provide broader accountability information. In 1977 the Parliament of Canada enacted the Auditor-General Act. This Act enabled the Auditor-General to report on whether money was spent with due regard to economy and efficiency in the acquisition and management of goods and services and whether effectiveness of programmes were duly measured and reported on. In 1978 the comprehensive auditing approach was officially launched where the traditional approach of focussing on financial records was enhanced by looking at non-financial performance. After this national initiative several of the provinces in Canada also provided auditors with similar mandates. In 1980 the Canadian Comprehensive Auditing Foundation was established as a cooperative non-profit organisation. The body focussed on research and education in comprehensive auditing (Leclerc et al 1996:226–227). During the early days the CCAF started issuing different informative documents realising the need to document the areas of knowledge necessary for performance auditing. Some of these documents are discussed in chapter 4.

During the 1990s the Auditor-Generals of Canada and its provinces conducted numerous performance audits on a variety of focus areas¹. In 2002–2003 the Auditor-

¹ Examples include Efficiency in Government and Department of Transport – Airports in 1990; Vehicle Fleet Management and Debt Management and Employee Pensions in 1991; The Learning Organisation and Search and Rescue in 1992; Crown Corporations: Accountability for Performance and Program Evaluation in the Federal Government in 1993; Study of Key Federal Social Programs and Management and Operations of Crown Office Buildings in 1994; Revenue Canada- The New Regime for processing Income Tax Returns and Travel and Hospitality in 1995; Material Management and Systems under Development: Getting Results in 1996; The Processing of Refugee Claims, Correctional Investigator Canada and Contracting Performance in 1997; National Defence – Buying Major Capital Equipment and Federal Laboratories for Human and Animal Health Building Project in 1998;

General in Canada committed the Office to undergo an external review of its performance audit practice by 2005. The review confirmed the soundness of the Office's performance audit practices and that it provided additional assurances about the integrity of the accountability process (Ferguson and Rafuse 2004:10 and 15).

During the same period the Canadian Comprehensive Auditing Foundation was actively involved with research on performance auditing. In July 2000 a document on the Introduction to Comprehensive Auditing was issued (CCAF-FCVI 2000 (a)). In 2002 a document on Accountability, Performance Reporting, Comprehensive Audit – An Integrated Perspective was published (CCAF-FCVI 2002 (a)). During 2006 the CCAF also started to test the recently developed *Fundamentals of performance auditing* (Value for Money) training course (CCAF 2006(a):2–3) and pilot tests were conducted during the period 2006–2008.

3.3.1.2 Performance reporting

Reflecting on the development of performance reporting in Canada indicates that the first annual report on performance and accountability was released in 1995. In the subsequent year a pilot report project was launched. It recommended that departments split their estimate documents into separate planning and reporting documents, namely a “Report on Plans and Priorities” and a “Departmental Performance Report”. These had to be released at different times of the year to improve expenditure management. Sixteen departments agreed to report on the actual results achieved for the year ending 31 March 1996. Since the early 1990s provinces throughout Canada started various initiatives to improve public performance reporting (CCAF 2008(a)). From 2000 annual reports on Canada's performance have been issued to Parliament as a companion piece to the Departmental Performance Reports.

These reports communicate government's contribution to Canada's performance in key policy areas and highlight strengths and areas for improvement and group the departmental strategic outcomes used in Departmental Performance Reports into

Transport Canada, Service Quality, Canadian Food Inspection Agency and Human Resources Development Canada in 2002; The Erosion of Parliamentary Control and Under-management of Grant and Contribution Programs in 2001; Health Canada- National Health Surveillance and National Defence – NATO Flying Training in Canada in 2002.

outcome areas. (Treasury Board of Canada Secretariat 2006(a) (accessed 17/10/2007)).

On April 11, 2006 the Federal Accountability Act was tabled in the House of Commons and the Federal Accountability Action Plan as a companion piece to the Act was released (Treasury Board of Canada Secretariat 2006(b) (accessed 17/10/2007)). The Federal Accountability Act has strengthened the power of the Auditor-General by providing for ongoing departmental reviews of granting programmes enshrined in law (relevant for performance auditing and performance reporting). The Federal Accountability Action Plan outlines the initiatives the Government would undertake to improve accountability in Government.

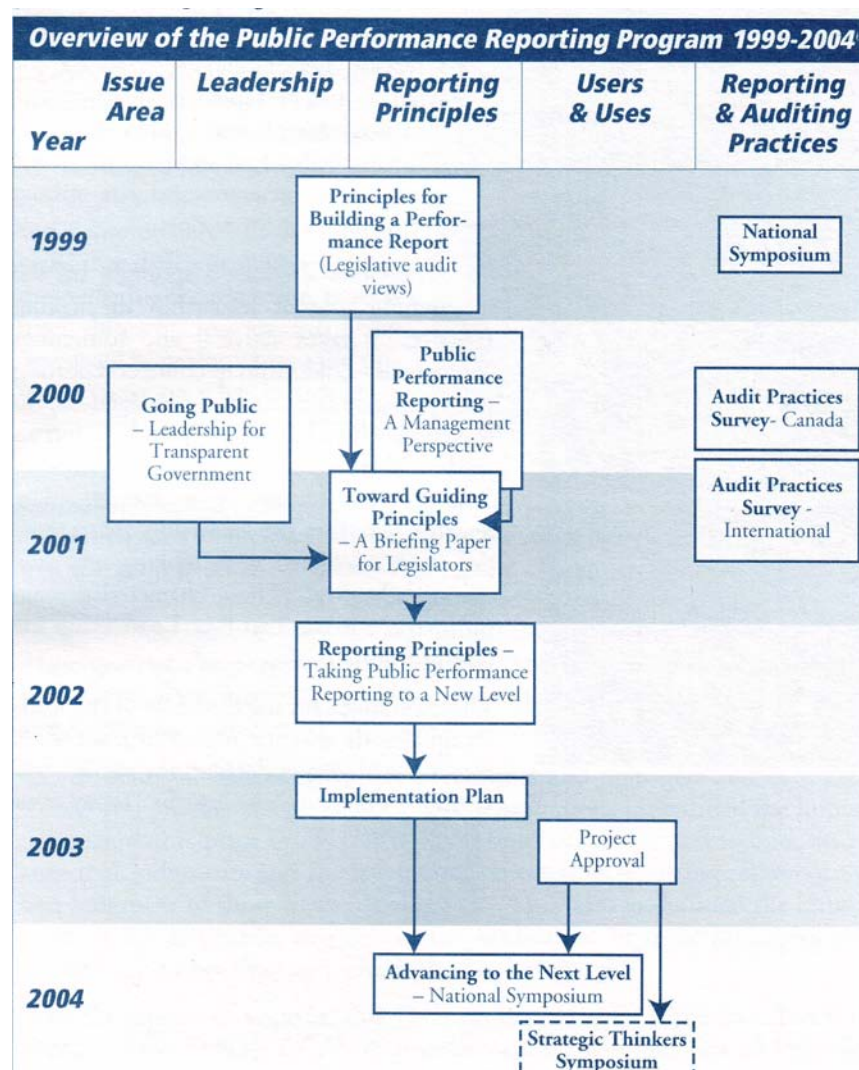
The Public Sector Accounting Board (PSAB) approved a Statement of Recommended Practice, SORP-2 Public Performance Reporting in June 2006. The Statement provides information that public entities would need in preparing public performance reports that demonstrate the principles of performance reporting and incorporate the characteristics of good performance reporting (Public Sector Accounting Board Chartered Accountants of Canada 2007(b)). Subsequent to this a guide to Preparing Public Performance Reports was issued in May 2007 using SORP-2 as a foundation. This guide focuses on the information (report) and not the results produced by the entity (Public Sector Accounting Board Chartered Accountants of Canada 2007(c):2).

While the Public Performance Reports became an essential accountability tool in Canada over the past decade, as indicated in the Public Performance Reporting 2008 Summer Update (CCAF-FCVI 2008(a)), the Canadian Comprehensive Auditing Foundation was actively involved in research and development in the public performance reporting arena. The CCAF's Board of Governors authorised a three to five year programme of research and development in public performance reporting. The Canadian Comprehensive Auditing Foundation launched its Public Performance Reporting Research Program in 1999. In the same year a discussion paper from Canada's legislative Audit Community was issued to reflect the elements needed to structure a framework of public reporting principles (CCAF-FCVI 1999:5). After the launch the organisation held symposiums and released a number of major research reports, some of which are referred to in this study. Interaction with various

stakeholders including leaders in governance, audit and management also took place. In the period 1999 to 2009 no less than 38 documents, including initiatives in terms of public performance reporting, have been issued by the CCAF.

The following chart provides an overview of the Public Performance Reporting Program for the period 1999–2004:

Figure 7: Overview of the Public Performance Reporting Program 1999–2004



Source: CCAF – FCVI., *Public Performance Reporting: Connecting Canadians & Their Governments*, (CCAF – FCVI, 2004(a)), p. 3.

In 2006 a conference was held on trends in the use of performance information. A document on the nine reporting principles was also issued based on inputs during the various research initiatives and a substantial increase in the attention paid to public performance reports was noted (CCAF–FCVI 2006(b):1).

The Canadian Comprehensive Auditing Foundation launched a Program for Improved Public Performance Reporting (PIPPR) in 2006/07 and is working with various partners to improve the quality and increase the use of public performance reports. Some of the 2006 initiatives included undertaking good practices research on user-friendly reporting approaches for public performance reports and working to facilitate feedback from respective legislators on the status of performance reporting (CCAF–FCVI 2008(c):8). Various best practice guidelines have also been issued by the CCAF and is referred to in chapter 4 of this study.

In 2007, in the province of Alberta in Canada, the government had discussions with various parties, and this was one of the first direct consultations of user groups of this kind in the country. These parties included legislators, the media and non-governmental organisations and the objective was to determine their needs to ensure the performance information reported is relevant and accessible. The most important messages delivered by the users were that the credibility of public performance reports had to be enhanced, the relevance increased, the clarity and accessibility improved and the process of engaging users in public performance reporting be bettered (CCAF–FCVI 2008(b):2–4).

The 2008 Summer Update identifies further initiatives planned by the CCAF. This includes a study on how some legislative committees successfully use public performance reports and the launch of a Performance Reporting website (CCAF–FCVI 2007 (accessed 24/11/2008)) that contains up to date public performance reporting information. In 2009 the CCAF also issued a document on the Evolution of Performance Reporting. More information on these initiatives is described in chapter 4 of this study.

3.3.2 Case Two: Australia

3.3.2.1 Performance auditing

Performance Auditing started in Australia in 1976 when the Royal Commission on Australian Government Administration promoted the expansion of the function of the Auditor-General to include performance auditing. The Commission was in favour of auditing economy and efficiency but not effectiveness. The government accepted the Commission's recommendations and a report was tabled in Parliament in November 1977. It became a background document for the drafting of a bill amending the Audit Act 1901 in 1979. Effectiveness auditing was not referred to in the Audit Act (1901, revised 1979) and efficiency was not defined. Subsequent developments included an Audit Manual in 1980, the creation of an efficiency audit division and the publication of a basic guide in 1986 on the Elements of Efficiency Auditing. In August 1987 a Special Commonwealth Gazette No S200 was published that integrated performance audit with the audit portfolio of the Auditor-General (McCrae and Vada 1997:204–206).

In 1985 the Financial Administration and Audit Act² was also passed and it made specific provision for examination into efficiency and effectiveness. As reported in the History of the Western Australian Audit Office 1829–2004 the new act required the evaluation of the performance of organisations. Since the Financial Administration and Audit Act the role of the Auditor has seen significant changes, such as the decision of the Auditor-General to perform performance examinations into departments and state authorities as one. Analysts suggest that these examinations were some of the exercises which had a key impact on the whole public sector and which resulted in the most far-reaching changes in the auditing process in decades. The traditional role of the Auditor-General was to express an opinion on the financial statements and monitor compliance with legislative requirements. The Financial Administration and Audit Act now requires that the Auditor-General carries out an examination on efficiency and effectiveness and that agencies report key performance indicators of efficiency and effectiveness that had to be submitted and audited by the Auditor-General (Auditor-General for Western Australia 2003(b)).

² The Act was subsequently revised and updated and the Financial Management Act 2006 was enacted.

In Western Australia the Auditor undertakes two types of audits:

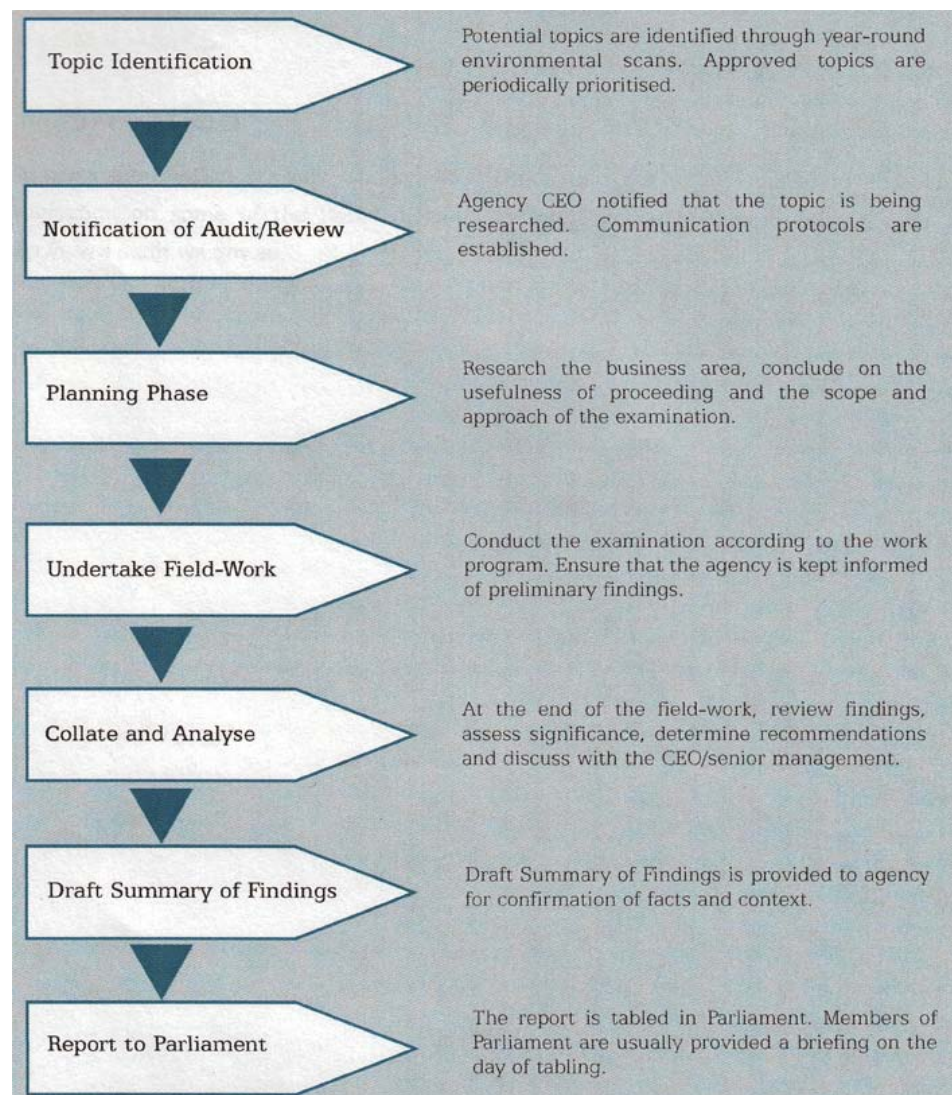
- Assurance Audits that audits the assertions made by the public sector agencies about their financial and non-financial performance providing assurance that these statements are true and fair; and
- Compliance and Performance Examinations that investigate the efficiency and effectiveness of public sector agency operations to determine whether funds are spent in accordance with Parliament's expectations (Auditor-General for Western Australia 2003(a):5–6).

The first type is similar to the audit of performance information being conducted by the Auditor-General in South Africa and the second one is similar to the performance auditing being conducted in South Africa. Both these are further elaborated on in chapter 5 of this study.

The performance examinations, as referred to in Western Australia, are described in the Audit Practice Statement as to evaluate whether an agency is effectively meeting its objectives and using its resources economically and efficiently. "They can cover all or part of the activities of an agency or agencies. The examination seek to improve resource management and add value to an agency through recommendations on improving operations and procedures" (Auditor-General for Western Australia 2003(a):44).

The methodology is very similar to the methodology followed in South Africa and is depicted in the diagram below.

**Figure 8: Methodology for Performance Examination
Auditor-General Western Australia**



Source: Auditor-General for Western Australia, *Audit Practice Statement*, (extracted from the *Report on Ministerial Portfolio's at November 25*) (West Perth Western Australia, (2003(a)), p. 45.

3.3.2.2 Performance reporting

The interest in performance management in Australia can be traced back to a report on the Australian Government Administration in 1976 and in the 1980s when calls for improved accountability were made in Australia (Radin 2003:1360). In 1985 the Western Australia Financial Administration and Audit Act (FAAA) was released and required agencies to report performance indicators and required the Auditor-General to review and assess the reports (Auditor-General for Western Australia 2003(b)). The Treasurer's Instruction 904 also requires of the accountable officer or authority to

disclose in the annual report the government desired outcome(s) to which each output relates; the output measures of quantity, quality, timeliness and cost; key efficiency indicators for each output, relating outputs to inputs consumed and key effectiveness indicators for each outcome, relating outputs to outcomes achieved (Western Australia Audit Office www.audit.wa.gov.au/pubs/performance indicators (accessed 13/11/2009)).

According to Walker (2001:4) many Australian public sector agencies have published information on performance in compliance with requirements of individual jurisdictions. However, according to Wilkins and Mayne, after the FAAA came into effect in 1986 the public sector made little progress in developing performance indicators and the Auditor-General reported to Parliament that he was unable to fulfil the audit requirements of the FAAA. Wilkins and Mayne indicate that approximately ten years after the legislation was promulgated the vast majority of the State's expenditure has been covered by performance indicators that was acceptable in audit terms (Wilkins & Mayne 2002:2–3).

The Auditor-General of Western Australia issued a first report on performance indicators in November 1992. In this report he concluded that some agencies had made considerable progress in the development of relevant and appropriate performance indicators but that it would take some time before the indicators of all agencies reached the standard where they would fulfil their intended role (Office of the Auditor-General Western Australia Special Report 1994:51).

In February 1993, a paper called “Performance Information and the Management Cycle” was issued by a Management Advisory Board and the Management Improvement Advisory Committee. This paper indicated that performance information is being used in both programme management and in central decision-making and that the quality of the performance reporting was improving. However, others believed the opposite. (Radin 2003:1360).

In 1994 the Auditor-General of Western Australia issued a special report on public sector performance indicators 1993–1994. This report identified factors that have influenced progress since 1990–1991 and made recommendations to facilitate further

improvement. In the special report the Auditor-General also indicated the way forward for the audit of the performance information (Office of the Auditor-General Western Australia Special Report 1994:vii). Appendix 2 of the Special report on public sector performance indicators describes the history of performance indicators in Western Australia from 1976 to 1994 (Office of the Auditor-General Western Australia Special Report 1994:50–52).

Various changes were made to the Treasurer's Instruction 904 operative from April 2005. One of the changes was the replacement of output-based management with outcome-based management by removing the requirement for agencies to prepare and report output measures of quantity, quality, timeliness and cost in their annual reports. Another change was the replacement of "outputs" with the term "services" that reflects the concept that agencies deliver either goods or services as opposed to outputs. The key efficiency performance indicators hence should relate a service to the level of resource input required to deliver it. The most common efficiency indicator relates cost to a unit of service, but in Australia the definition has been expanded to include productivity indicators that relate physical inputs to services, for example, units of service per machine hour. At the same time the concept of cost effectiveness indicators was also introduced. A cost effectiveness indicator relates achievement of an agency level government desired outcome to the cost of the services which achieve it. According to these requirements, if an agency does not disclose efficiency indicators (because per unit measurement is impractical) a cost effectiveness indicator must be disclosed. Agencies are encouraged to also report cost effectiveness in circumstances when it will clarify the performance or add value to performance information. Examples of cost effectiveness indicators are included in the *Outcome Based Management Guidelines* for use in Western Australia like "estimated change in speed related crashes after expenditure on relevant safety campaigns", "average cost per passenger kilometre" and "average cost per student graduating" (Department of Treasury and Finance 2004:15).

The amended Treasury Instruction included disclosure requirements as part of the annual report including, *inter alia*, key effectiveness, efficiency and cost effectiveness indicators for each agency level desired outcome and the actual results against targets for the key performance indicators for the reporting year with explanations of

significant variances between actual and target performance and the disclosure and explanations of all changes in agency level government desired outcomes, services and key performance indicators within a reporting year.

Developments also occurred elsewhere in Australia. Parallel to the developments indicated above during 1995 to 1999 various efforts in the area of reporting on performance took place in New South Wales. There the presentation of performance indicators was promoted but not prescribed by way of inclusion in the Regulations accompanying the Annual reports. According to Walker (2001:4) the New South Wales Treasury provided guidance on the how to comply with a Treasury Circular in 1996. A New South Wales parliamentary committee – the Public Bodies Review Committee – issued guidelines for reporting performance in 1996 and published results of assessments in 1997 and 1998. The committee indicated that performance measures-indicators are at least as important as financial statements in communicating performance.

Another reform effort was the public reporting of Service Efforts and Accomplishments (SE&A) by New South Wales government agencies that commenced in 1995. Christensen and Skaerbaek (2007:109) highlight some of the reforms including an emphasis on reporting outcomes rather than inputs or outputs, public availability of the reports and reporting by policy area rather than by organisation. SE&A reporting was initiated by the Council on the Cost of Government (COCOG) that was created in 1995 by the Public Sector Management Amendment Act, 1995. The COCOG's mandate empowered it to advise government on any changes that are necessary to ensure value for money. The objective of SE&A reporting was that it would present data that would be useful in budgetary allocation decisions by the Government and its Ministers while at the same time would report on the accomplishments by the Government. As indicated by Christensen and Skaerbaek (2007:111) the clear implication of the effort to document and report accomplishments, in terms of outputs and particularly outcomes, was to reduce the inputs or costs of government services.

In 1999 the first round of SE&A reports were published after significant resources had been expended to achieve a very comprehensive and focused presentation of

performance indicators (Walker 2001:15). The expected emphasis on reporting on outcomes did not take place but the focus was to report on outputs and reporting on input measures. As indicated by Walker (2001:11) the SE&A reports prepared and highlighted the range and complexity of tasks undertaken in the state sector in Australia and made information about the major activities in New South Wales more accessible to the community. He further concluded that SE&A indicators should enable the government, parliament and the public to monitor progress in achieving the goals set by governments and to assess whether specific initiatives have led to better outcomes. These indicators should assist the government to make informed decisions about priorities and resource allocation.

The calls for improved accountability have also been met with other reform efforts in some of the other states. In 1995 the Queensland government produced booklets that included statements of performance for programmes and New South Wales and Victoria produced budget papers (Walker 2001:5). These or such information drives can strengthen practitioners in their work.

During 2005, the Queensland Audit Office conducted a series of Performance Management Systems audits across Queensland public sector agencies. The objective was to assess whether systems and processes used were robust enough to support reliable and timely reporting of output performance information to Parliament. The findings were published in the Auditor-General of Queensland Report No. 3 for 2005 and Auditor-General of Queensland Report No. 5 for 2005 and subsequently a *Better Practice Guide – Output Performance Measurement and Reporting* was issued (Queensland Audit Office 2006:2).

3.4 Historical perspectives and national developments in South Africa: An overview

3.4.1 Performance auditing

South Africa was not far behind the other countries in the development relating to performance auditing. The South African Exchequer and Audit Act in October 1975 was among the first in the world. In South Africa the mandate to carry out and to

report on performance audits was embodied in the Auditor-General Act, No 52 of 1989 and the Auditor-General Act, No 12 of 1995. The first performance audit report addressing the Department of Education and Training's economy, efficiency and effectiveness issues were published in 1988 (Dye 2008). Section 3(4)(d) of the Auditor-General Act, No 12 of 1995 requires that the Auditor-General must satisfy himself or herself that satisfactory management measures have been instituted to ensure resources are procured economically and utilised efficiently and effectively and he/she must draw attention to material cases where this is not the case (Fakie 1998:3).

With the publication of the Public Audit Act in 2004 the requirement of having to ensure resources are procured economically and utilised efficiently and effectively was replaced with a less rigid requirement as it provides the Auditor-General SA with the discretion to report on whether the auditee's resources were procured economically and utilised efficiently and effectively (Auditor-General 2004(a): section 4). The Auditor-General SA can therefore decide to what extent to conduct performance audits. The change to the less rigid requirement should be interpreted together with the publication of the Public Finance Management Act and specifically section 38 (1)(b) of the PFMA (PFMA 1999), referred to in chapter 1 (section 1.3) of the study that states that the accounting officers are responsible for the effective, efficient, economic and transparent use of resources of the department, trading entity, constitutional institution or municipality. Public sector organisations should therefore establish the necessary measures to ensure compliance with the requirements of the PFMA. One of the measures would be to ensure internal audit conducts a sufficient number of performance audits to assist the accounting officer to fulfil this responsibility. The role of internal audit is further discussed in chapter 5. The challenge in demonstrating the fulfilment of the responsibility is discussed in the application in South Africa in chapter 6.

The change in requirement from the Auditor-General Act to the Public Audit Act did not result in the Auditor-General not conducting performance audits. The Auditor-General provides feed-back on the performance audits completed as part of the annual report and various performance audits have been completed from the time

performance audits were initiated in 1989³ (Auditor-General 2007:45, Auditor-General 2006:26 and Auditor-General 2005:25). Recognised in the report of the Auditor-General in 2005, the extent of work done is not adequate if one considers the stakeholders' expectations and the national drive towards higher level of accountability (Auditor-General 2005:25). The application in South Africa relating to the role of external and internal audit will be addressed in more detail in chapter 6.

The Auditor-General in South Africa also issued a detailed manual on Performance Audit in 2008. The manual describes the policies, standards and guidelines that have to be followed during the conduct of performance audits (Auditor-General 2008(a)).

3.4.2 Performance reporting

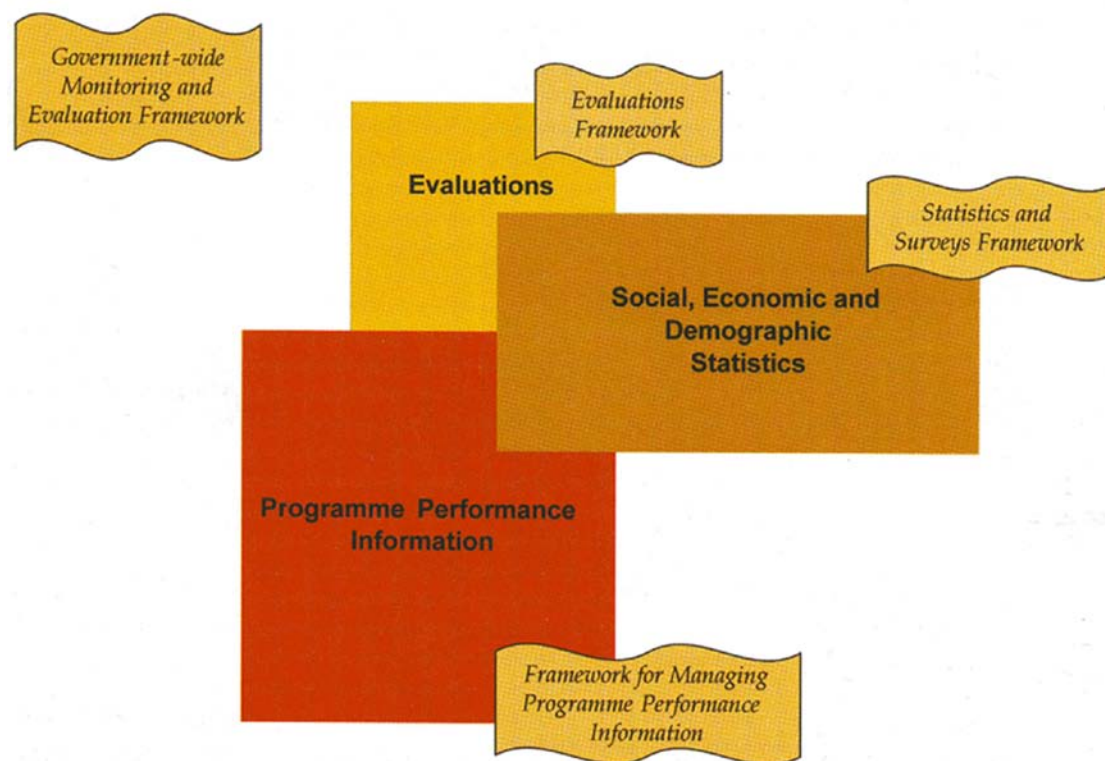
The local developments in reporting on performance came somewhat later than those in Canada and Australia. The emphasis on reporting on performance other than financial performance was legislatively established with the enactment of the PFMA in 1999. The PFMA require in section 40 (3)(a) of the PFMA reporting against predetermined objectives (performance reporting) (PFMA 1999). Unfortunately, and as indicated in chapter 4 (section 4.2.2.4), limited support by way of documentation and other mechanisms were made available within government to assist accounting officers and departments to be able to comply with the requirements of the PFMA. The annual report guidance provided by National Treasury contained information on the format of information that had to be reported but limited other guidance and support was provided. In 2007 the Framework for Managing Programme Performance Information was released by National Treasury (National Treasury Republic of South Africa 2007). According to this framework (National Treasury Republic of South Africa 2007:2–4) Cabinet initiated plans in 2004 for a monitoring and evaluation system and the Presidency subsequently developed the Government-wide Monitoring

³ Examples of a few performance audits completed in recent years include: For the 2006-07 nine performance audits were completed on Management of Monies in Trust, Official Departmental Accommodation at Correctional Facilities, Consultants, Immigration Process, Import Inspection Services, Approval and Allocation of Housing Subsidies (in three different provinces) and Pharmaceuticals. For the 2005-06 year four national reports were tabled on the declaration of interest by Ministers, Deputy-Ministers and Government Employees, Management of Sick Leave Benefits, The SA Local Government Association and Department of Justice and Constitutional Development. For the 2004-05 no reports were tabled in parliament but six reports were issued to management on Management of Sick Leave, Reform Programme, Supply of Uniforms and Clothes and overall management measures.

and Evaluation Framework. This framework has three components: Programme performance information; Social, economic and demographic statistics and Evaluations. The framework includes a set of agreed terms for performance information to be used in the public sector (The Presidency Republic of South Africa 2007).

The following figure reflects the different components of the Government-wide Monitoring and Evaluation system.

Figure 9: Components of the Government-wide Monitoring and Evaluation System



Source: National Treasury Republic of South Africa, *Framework for Managing Programme Performance Information*, (Pretoria Government Printers, 2007), p. 3.

The two components of performance management that form the basis of this research can be linked to this system. Performance auditing forms part of the Evaluations Framework and performance reporting part of the Framework for Managing Programme Performance Information.

The development on performance reporting was further enhanced by the stipulations in the Public Audit Act that required of the performance information to be subjected to auditing by the Auditor-General SA. Section 20 (2)(c) of the Public Audit Act, 2004 requires of the Auditor-General SA to provide an opinion or conclusion on the performance information reported against pre-determined objectives. The Auditor-General SA has adopted a phased-in approach in complying with this section of the Act and it is anticipated that the required level of maturity will be reached during the 2009–2010 financial year when the Auditor-General SA will start expressing audit opinions on the performance information. As part of the phased-in approach the Auditor-General SA adopted various audit procedures in the past years and reported on this in the Auditor-General SA annual reports and individual management reports to the departments for them to consider as part of the process to improve performance information being reported (Auditor-General 2007:4–5).

3.5 Summary and conclusions

The need for performance management was justified. The legislative requirements in South Africa and how the two components of performance management, namely performance auditing and performance reporting, can be applied in the public sector in line with the legislative requirements have also been reflected.

This chapter demonstrated, by tracing the historical perspectives and development in two reputable international case studies, how important these two concepts are. In Canada and Western Australia performance auditing developed as early as the 1970s and performance reporting as early as the 1980s. After the official initiation significant efforts were made to continuously develop and improve on the processes.

South Africa was not far behind in the initiation and implementation of performance auditing. Recently there seems to have been less emphasis on it when compared to the other two other case studies. In terms of performance reporting the development came later than in the two cases used for comparative purposes in this chapter, but due to the audit requirements much effort has been put into this area in recent years, some which are further explored in chapter 4. The application in South Africa is, however,

studied in more detail in chapter 6 of the study. Before the application in South Africa is further investigated it is necessary to study the supporting mechanisms for implementation and the different role-players. This will be addressed in the following chapters.

4. SUPPORTING MECHANISMS FOR IMPLEMENTATION OF PERFORMANCE AUDITING AND REPORTING

4.1 Introduction

The previous chapter took the reader on a journey of the historical development of the two categories of performance auditing and performance reporting within the performance management framework in two cases abroad and within South Africa. The selected case studies and the case of South Africa relate to arguments supportive of the process. As part of this journey reference were made to documentation consulted during this study. This chapter explores mechanisms provided during the development and implementation processes of performance auditing and performance reporting. Much emphasis have been put on financial performance and reporting, not only in Western Australia, Canada and South Africa, but also in other countries. International Financial Reporting Standards have been developed and training initiatives were launched to inform preparers and users of financial information. This chapter explores supporting mechanisms available to assist with the implementation of non-financial performance. In the discussion guidance documents, training and capacity building and other mechanisms will receive attention.

4.2 Supporting mechanisms by way of guidance documents

4.2.1 Performance auditing

A comprehensive guidance document on performance auditing is the *Implementation Guidelines for Performance Auditing* issued by the International Organisation of Supreme Audit Institutions (INTOSAI⁴) in 2004.

⁴ INTOSAI is an international organisation of the Supreme Audit Institutions body that includes international members and which includes but is not limited to the National Audit Office of Australia; Office of the Comptroller and Auditor-General of Bangladesh; Office of the Auditor-General of Canada; National Audit Office of Denmark; The State Audit Office of the Estonia; The Ghana Audit Service; State Comptroller's Office of Israel; Netherlands Court of Auditors; Office the Auditor-General of Norway; The Philippine Commission on Audit; National Audit Office of Sweden; State Audit Office of Thailand.

The publication includes standards and guidelines for performance auditing based on INTOSAI's Auditing Standards and practical experience. The guidelines include information on definitions, application of government auditing principles for performance auditing and it includes field standards and guidance for planning, conducting and reporting the results of a performance audit. The guidelines further include valuable references and appendices (International Organisation of Supreme Audit Institutions 2004:1–142). The appendices cover *inter alia* Performance Audit Methodology, Performance Audit Criteria, Evidence and Documentation, Communication and Quality Assurance, Performance Auditing and Information Technology, Performance Audits of Activities with an Environmental Perspective towards a System-oriented Approach in Performance Auditing: A Theoretical Framework.

4.2.1.1 Canada

The importance of providing guidance and documenting the areas of knowledge necessary to conduct performance audits was recognised by the CCAF not long after the comprehensive auditing approach was officially launched in 1978. The CCAF in Canada has played a significant role in the development of performance auditing and reporting (referred to under section 3.3.1.1 and 3.3.1.2 of this study). Lines of business of the CCAF include research, capacity development, training, an international Fellowship Program and member communication. In 1984 the CCAF issued a document, Knowledge Requirements for Comprehensive Auditing: A Practitioner's Guide (CCAF–FCVI 1984). The term comprehensive auditing, as indicated earlier in this study, include aspects of accountability namely financial reporting, compliance with authority and the economical, efficient and effective management of funds and resources (performance). In this instance specifically audit reporting on management systems and practices, audit reporting on performance and the audit of performance information reported by management are highlighted. Subsequent to the initial document on knowledge requirements and due to changes in the areas of public challenge, development in performance reporting, limited professional development budgets and changes in the governance, decision-making and accountability it became necessary to review the proficiency requirements for performance auditors. Thus the CCAF issued a guide for Practitioners on the Proficiency Requirements for Comprehensive Auditing (CCAF–FCVI 1998). In 1994

the CCAF also issued a document to introduce Comprehensive Auditing. The document provides reasons for conducting comprehensive audits, explains terminology, the approach, touches on roles and highlights the limits (CCAF-FCVI 1994). In 1996 another work on Comprehensive Auditing was published by the CCAF (Leclerc et al 1996). Other related documents were also issued by the CCAF to guide and provide assistance⁵. Guidance was not limited to the CCAF though and the Canadian Institute of Chartered Accountants also issued Value-for-money Auditing Standards to assist chartered accountants when these types of audits are conducted (Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants 1988).

In June 2008 the Auditor-General of Canada issued a detailed guide on the performance audit process. This guide provides information on the objectives, the principles governing interactions between auditors and auditees and administrative information. It emphasises the importance of productive and respectful relationships between audited entities and the staff of the Auditor-General indicating the objectives of the relationship are to understand the government context, promote open two-way communications and act in a professional and objective manner. As part of the initiative the Auditor-General also issued information sheets on various topics including roles and responsibilities, interaction with audit committees, access to information and the treatment of information, the long-term plan and the different phases of the audit process. The title of the guide clearly reflects the objectives namely *What to expect – An Auditee’s Guide to the Performance Audit Process* (Auditor-General of Canada 2008).

4.2.1.2 Australia

Chapter 3 (section 3.3.2) of the study reflected on the development in Australia and indicated that two types of audits are conducted in Western Australia being assurance audits on assertions made by public sector agencies on financial and non-financial information and compliance and performance examinations that investigates the

⁵ Some examples include “Pursuing Excellence in Canada’s Health System – In Search of Guiding Principles” (Discussion Paper January 2004(CCAF-FCVI 2004(b)); Building Excellence in Governance, Management and Accountability in the Public Sector – Moving to a New Level (A national conference discussion paper – October 2000(CCAF-FCVI 2000(b)); Report of the Independent Review Panel on Modernizing Comptrollership in the Government of Canada (June 2000(CCAF-FCVI 2000(c))

efficiency and effectiveness of the public sector operations. The first part refers more to performance information (further reviewed in section 4.2.2.2) and the second part to performance auditing.

Useful supporting documentation was also issued during the development and implementation phases. The Department of the Premier and Cabinet issued a variety of publications and policies to assist the public sector. A practical guide on useful evaluations was issued in 1994 (Department of the Premier and Cabinet – Public Sector Management Office 1994). A document on the Managing, Monitoring, Audit, Review and Evaluation Activities in Western Australia Public Sector Agencies was issued in 1995. A self-evaluation checklist was included. Recommendations were also made to ensure management improvement tools were used appropriately (Department of the Premier and Cabinet – Public Sector Management Office 1995(a)). A practical guide on managing the external evaluation process was also issued by the same office (Department of the Premier and Cabinet – Public Sector Management Office 1995(b)). The year after that programme evaluation standards were issued (Department of the Premier and Cabinet – Public Sector Management Office 1996)⁶.

In Australia, Queensland useful guidance documents are issued. The Queensland Audit Office issued a Better Practice Guide on Output Performance Measurement and Reporting (2006). The Auditor-General in the Report to Parliament provides a list of Guidelines issued during the period November 2003 to September 2006.

4.2.1.3 South Africa

The importance and role of performance auditing within the performance management framework is not clearly defined in the public sector guidelines. The Reporting by Public Entities Act, No 93 of 1992 (repealed by the PFMA) in section 8 required internal audits to be conducted to promote the economical and efficient management of resources and the effective performance of functions for all those entities listed as public entities. This requirement could only be waived by the Minister upon the recommendation of an entity's board of directors, if the Minister was convinced that the cost of the audit outweighed the benefits that it might achieve.

⁶ As part of the documents reference is also made to the Financial Resource Management Improvement Division, Treasury and the Office of the Auditor-General for assistance.

The PFMA has now transferred this responsibility to the accounting officers of the public entities, but it provides no guidance on a framework, processes or assigned responsibility.

The South African Institute of Chartered Accountants issued a Guide on Performance Audit in the Public Sector in 2006 that revised an earlier communiqué (SAICA 2006).

The Auditor-General SA also completed a detailed performance audit manual in line with the INTOSAI standards and includes the policies, standards and guidelines for the planning, execution, reporting and follow-up of performance audits (Auditor-General 2008(a)). The manual superseded a previous guide issued by the Auditor-General on the planning, executing reporting and follow-up of performance audits that were continuously reviewed and updated over a period of time.

4.2.2 Performance reporting

4.2.2.1 Canada

CCAF issued a document on Public Performance Reporting Principles in 2002 shortly after the developments in the area of performance reporting (consult section 3.3.1.2 of the study). The report recommends a set of principles to support the thinking, discussion and action on what is called the “next generation” of reporting⁷ (CCAF-FCVI 2002(b):4–5). The CCAF also completed a study on International Good Practices in Public Performance Reporting and published a document that includes the lessons learnt from effective public performance reporting (CCAF 2007(c)).

The Public Sector Accounting Board also issued a document to assist and provide additional guidance to public sector entities to apply the recommended practices in the Statement of Recommended Practice SORP–2, (referred to in Section 3.3.1.2 of this study). The guide included thirteen recommended practices with specific features under each recommended practice to assist the entity to identify whether the

⁷ These principles include: Focus on the few critical aspects of performance; Look forward as well as backwards; Explain key risk considerations; Explain key capacity consideration; Explain other factors critical to performance; Integrate financial and non-financial information; Provide comparative information; Present credible information, fairly interpreted; disclose the basis for reporting (CCAF-FCVI 2002(b):4–5)

recommended practice was properly applied or not (Public Sector Accounting Board Chartered Accountants of Canada 2007(c):2–3).

Further initiatives to be pursued by the Canadian Public Sector Accounting Board include the monitoring of the application of SORP–2; developing and publishing guidance to help preparers, auditors or others responsible for reviewing the reports; providing training on SORP–2 and producing implementation guidance documents (Public Sector Accounting Board Chartered Accountants of Canada 2007(a):2). The need for further guidance is confirmed by the British Columbia Auditor-General in the report on trends and opportunities in performance reporting. One of the preconditions for improved reporting states that standards of reporting should be accepted by both the preparers and users of information (CCAF 2008(b)).

4.2.2.2 Australia

The Audit Office in Queensland has developed a very user-friendly Better Practice Guide on Output Performance Measurement and Reporting. A checklist is provided of items to be considered in compiling a performance measures dictionary (Queensland Audit Office 2006:12–14); recommendations are made for output performance measurement framework systems and reporting (Queensland Audit Office 2006:15–16) and recommendations on systems and reporting (Queensland Audit Office 2006:15–20).

Useful guidance documents issued in Western Australia and highlighted by the Auditor-General are indicated in the Table 1 below:

Table 1: List of some guidance documents issued in Western Australia

Name of document	Year
Managing Organisational Performance: An Introduction to the Use of Performance Indicators (Paper released by the Office of Government Management)	1987
Program Management: An Introduction (Treasury Paper)	1989
Managing the business of Government	1991
Program Performance Management – A guide for Managers (Publication issued by Treasury)	1994
Preparing Performance Indicators: A practical Guide (Guide released by Public Sector Management Office)	1994
Listen and Learn – Using Customer Surveys to Report Performance in the Western Australian Public Sector	1998
OAG Audit Standard – the Audit of Performance Indicators	1999
Providing Assurance on Performance Reports: Two jurisdictions compared	2002
Outcome Based Management: Guidelines for use in the Western Australia Public Sector	2004
Audit Practice Statement	2007

Source: Office of the Auditor-General Western Australia Special Report (West Perth Western Australia, 1994), pp. 50-52 and www.audit.wa.gov (accessed 12/8/2008)

In Western Australia the Department of Treasury and Finance also issued a guideline on outcome-based management in November 2004 and how monitoring and reporting should be undertaken and the relationship between the budget process and outcome-based management (Department of Treasury and Finance 2004:20–25).

The New South Wales Audit Office issued a guide to preparing performance information for annual reports and as part of the guide included a checklist for agencies to test how well they meet better practice principles for reporting performance information and to identify opportunities for improvement (The New South Wales Audit Office 2000:18–25).

Other supporting documents on better practice in annual performance reporting include a reporting self-assessment tool and better performance reporting checklist, a better practice guide on performance information in Portfolio Budget Statements, performance reporting under outcomes and outputs and the outcomes and outputs

framework guidance document issued by the Australian National Audit Office (Australian National Audit Office 2002) (Australian National Audit Office 2004).

4.2.2.3 Other countries

Other countries also issued various guidance documents for assistance. In the United Kingdom, for instance, a document on measuring the performance of government departments (United Kingdom Comptroller and Auditor-General 2001), a framework for performance information (United Kingdom HM Treasury, Cabinet Office, National Audit Office, Audit Commission and Office for National Statistics 2001) and a guide on setting key targets for executive agencies (United Kingdom HM Treasury, Cabinet Office and National Audit Office 2003) appeared.

In New Zealand various guidance documents have been provided by the State Services Commission, for example, “Managing for Outcomes: Output Plans Guidance for Departments, (State Services Commission 2002). The Auditor-General in New Zealand also supplied good practice guides and these were seen as useful and perceived as with little risk of a conflict of interest. According to reports guides could be enhanced through joint production with other bodies such as the New Zealand Treasury and the State Services Commission (Controller and Auditor-General 2008(c)). The Office of the Auditor-General also issued an auditing standard on the auditor’s approach to issues of performance, waste and probity (Office of the Auditor-General New Zealand 2008).

4.2.2.4 South Africa

Although the PFMA contains numerous requirements of and references to performance management and related aspects (see sections 2.1.1 and 2.1.2), up to 2007 limited guidance was provided to different stakeholders to enable them to manage performance. The National Treasury issued a “Guide for the Preparation of Annual Reports of Departments” in individual years, which spells out some requirements with regard to reporting (National Treasury Republic of South Africa 2006). These guides would include a section on programme performance and provided guidance on the templates to be used when reporting programme performance in the annual report. However, the requirements and guidance provided were limited and more generic and theoretical in nature within the overall context of

preparing annual reports. The need for Government to provide the necessary guidelines and frameworks to manage its own operations was recognised by the Auditor-General in documents such as the General Report of the Auditor-General (Auditor-General 2003:4).

To address some of the concerns raised National Treasury and the Presidency have issued some guidance documents. In May 2007, National Treasury issued a document on the Framework for Managing Programme Performance Information. In the same year the Presidency issued a Policy Framework for the Government-wide Monitoring and Evaluation System (The Presidency Republic of South Africa:2007).

4.3 Additional supporting mechanisms

4.3.1 Performance auditing

The development of capacity and training in the field of performance auditing in government is another supporting mechanism other than issuing documents related to performance auditing.

The CCAF presented two pilot courses on the newly developed *Fundamentals of Performance (Value for Money) Auditing* in 2006. Another pilot course took place in 2007 and the organisation is in the process of developing an intermediate performance auditing course. The Canadian Council of Legislative Auditors has invited the CCAF to re-enter the business of audit training. The CCAF have put in place a process to identify and meet long-term audit training needs. Communication by way of news items and informative articles, information on the website and by e-mail and institutional visits are used to alert stakeholders about developments in all relevant areas. (CCAF 2006(a)).

In South Africa the importance of training has also been recognised. Performance Audit Training courses on performance auditing are presented by the Institute of Internal Auditors and the Auditor-General of South Africa. National Treasury has embarked on a major training initiative during 2008/09. Over 700 internal auditors across government received training on performance auditing. The University of

South Africa has also developed a short six-month course on performance auditing (Unisa).

4.3.2 Performance reporting

Supporting mechanisms other than guidance documents have been developed and implemented by different countries and are described in section 4.3.2. In Western Australia the Auditor-General established a Performance Indicator Unit within his office and formed a Chief Executive Officer Consultative Group to provide him with advice relating to performance indicators (Office of the Auditor-General Western Australia Special Report 1994:51).

The CCAF launched a Public Performance Reporting Program in the late 1990s to assist all the different role-players to improve public performance reporting. As part of the assistance role the Foundation has also created a Public Performance Reporting website (www.performancereporting.ca). Information on the website include, for example, a definition of public performance reporting; a history of Canada's public performance reporting tradition; background on CCAF's Improved Public Performance Reporting Program; access to key CCAF research documents; a discussion of the challenges to the broader adoption of Public Performance Reports and extensive Canadian and international documentation on public performance reporting. The purpose of the website is to provide a permanent source of knowledge on public performance reporting in Canada. Some of the features include a monthly newsletter on Public Performance Reporting related issues and a glossary of terms and links to current information.

From the time of the launch of the Public Performance Reporting Program various consultative and discussion initiatives took place. In March 1999 a National Symposium was held on Public Performance Reporting to discuss initiatives aimed at implementing, strengthening and sustaining performance reporting. In 2006/2007 the CCAF reported on the latest output of the long-running and highly successful Public Performance Reporting Research Program and a document on how legislators, the media and the general public use the public performance reports and suggest ways for government to create more relevant public reports. The report identified good practices from eight jurisdictions and the result was a collection of 27 good practices,

11 that could be employed by central agencies, 5 that had to be applied by legislators and legislative auditors and 11 that report producers could use (CCAF 2007(a)). The research results were communicated by way of various conferences and presentations⁸. In February 2007 a conference on performance management, chaired by the CCAF, was held and ideas to improve public performance reports featured prominently at the conference (CCAF 2007(b)). Further development for improvements is continuously taking place. The CCAF November Update reports on a symposium that was held in September 2008 to identify ways to improve performance reporting and exploring specifically reporting in a digital age. At the symposium it was agreed that the public sector can do much to bring public performance reporting more fully into the digital age (CCAF 2008(c)).

British Columbia uses a select Standing Committee on Crown Corporations that publicly reviews service plans and annual service plan reports of Crown Corporations against reporting principles. Findings are reported to the Legislative Assembly (Office of the Auditor-General of British Columbia nd).

The use of Public Service Agreements was also found to be very supportive. It played an important role to focus effort on performance and raise the standard of performance (HM Treasury Cabinet Office 2004:2–3). For the purpose of this study this will not be addressed in detail.

In New Zealand a Managing for Outcomes Formative Evaluation Team consisting of members from the Treasury, State Service Commission and others were formed and conducted evaluations and reported back to the Managing for Outcomes Steering Group during the roll-out of planning changes and publication of the new departmental Statement of Intent. The purpose of the evaluations is to improve the information and analyses the support and guidance provided by the Managing for Outcomes project team. During the evaluations departments indicated areas where support could be enhanced including leadership, standard setting and direct assistance. Requests for benchmarks and better practice examples were made and for the support

⁸ Some of the communication was participation in the annual joint conference of the Canadian Council of Legislative Auditors and the Canadian Council of Public Accounts Committees in September 2006 and the Comptrollers Annual Conference in August 2006.

and expectations to be directed at the experience level and capability of departments. The feed-back also indicated the need for better reference to the full directory of guidance and knowledge on managing for outcomes, the need to identify best practices internally and share it externally and more comprehensive training. During the evaluations the views from various stakeholders were obtained. One of the Ministers indicated that targeted awareness-raising would be appropriate and the value thereof should be demonstrated to Cabinet.

The Office of the Auditor-General of New Zealand identifies some of the reasons why performance reporting is difficult. One is that preparers of reports only report on what they can report on and not what they should report on, thus they are reluctant to report on information that may reflect poorly on the entity and they do not report adequately on the quality of output delivery. The selective reporting and/or incomplete reporting could be attributed to the lack of reporting standards that result in entities having to use their own judgement on what to report and this contributes to the quality concerns which have been expressed about the performance reports generated (Controller and Auditor-General New Zealand 2008(c)).

The Office of the Auditor-General of New Zealand also identified one of the core problems as the lack of departmental capacity. The evaluation team also identified poor capabilities, limited investment in practices, the lack of guidance and assistance, limited direct feed-back on quality and absence of easily identifiable benchmarks as some of the reasons for the variation in the quality of performance information being provided. Some recommendations made to improve support were by enhancing guidance material to include as much as possible practical examples. The same organisation also launched an “improving accountability” project together with various supportive initiatives including at least eleven occasional papers and publications⁹ including New Zealand State Service Commission Formative

⁹ Some of the papers were: Performance Information Measures and Standards in the SOI and Annual Report Developed by the Treasury and the States Services Commission in consultation with the Office of the Auditor-General, April 2007; Preparing the Statement of Intent – Guidance and requirements for Crown Entities – developed by the Treasury and States Services Commission in consultation with the Department of the Prime Minister and Cabinet, published March 2007; Guidance and Requirements for Departments – Preparing the Statement of Intent, March 2007; Learning from Evaluative Activity – Enhancing Performance through Outcome-focussed Management, November 2003; Managing for Outcomes: Guidance for Departments 2003; Improving Accountability: Developing an Integrated Performance System.

Evaluation of MFO Project Support for Departments and Stakeholders for 2002–03 and Improving Accountability: Developing an Integrated Performance System. (State Services Commission:2003)

4.4 Best practices

The review of supporting mechanisms for implementation of performance auditing and reporting in Canada, Western Australia, South Africa and other countries and described in this Chapter (Sections 4.2.1; 4.2.2; 4.3.1 and 4.3.2) indicate that countries provide support by way of the following:

- Guidance documents issued by Government Departments.
- Guidance documents issued by the Auditor-General.
- Organisations/entities conducting dedicated research and subsequent dissemination of research results.
- Specific training and capacity building.
- Dedicated units within Central Agencies (for example Department of Premier and Cabinets, Treasury, State Services Commission) and within the Auditor-General.
- Monitoring and evaluation and making recommendations based on results.
- Interaction between different role-players and joint publication of supporting documents.

Information provided in guidance documents include topics on knowledge requirements, identification of roles and responsibilities, self-evaluation checklists and tools, standards, better practice examples and recommendations on systems. Part of the process to support includes soliciting information on the needs and areas of support required by user departments.

Some of these best practices have been adopted in South Africa. National Treasury and the Presidency have issued two frameworks described in Section 4.2.2.4 and performance audit training is presented (Section 4.3.1).

Best practices that have not been adopted in South Africa include the lack of providing good practice guidance, guidance on the framework, processes or roles and responsibility for performance auditing in public sector guidelines (Section 4.2.1.3) and the lack of more detailed guidelines for performance reporting (Section 4.2.2.4). Dedicated units within Central Agencies for example Treasury and/or the Presidency in South Africa to support, guide, monitor and make recommendations for government departments and entities have not been established. The Ministry for Performance Monitoring and Evaluation (Section 1.2) focus on the five priority areas and will not necessarily monitor and provide guidance and support for individual departments and entities. Limited training and capacity building in the area of performance reporting have taken place.

The possible impact of the best practices not currently implemented in South Africa is further explored in Chapter 6 where the application of performance auditing and performance reporting is analysed.

4.5 Summary and conclusions

Performance management is critical in managing government activities. Guidelines and frameworks for the sustainable implementation of performance management in government are imperative.

This chapter reviewed the supporting mechanisms provided by way of guidance documents and other supporting mechanisms in different countries and within South Africa. An analysis of the support provided by way of guidance documents and other mechanisms indicate that the chosen cases have invested considerable effort and resources to provide support. In South Africa from 2007 various guidance documents have been issued. However, some of the best practices have not been adopted (section 4.4).

The British Columbia Auditor-General suggested preconditions for improved performance reports namely requirements enshrined in legislation, to publish performance results, standards of reporting accepted by both the preparers and users

of information and capacity to produce and use relevant and reliable performance data (CCAF 2008(b)). Capacity building also surfaced as being a very important part of supporting mechanisms.

The five areas for best practice in the public and private sector in the United Kingdom and abroad aimed at strengthening performance management capacity include robust and reliable internal data reporting, strong leadership, clear accountabilities, performance review combining challenge and support and transparent rewards and sanctions. An important consideration would be to decide on what actions or interventions would be taken in the case of non-performance in terms of timely, regular and reliable performance data (HM Treasury Cabinet Office 2004:2). The next chapter will investigate the roles and responsibilities of the different role-players and shed some light on the elements of leadership and accountabilities.

In South Africa the following are considered to be essential supporting mechanisms that need to be in place for the successful implementation of performance auditing and performance reporting within the overall performance management framework: guidance on the framework, processes or roles and responsibility for performance auditing in public sector guidelines and detailed guidelines for performance reporting; dedicated units within Central Agencies to support, guide, monitor and make recommendations for government departments and entities; capacity to manage and implement performance auditing and performance reporting; appropriate systems to collect, collate, verify and report performance information and processes to ensure information are used for planning, budgeting and management purposes.

5. ROLES AND RESPONSIBILITIES

5.1 Introduction

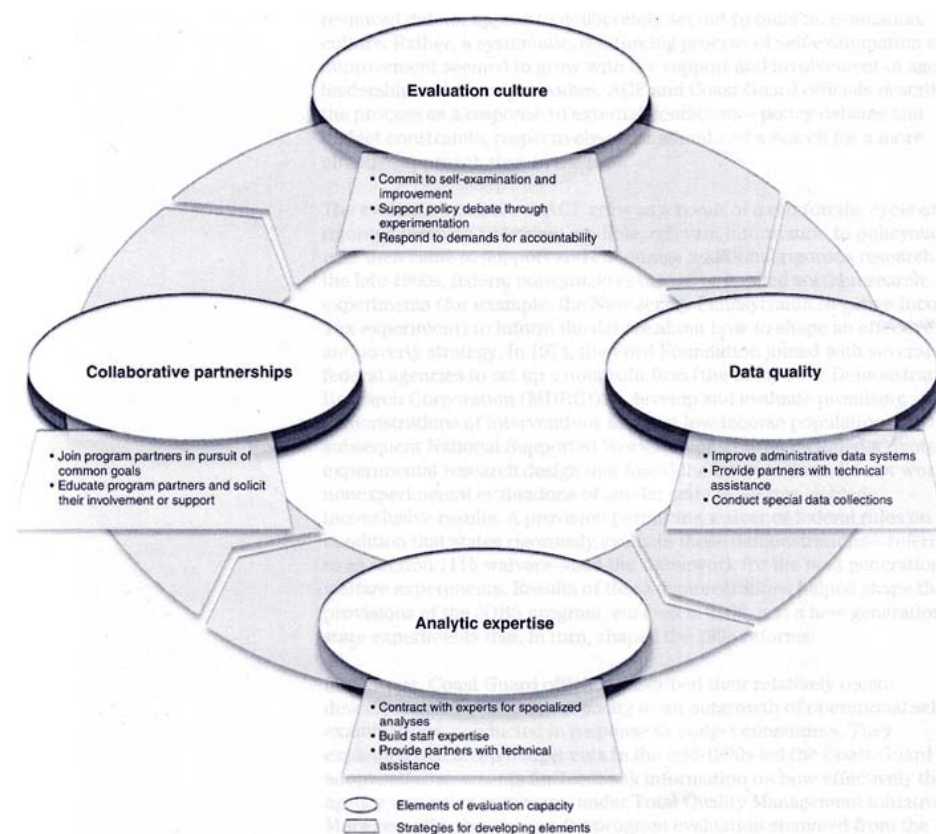
Chapter 4 described the supporting mechanisms used for the successful implementation of performance auditing and performance reporting in different countries. However, these supporting mechanisms will be of little use if there are no human resources to develop, implement and make use of the mechanisms. Even if these resources are available but there is a lack of skills, the supporting mechanisms will not benefit those for which it was intended.

Performance needs to be managed to ensure effective and efficient utilisation of resources, quality service delivery, accessibility and appropriate coverage by way of reporting on performance as well as proper use and publication of information. To be able to effectively manage performance there is a need for clearly defined roles and responsibilities and a clear understanding, agreement and implementation of the different structures, roles and responsibilities. As described in a document issued by His Majesty's Treasury Office in the United Kingdom, an organisation needs to know its role and have the authority to execute it to be able to deliver public services efficiently and effectively (HM Treasury Cabinet Office 2004:23). If roles and responsibilities are not clearly defined it could result in overlapping or important issues may not be addressed. This chapter identifies what role different role-players should play to ensure the successful implementation of the two categories of performance management. The role-players in the public sector, as well as other role-players, are described in this chapter. These include the role of different parties within government, the Auditor-General SA (external auditor) and internal auditors. Role-players not described in this chapter that should also be considered include the media, academics, political and financial analysts, civil society organisations and members of the public.

The different role-players need to have the necessary knowledge, skills and experience to be able to fulfil their responsibilities. A study was completed in the

United States (United States General Accounting Office 2003) to assist agency efforts to provide credible information because agencies were increasingly asked to demonstrate results but the information was not always credible and there was a lack of capacity. The study examined the experiences of five agencies that demonstrated evaluation capacity in their performance reports and found that the key elements of evaluation capacity were an evaluation culture, a commitment to self-examination, data quality, analytical expertise and collaborative partnerships and those are depicted in Figure 10. Three of the five agencies initiated regular evaluations through a formal process and the other two agencies conducted them as specific questions arose.

Figure 10: Key elements of evaluation capacity



Source: United States General Accounting Office, *Program Evaluation – An Evaluation Culture and Collaborative Partnerships Help Build Agency Capacity*, (General Accounting Office, 2003), p. 1.

The evaluation culture was demonstrated by evaluating regularly how well programmes were working (similar to performance auditing). Managers would then use this information to test new initiatives or assess progress towards goals.

For purpose of this study it is necessary to research the roles and responsibilities of various role-players in South Africa for the two categories of performance auditing and performance reporting to assist in the evaluation of the application in South Africa covered in chapter 6.

5.2 Performance information: role-players in the public sector

The human element and the importance of human resources in public performance reporting was recognised in Canada and formed the basis of a research study and subsequent publication in 2001 – *Going Public, Leadership for Transparent Government*. As part of the publication, a checklist “Engaging the Human Dimensions of Public Performance Reporting”, was developed. The objective of the checklist is to help governing body members, executives and others who have to deal with the human dimensions of public performance reporting to assess and improve the management practices relating to the human element of performance reporting (CCAF-FCVI 2001:4).

The Auditor-General of New Zealand, in his report on the observations of the quality of performance reporting, also recognised that various stakeholders are interested in information reported on performance. The entities that need to report on performance are responsible to provide goods and services to the community or provide goods and services that will result in social benefits. In providing the goods and services, the public sector entities are using public resources, for example, the taxes paid by citizens and they also have the power to regulate the behaviour of others (Office of the Auditor-General New Zealand 2008:9).

The importance of the different role-players has also been recognised in South Africa and the different roles and responsibilities are described in the Framework for Managing Programme Performance and are summarised in the paragraphs below.

5.2.1 Executive authorities

According to the Framework for Managing Programme Performance, Ministers, Members of the Executive Committee (MECs) and mayors within municipalities are

accountable to Parliament, to the provincial legislatures and to municipal councils respectively. To answer to this accountability they need to provide regular reports on performance related to matters under their control and therefore need to ensure appropriate systems and procedures are implemented by the institutions under their control to enable them to fulfil their accountability responsibilities (National Treasury Republic of South Africa 2007:13). Executive authorities, as part of their responsibilities, not only need to deal with organisational structural matters, but also with the deviations from and relations with prescribed norms and standards (Van der Waldt 2004:9). The measures to ensure the economic, efficient and effective acquisition and utilisation of resources (forming the basis of performance auditing described in section 5.4) and the measurable objectives, outputs, measures/indicators and targets for performance reporting will form part of the prescribed norms and standards.

The Executive authorities, being part of legislators, are some of the main intended users of performance information. They need the information to carry out their legislative role and statutory obligations. Legislators will, however, only use the information to carry out their roles of oversight, decision-making and communicating if it is considered relevant. A study in Canada found that some of the key reasons why legislators did not use the information were that the information did not reflect the legislator's interest, it lacked credibility and there was an information overload and limited time. The same study also presented some ideas for change from the legislators' and the producers of information side including the need to provide appropriate training to legislators' staff and interested legislators to establish a process to review the integrity and quality of data, to consult the content and presentation of performance information and to make the presentation more user-friendly (CCAF-FCVI. 2006(a):14–30).

5.2.2 Presidency and Premiers offices

The Presidency and Premiers Offices must exercise general oversight across government, provide input into the processes that will enable them to monitor and evaluate effectiveness of government policies and plans and overall government performance. These offices therefore need information generated by other institutions

and reported to the Presidency to be able to use this to fulfil its mandate (National Treasury Republic of South Africa 2007:18)

5.2.3 National Treasury and provincial treasuries

According to the Framework for Managing Programme Performance Information (National Treasury Republic of South Africa 2007:18) National Treasury's role in relation to performance information and management include developing standards, formats or templates, core sets of performance information and guidelines related to performance information management.

Other roles and responsibilities prescribed for the National Treasury and provincial treasuries include monitoring, providing training, providing input into the processes to select and define performance indicators and using the information to monitor, evaluate and report on economy, efficiency, effectiveness in the use of resources to deliver services.

Central agencies, for example, Treasury, National Departments including the Presidency, Department of Provincial and Local Government and Government Communication and Information Systems should play an important role to improve performance reporting by setting their expectations, by assisting report producers to develop the capacity to report and to assist in building the user capability. Central agencies can set expectations by providing guidelines, principles, criteria or standards. They can also develop capacity by engaging senior managers in the development of standards, reviewing and commenting on public performance reports, producing a good practice guide and encourage departments to consult experts about performance information (CCAF 2007(c):1). An analysis of the supporting mechanisms in chapter 4 (section 4.4) indicate that producing good practice guidance and capacity building might be areas that need further attention by National and Provincial Treasuries.

5.2.4 The Department of Provincial and Local Government

This department, with the assistance of provincial departments, is responsible for monitoring the performance of provincial and local governments. The department is responsible for *inter alia* developing a reporting system for local government and for monitoring, reporting and evaluation of the performance of provincial departments,

local government and municipalities (National Treasury Republic of South Africa 2007:18).

5.2.5 National Departments

Within Departments accounting officers, line managers and other officials all play a very critical role in the management of performance information. The accounting officer is accountable and responsible for establishing and maintaining systems to manage performance information. Line managers and other officials are responsible for capturing, collating and checking performance information (National Treasury Republic of South Africa 2007:13).

It is also important to develop the capacity of the producers of the report producers. This can be done by aligning internal and external systems preventing the duplication of effort, using technology and ensuring continuity of membership in the performance reporting team. Report producers can also promote user capability by paying specific attention to how relevant and understandable the reported information is. The CCAF recommends disclosing the level of assurance on the reliability and relevance of performance information and producing the reports in format that meet user needs (CCAF 2007(c):3).

Not only executive authorities and national and provincial departments are important in managing and reporting on performance, other role-players also have a critical part to play.

5.3 Other role-players

5.3.1 Auditor-General (external auditor)

The Canadian report on effective public performance reporting also refers to the important role of legislative auditors and the need for the auditors, as part of their oversight role, to provide incentives (through praise and criticism) for preparers to produce good reports and to assist producers of reports to develop the capacity by providing advice and guidance (CCAF 2007(c):2).

The role the Auditor-General SA has played in South Africa has been a guiding and supporting one. As indicated earlier in the study, the Auditor-General SA has a mandate to audit performance information reported by departments in their annual reports. The Auditor-General SA, after careful consideration and consultation, adopted a phased-in approach towards the auditing of performance information. As described by the Auditor-General in the 2004–05 Annual Report “ this phasing-in approach provides for ongoing advice on and encouragement of continuous improvement in the quality, value and use of the information until such time as it is reasonable to expect ... criteria have been established, communicated and can be met by the department”. The Annual Report of the Auditor-General SA in 2002 refers to facilitating the alignment between various pieces of legislation, providing an opportunity to National Treasury to issue guidance and provide the opportunity to ensure consistency in the format of audit reports (Auditor-General 2002:31). In 2003–04 a desk review of performance information reported by national departments was completed as a first step in the process of phasing-in performance information audits. In 2004–05 performance information reported was measured against criteria (Auditor-General 2005:15). In 2005–06 the Auditor-General SA confirmed the advisory and guidance approach and reported a substantial and continued improvement in the results of almost all the criteria evaluated (Auditor-General 2006:15). In 2006–07 the Auditor-General SA continued with the phasing-in approach and there was a focus on the controls and systems used in the generation of and reporting on performance information (Auditor-General 2007:5).

The importance of the role of the Auditor-General SA in Performance Assessments Systems cannot be refuted. The importance of nations developing and using key national indicators as well as the usefulness to Supreme Audit Institutions (SAI) in carrying out their mandates has been adopted as a theme for the XIX INCOSAI held in November 2007. According to a principal paper (Supreme Audit Institution of the United States of America 2007:12) on Performance Assessment systems based on universally accepted key indicators a list of potential roles of Auditor-General’s include to identify the need for key national indicators; to contribute to the design and implementation of the indicators and/or systems; to assess the indicators and/or systems; to audit the quality, validity and reliability of the indicator information and use the indicators to assess and report on national progress.

5.3.2 Internal Auditors

Raaum and Morgan (2001:3) describe two alternative roles for internal auditors, namely to play an assistance role and an accountability role. The Institute of Internal Auditors include these two roles in its definition of auditing by describing internal auditing as an assurance and consulting activity designed to add value and improve an organisation's operations. Internal auditors also have two sets of customers – management and those to whom management is accountable. The assistance role is served when auditors report to management and the accountability role is served when auditors report on the performance of management to an oversight body. (Raaum and Morgan (2001: xxii). It is within this expanded role that performance auditing and performance reporting will be further explored in this chapter.

As part of the accountability role, (Raaum and Morgan (2001: xxii) the internal auditors need to report on the performance of management to an oversight body. Management are required to report on performance in compliance with the PFMA and National Treasury Guidance and the auditors needs to provide information on management's compliance and the measures to ensure reliability of the information. This clearly falls within the description of performance reporting as described in chapter 1 as a formal response to a desire or need to report performance to those who have a legitimate interest in knowing, understanding and assessing performance, and then acting on this information.

As part of the assistance role the auditor must provide management, and not the oversight body indicated under the accountability role, with objective analyses, appraisals and recommendations to improve performance (Raaum and Morgan (2001: xxii). These auditors could make recommendations on the improvement of performance and the systems used to generate the performance information.

The importance of performance reporting for internal auditors was also highlighted during an Internal Audit conference in 2006, in Canada. The conference reiterated the increased importance of performance reports, audit reports and pressure on internal auditors to ensure government funding is used appropriately. In the United Kingdom, for instance, internal auditors of local government have to review also the systems in place to collect performance information to ensure they are robust enough to produce

reliable information (Bowerman & Humphrey 2001:38). All of this shows that the demands on internal audit are getting greater.

Sawyer also described the role of internal auditors as being related to performance information. For Sawyer information about goals is critical and an internal audit that does not report the extent to which objectives and goals have been met does not measure up to an effective management oriented audit. When goals and standards have not been set the auditor must recognise that a primary management function has not been fulfilled. The controls should be concerned with and tested by the internal auditor to ensure information complies with the required standards (Sawyer, Dittenhofer & Schiener 2003:198–199).

Internal auditors therefore have to fulfil their assistance and accountability roles by evaluating reported performance information.

5.4 Role-players in the Public Sector Related to Performance Auditing

5.4.1 Oversight bodies including executive authorities, Presidency and Premiers Offices, National Treasury and Provincial Treasuries

The roles and responsibilities of National Treasury and Provincial Treasuries also include monitoring, providing training, and using the information to monitor, evaluate and report on economy, efficiency, effectiveness in the use of resources to deliver services (National Treasury Republic of South Africa 2007:18).

5.4.2 Management

As earlier pointed out the PFMA has allocated the responsibility to ensure resources are acquired economically and utilised efficiently and effectively to the accounting officers and other officials.

5.4.3 Auditor-General (External Auditor)

In South Africa the mandate and functions of the external auditors are clearly embodied in legislation including section 188 of the Constitution and in the Public Audit Act, Act No 25 of 2004 (The Presidency 2004). The Public Audit Act, No 25 is

the national statute that prescribes further powers and functions of the Auditor-General SA. The Constitution establishes the Auditor-General SA as the external auditor of all national and provincial state departments and municipalities and states that the Auditor-General SA must audit and report on the accounts, financial statements and financial management of all national and provincial state departments and administrations and all municipalities. The Auditor-General SA must also audit any other institution or accounting entity stipulated by national or provincial legislation to be audited by the Auditor-General SA. The auditing task of the Auditor-General is thus not a prerogative, but a legal and constitutional obligation.

Section 4 of the Public Audit Act mandates the Auditor-General SA to perform constitutional and other functions. Other functions relate to audit-related services which are commonly performed by a supreme audit institution. These services include anything necessary to fulfil the role of the Auditor-General effectively. The nature and scope of audit services provided by the Auditor-General SA includes performance audits. The Public Audit Act, section 20 (3), provides the Auditor-General with the discretion to report on whether the auditee's resources were procured economically and utilised efficiently and effectively. The Act also makes provision in section 12 (1) for the Auditor-General to authorise one or more persons to perform or to assist in the performance of an audit. The Auditor-General can therefore also authorise or do performance audits. The extent thereof is further investigated in the next chapter on the application of performance audits in South Africa.

The importance of the relationship between the audited entities and the Auditor-General and the management of this relationship in performance audits have been recognised by the Auditor-General of Canada in the guidance document on the performance audit process issued in 2008. The guide is divided into fourteen areas/chapters. Each of the chapters provides detailed information on what is expected of the Office of the Auditor-General and what is expected of the audited entity (Auditor-General of Canada 2008).

5.4.4 Internal Auditors

Performance auditing also clearly falls within the description by Raaum and Morgan (2001:3) and the Institute of Internal Auditors of the two alternative roles which internal auditors have to play.

As part of the accountability role the auditors need to report on the performance of management to an oversight body by providing information on how well management has performed in acquiring resources economically and applying them efficiently in achieving the objectives. This clearly falls within the description of performance auditing defined in chapter 1 (section 1.6.5) as (South African Institute of Chartered Accountants 2006:4):

an independent auditing process aimed at evaluating the measures instituted by management, or the lack of these measures; ensuring that resources have been acquired economically and are utilised efficiently and effectively, and reporting on the acquisition and use of resources to management or the relevant authority.

On the other hand as part of the assistance role the auditors must provide management, with objective analyses, appraisals and recommendations to improve performance through performance auditing.

In the introduction to *Internal Auditing* Sawyer et al (2003:98), describes the role of the internal auditor also one to be an expert in dealing with operating controls by indicating that the impact of inadequate or ineffective operating controls could amount to greater dollar losses than the accounting or financial controls. With the evaluation of operations and the controls, criteria or standards the internal auditor must demonstrate his/her professional ability by recommending appropriate criteria. He/she must determine which techniques and processes the managers would need to help plan, organise, direct and control the activities. This is where the role of the internal audit in conducting performance audits is critical.

Internal auditors must fulfil their assistance and accountability roles through performance auditing.

5.5 Summary and conclusions

This chapter demonstrated different roles and responsibilities for the different role-players described in various documents. However, it is also important to look at recommendations from parties not necessarily reflected in the guidance documents. Some of the recommendations are included in the summary.

The various role-players need to become actively involved in the process of improving performance information being reported. Legislators can encourage better public performance reporting through creating the demand by using performance information, by communicating their expectations and by pushing for reporting standards (Office of the Auditor-General of British Columbia nd). Pushing for better reporting standards, lobbying for optimum processes and constant provision of updated information remain and should consistently form part of the whole process.

Central agencies, for example, Treasury, National Departments including the Presidency, Department of Provincial and Local Government and Government Communication and Information Systems can improve performance reporting by providing guidelines, principles, criteria or standards, including good practices guides. Senior management must be involved in the development of standards. The central agencies should also review and comment on public performance reports and encourage departments to consult experts about performance information. Furthermore, awareness of user needs and engaging with users directly should be encouraged. A website should also be established for legislators to access performance information (CCAF 2007(c)).

Legislators can provide advice on performance measures and legislators and legislative auditors can review public performance reports (already done in South Africa), recognise good public performance reporting and encourage improved performance reporting (CCAF 2007(c)).

Report producers can align external and reporting systems, use technology to manage performance information, report against explicit targets set out in plans, link performance to broader government priorities and use performance measures

consistently. While doing so flexibility for continuous improvement should be maintained; particular attention be paid to relevance and comprehensibility, the level of assurance on the reliability and relevance of performance information be disclosed, and users should be consulted (CCAF 2007(c)).

The extent to which the different roles and responsibilities are fulfilled will be further explored in the next chapter on the application in South Africa.

6. APPLICATION IN SOUTH AFRICA

6.1 Introduction

Theorists and practitioners approach performance management often in an inclusive or holistic way. The most appropriate definition of performance management, for this study, indicated in section 1.6.1 is that performance management is the tool of transforming the mission of senior managers into actions that can be planned for, measured, modified and corrected (Du Randt 2000:11). Van der Waldt defines performance management in its widest sense as being “all those processes and systems designed to manage and develop performance at the level of the public service, specific organisations, components, teams and individuals”. He further identifies eight dimensions or means of performance of which two relate to the categories described in this study. These two dimensions are the process of measurement and evaluation and the modification of work methods through technology. The process of measurement and evaluation is described as setting goals and objectives, and measuring the progress and evaluating the results (performance reporting). Modification of work methods through technology refers to changes in equipment, work methods, control systems, form and tracking devices and work processes that would be defined through performance audits. (Van der Waldt 2004:37–39).

Up to now the study has reflected on the importance of performance management within the public sector and specifically on how the two categories – performance auditing and performance reporting – fit within the legislative requirements and within a performance management framework. The need for performance management is demonstrated and international and national developments in the areas of performance auditing and reporting are reported on. In preparing chapter 6 on application in South Africa, the different supporting mechanisms available to ensure the successful implementation of performance auditing and reporting (chapter 4) and what constructive role different role-players should play to ensure the successful implementation (chapter 5) have been investigated in the previous two chapters.

In this chapter the study determines how performance management for these two categories is currently applied in the Republic of South Africa by evaluating its application in various national departments. The current problems in the application of these categories are also identified.

6.2 Importance of both performance auditing and reporting on performance

There is a strong link between performance auditing and performance reporting as described by Peter Wilkins and John Mayne which is evident from the comparison of systems of Western Australia and Canada in providing assurance on performance reports. They state that performance information auditing is somewhere between assurance on financial information and reporting on value-for-money (performance auditing). According to these authors auditing performance information is the same as performance auditing which focus on performance and the particular benefit of helping various role-players including parliamentarians, the government, agencies and the community to focus their attention on areas where performance and accountability should be improved (Wilkins and Mayne 2002:1). In this regard it can be argued that auditing performance information and performance auditing through applied practice aim to add value to the relevant institutions as well as to the society at large.

The link between performance auditing and performance reporting is also demonstrated in the definition of audit as described in the Proficiency Guide of the CCAF (CCAF- FCVI 1998:4–5):

Audit serves an accountability relationship. It is the independent, objective assessment of the fairness of management's representations on performance or the assessment of management systems and practices, or overall performance, against criteria, reported to a governing body or others with similar responsibilities.

The importance of both performance auditing and reporting on performance is also reflected in the Management Framework for the Government of Canada under the four Management Commitments including focussing on the achievement of results

and reporting on it and ensuring responsible spending by systematically assessing existing programmes and new spending proposals (Treasury Board of Canada Secretariat 2004).

The danger of just doing the one without the other lies, for example, in shortcomings which may exist in the quality of the information being reported and this now serves as the only criteria used to assess performance. Muri, in her research also warned against only conducting performance audits. She indicates that the information obtained in a performance audit will be objective and useful to the inquirer but may not be helpful to programme managers over a long period and will not meet the needs for information on programme performance (Muri 1994:208). Another concern is that performance audits and programme evaluations are not scheduled on a regular basis. Programme managers can therefore not depend on audits to meet their obligation to monitor performance (Muri 1994:209). Performance audits also tend to give more weight to efficiency indicators than programme outcomes when recommendations are provided and policy decisions could be made based on this (Muri 1994:210).

The study so far and this chapter focus on both these categories with the objective to make recommendations that could be considered to improve performance and accountability.

6.3 Methodology followed to review the application for performance auditing

In chapter 5 (sections 5.4.3 and 5.4.4) the different role-players involved in conducting performance audits are identified as being external auditors and internal auditors. The method followed to identify application in South Africa was to review the annual reports of all national departments over a period of two years. Information on the extent to which performance audits were conducted by external and internal auditors and reported on as part of the annual reports was specifically reviewed. The most recent available annual reports used for the review being those of the 2006/07 and 2007/08 financial years. The annual reports of 34 departments were consulted in preparation for the analysis. The reason for using annual reports is that these reports

are public documents and form part of the public domain. Chosen sections of the reports were analysed to identify any reference to performance audits being completed for the two years under review. For this purpose the Report by the Accounting Officer, the Report by the Audit Committee and the Auditor-General Report were selected for scrutiny and analysis. The results of this analysis are set out in Annexure I and II.

The limitation of the analysis is that information not being reported in the annual report did not form part of this analysis. The current limited available public information was highlighted as the most critical limitation of this study in chapter 1, section 1.5.

6.4 Results of the review of the application of performance auditing

This Section describes the results of the review of the application of performance auditing in South Africa. Sections 3.3.1.1 and 3.3.2.1 describe the international development of performance auditing in Canada and Australia. The important role of performance auditing in “New Public Management” was highlighted in an article that reported on five papers at a forum at the Copenhagen Business School held in 2005. The article indicated that many researchers perceive performance auditing as influencing the development and implementation of “New Public Management” and providing a mechanism through which reforms can be controlled, regulated and made accountable (English and Skaerbaek 2007:239).

However, the information in Annexure I and the summary thereof in the following Table 2 demonstrate that limited performance audits seem to be conducted by both external and internal auditors in South Africa.

Table 2: Summary of extent of performance audits conducted and reported on in the annual reports of national departments for the 2006/07 and 2007/08 financial years

	2006/07 financial year	2007/08 financial year
Percentage performance audits completed ¹⁰ by internal audit and reported in the annual report	3% of departments	9% of departments
Percentage performance audits completed ¹¹ by external audit and reported in the Auditor-General Report	20% of departments	12% of departments

Source: Annual reports of the departments and the Auditor-General, South Africa on audit outcomes (details included in Annexure I and II)

The reasons for the low percentage of reported completed performance audits could be that performance audits are not being conducted or conducted to a limited extent, or performance audits conducted are not being reported on as part of the accounting officers' reports.

With specific reference to completed performance audits by internal audit in Table 2, in only one of the departments (3%) in the 2006-07 annual reports and only three of the departments (9%) in the 2007-08 annual reports details were provided on performance audits conducted by internal auditors. Some of the areas covered by way of performance audits include South African Aids Vaccine Initiative, government employee related entities transacting with the department, management of suspensions, administration of incapacity leave and procurement irregularities.

Chapter 2 (section 2.1.1) indicates the requirement of the PFMA that accounting officers must maintain effective, efficient and transparent systems of financial and risk management, internal control, procurement and provisioning, capital evaluation, collection of outstanding amounts as well as systems to manage working capital efficiently and economically. Chapter 2 (Section 2.1.1) also demonstrates how

¹⁰ The percentages were calculated by referring to Annexure I and Annexure II, taking the reference to Performance Audits completed by Internal Audit respectively as percentage of the total of thirty four Departments.

¹¹ The percentages were calculated by referring to Annexure I and Annexure II, taking the reference to Performance Audits completed by External Audit respectively as percentage of the total of thirty four Departments.

performance audits can address the requirements stipulated in the Treasury Regulations related to efficiency, effectiveness and economy. Chapter 5 (Section 5.4.4) also highlights how internal auditors can fulfil their assistance and accountability role through performance auditing.

One of the ways in which the accounting officers can demonstrate their fulfilment of the PFMA and Treasury Regulations requirements is by reporting on the performance audits completed by internal auditors in the annual reports that are available in the public domain. However, this opportunity seems to be utilised to a limited extent as demonstrated in Table 2. One should expect that if the information is not reported on in the accounting officers' report that it would be included in a section providing report-back on the work completed by internal auditors. The annual reports analysed did not include such a section and no specific reference to performance audits being completed was made or the main resource areas covered indicated. This limits the value of the annual reports and detracts value from the information shared with the public, policy makers and practitioners.

In South Africa it is not a requirement for annual reports to contain a section on internal audit with report-back on the work completed and results of the work done. This is contrary to what happens in Canada as indicated by one of the previous Auditor-Generals. According to him the results of performance audits completed by internal auditors are made available to the public (Dye 2008).

No specific guidance is provided locally on what the accounting officer should report on as part of the annual report, including the fulfilment of the responsibility to maintain effectiveness, efficiency and economy in the departments.

The limited number of performance audits being completed or reported (Table 2) is not limited to internal audits only. The same trend can be seen when the sections in the annual reports of the Auditor-General reports are analysed. The analysis of performance audits being completed by the Auditor-General (external audit) in Table 2 indicates a fairly low number for the two years under review. In only seven of the departments (20%) in 2006/07 and four of the departments (12%) in 2007/08 details were provided on performance audits conducted by the Auditor-General. Some areas

covered by performance audits include rendering of catering services, management and provision of official accommodation, the immigration process and provision of sanitation services. In the preceding two years the low trend of performance audits completed is confirmed by the Auditor-General of South Africa in the reports on audit outcomes as reflected in the following Table 3.

Table 3: Information on performance audits completed by the Auditor-General

Reports	Reference to performance audits
General Report of the Auditor-General on audit outcomes for the financial year 2004–05 (p25)	No reports were tabled in Parliament but the following reports were issued to management: <ul style="list-style-type: none"> • Management of sick leave • Reform programme • Supply of uniform and clothes • Two reports on overall management measures
General Report of the Auditor-General on audit outcomes for the financial year 2005–06 (p26)	Four performance audit reports were tabled in Parliament which include: <ul style="list-style-type: none"> • A transversal report on declaration of interest by ministers, deputy ministers and government employees at 142 national and provincial departments. • A transversal report to Parliament on the management of sick leave benefits of certain national and provincial departments. • Report on performance audit at the SA Local Government Association. • Report on a performance audit at the Department of Justice and Constitutional Development.

Sources: Auditor-General. 2005. General Report of the Auditor-General on audit outcomes for the financial year 2004–05 and Auditor-General. 2006. General Report of the Auditor-General on audit outcomes for the financial year 2005–06.

The Auditor-General comments in the 2004–05 (Auditor-General 2005) and the 2005–06 annual report (Auditor-General 2006) that the work done in this area was not enough when the stakeholders' expectations and the national drive towards a higher level of accountability are considered. He also recognises that it is an area of concern which needs increased effort. In the 2006/07 report the Auditor-General reports on five performance audits completed at national departments as part of the strategic imperative to increase its resources towards performance auditing (Auditor-General 2007:45).

The low number of performance audits completed, as indicated by Table 3, is in contrast with the Office of the Auditor-General of New Zealand that reports in the

annual report for 2006/07 that the Office has completed the highest number of performance audits in its history. (Office of the Auditor-General New Zealand 2007).

6.5 Methodology followed in the review of applied performance reporting

Similar sources used for the application of performance audits in South Africa as discussed above, were used for the analysis of the application of reported performance information. The first source includes an analysis of the annual reports of all the national departments over a period of two years to determine to what extent the requirements of information on performance being reported on were complied with. The two most recent available annual reports, namely those for the 2006/07 and 2008/09 financial years of 34 departments were used for the analysis. The different sections analysed include the Report by the Accounting Officer, the Report by the Audit Committee and the Auditor-General Report. As part of the phased-in approach of the Auditor-General SA, referred to in chapter 5 (Section 5.3.1), the Auditor-General is required to include a specific section in the audit report under the heading “other reporting responsibilities” where the findings on the audit of performance information is reflected. The results of this analysis are set out in Annexure I and II.

The second source that is used to reflect on the application in South Africa is the General Reports of the Auditor-General. Table 7 reflects the findings of the Auditor-General SA for the financial year ends 2003–2004 to 2005–2006. Thereafter the Auditor-General SA changed the format of reporting. For the 2006–2007 and 2007–2008 financial year ends the results of the audit work are reflected in Tables 8, 9 and 10.

6.6 Results of the review of the application of performance reporting

The analysis of information included in the Accounting Officers’ reports, the Audit Committee reports and the reports by the Auditor-General (Annexure I and II) show various practices and shortcomings when comparing the different departments. Table

4 summarises the extent of information on performance reporting included in the Accounting Officers' report reflected in Annexure I and II.

Table 4: Summary information of practices adopted by Accounting Officers

	Comprehensive information provided	Provide information on process and/or areas of responsibility	No reference
2006/07	3% of departments	82% of departments	15% of departments
2007/08	3% of departments	85% of departments	12% of departments

Source: Annual reports of the departments (details included in Annexure I and II)

The importance of performance information for accounting officers is apparent because most of the departments' accounting officers (85% in 2006/07 and 88% in 2007/08), indicated in Table 4, provided comprehensive information or information on the process and/or areas of responsibility related to performance information as part of the accounting officers' report. Although most accounting officers did reflect on performance information the content of the reported information differed.

Annexure I and II also provide a summary of the treatment of performance information by Audit Committee members as part of the Report of the Audit Committee in the annual reports of departments. The King III Report requires of audit committee members to oversee integrated reporting (financial and non-financial information) including having regard to all factors and risks that may impact on the integrity of the integrated report (Institute of Directors Southern Africa 2009). The information reported by the Audit Committees was analysed to establish to what extent Audit Committee members are reporting on fulfilment of this responsibility and the results are included in Table 5.

Table 5: Summary information of practices adopted by Audit Committees

	Indicate satisfaction and provided additional information or explanations	Indicate satisfaction with quality and content of monthly and quarterly reports	Identified problems with performance information	No reference made by audit committee
2006/07	12% of departments	32% of departments	15% of departments	41% of departments
2007/08	6% of departments	50% of departments	12% of departments	32% of departments

Source: Annual reports of the departments (details included in Annexure I and II)

From the information included in Annexure 1 and II and summarised in Table 5 it can be concluded that Audit Committees adopt various practices relating to performance information and the responsibility in this regard. Table 5 reflects many audit committees (41% in the 2006/07 financial year and 32% in the 2007/08 financial year), do not make reference to performance information but the majority of those that make reference, indicate their satisfaction with the content and quality of monthly and quarterly reports (32% in the 2006/07 financial year and 50% in the 2007/08 financial year).

Annexure I and II also disclose the different findings by the Auditor-General on the performance information reported by departments. The findings by the Auditor-General provide an indication of the non-compliance with legislative requirements and weaknesses in the quality of performance information being reported. Table 6 summarises the type of findings in the 2006–07 financial year to include non-compliance with legislative requirements in five of the departments (15%), a lack of sufficient supporting evidence for the performance information being reported in six of the departments (18%) and non-alignment between the planning, budgeting and actual reporting information in eleven of the departments (32%). For the 2007–08 financial year the summary in Table 6 indicates the types of findings to include non-compliance with legislative requirements in seven of the departments (21%), the lack of sufficient supporting evidence in nine of the departments (26%) and non-alignment between the planning, budgeting and actual reporting information in five of the departments (15%).

Table 6: Summary of type of findings by the Auditor-General SA

	Non-compliance with legislative requirements	Lack of supporting evidence	Non-alignment between planning, budgeting and actual reporting	Other findings	No audit findings
2006/07	15% of departments	18% of departments	32% of departments	15% of departments	20% of departments
2007/08	21% of departments	26% of departments	15% of departments	3% of departments	35% of departments

Source: Annual reports of the departments (details included in Annexure 1 and II)

The annual Auditor-General reports are used as a basis for further analysis. Table 7 reflects the results of the audit of performance information starting from 2003–2004 until the end of 2005–2006. The information shows a substantial improvement from 2003 to 2006 in all the criteria reflected in Table 7, except for the agreement between annual report, Estimates of National Expenditure and the strategic plan (Criteria 1), and the reporting of actual performance for each measure/indicator in the planning documents (Criteria 8). In 2003–2004, for criteria 1 it was reported that 58% of the departments' information was consistent with their strategic documents. In the following year the percentage declined to 39%, while in the 2005–2006 year the reported consistency reached 71%. The lower percentage in 2004–2005 can be ascribed to the fact that it was the first year that the consistency procedures were required to include comparisons with the strategic plan (Auditor-General 2005). Previously the consistency test was limited to the Annual Report and the Estimates of National Expenditure. This could also explain the lower percentage reported in 2004–2005 for the requirement that actual performance should be indicated for each measure/indicator (Criteria 8). Actual information reported was compared to planned information contained in the Estimates of National Expenditure as well as the Strategic Plan, whereas previously consistency was tested only between the Estimates of National Expenditure and the Annual Report (Auditor-General 2005).

Table 7: Auditor-General SA findings on performance information for the period 2003–2004 to 2005–2006

Criterion	2003–2004 year	2004–2005 year	2005–2006 year
Criteria 1 Agreement between annual report, ENE and strategic plan	58% of departments' information aligned	39% of departments' information aligned	71% of departments' information aligned
Criteria 2 Objectives should be formulated to be specific	0% of departments' objectives were specific	71% of departments' objectives were specific	86% of departments' objectives were specific
Criteria 3 Level of performance is measurable	12% of departments' level of performance were measurable	71% of departments' objectives were measurable	79% of departments' objectives were measurable
Criteria 4 Objectives should be formulated to be time-bound	0% of departments' objectives were linked to time	61% of departments' objectives were linked to time	71% of departments' objectives were linked to time
Criteria 5 Sub-programmes are grouped together so that the outputs contribute to a single measurable objective for the programme	77% of departments' sub-programmes were grouped together and contributed to a single objective per programme	82% of departments' sub-programmes were grouped together and contributed to a single objective per programme	86% of departments' sub-programmes were grouped together and contributed to a single objective per programme
Criteria 6 Measurable objectives and performance indicators should be consistent from one reporting period to the next	Information not available	39% of the objectives/indicators were consistent from one period to the next	39% of the objectives/indicators were consistent from one period to the next
Criteria 7 Presentation should be straightforward and meaningful and should not be fragmented	59% of departments' information presented in a straightforward and meaningful manner	79% of departments presented information in a straightforward and meaningful manner	86% of departments presented information in a straightforward and meaningful manner
Criteria 8 Actual performance should be indicated for each measure / indicator	65% of departments indicated actual performance for each measure/indicator	43% of departments indicated actual performance for each measure/indicator	68% of departments indicated actual performance for each measure/indicator
Criteria 9 Reasons for differences between planned and actual performance should be explained	0% of departments provided reasons for or explained differences	32% of departments provided reasons for or explained differences	54% of departments provided reasons for or explained differences

Sources: Auditor-General. 2003. *General Report of the Auditor-General on audit outcomes for the financial year ended 2003*, pp. 17–23. Auditor-General. 2004(b). *General Report of the Auditor-*

General on audit outcomes for the financial year 2003–2004, pp. 14–23. Auditor-General. 2005.
General Report of the Auditor-General on audit outcomes for the financial year 2004–05, pp. 15–24.

For the 2006–2007 year the Auditor-General changed the format of reporting and the following findings and frequency of occurrence thereof were reported in the General Report and are included in Table 8:

Table 8: Auditor-General SA findings on performance information for the period 2006–2007

Key findings arising from the auditing of performance information	
<u>Key finding 1</u> The percentage of entities that did not report on all the predetermined objectives	15%
<u>Key finding 2</u> The percentage of entities for which the content of their corporate/strategic plans did not include objectives and outcomes, nor key performance measures and indicators for assessing their performance in delivering the desired outcomes	9%
<u>Key finding 3</u> The percentage of entities that did not prepare quarterly reports on progress in achieving measurable objectives and targets throughout the period (reports required to facilitate effective performance monitoring, evaluation and corrective action)	9%
<u>Key finding 4</u> The percentage of entities for which the measurable objectives reported in the annual reports were materially inconsistent with their predetermined objectives as recorded in the strategic plan	9%
<u>Key finding 5</u> The percentage of the entities for which objectives were reported in the annual report in spite of not being included as predetermined objectives in their strategic plans and/or budgets	9%
<u>Key finding 6</u> The percentage of entities that could not furnish sufficient appropriate audit evidence to validate performance information	3%
<u>Key finding 7</u> The percentage of entities with systems not adequate to generate the required information	12%
<u>Key finding 8</u> The percentage of entities for which the evidence provided in support of the performance information reported in their annual reports was inadequate or materially inconsistent with the reported information	18%
<u>Key finding 9</u> The percentage of entities that did not provide their performance information in time for audit purposes	3%

Source: Auditor-General. 2007. *General report of the Auditor-General on the audit outcomes of national and provincial departments, public entities and constitutional institutions for the financial year 2006–07*, pp. 46–47.

Due to the Auditor-General changes to the report formats that came into effect in 2006–2007, it is not possible to compare all the criteria used for audit purposes for the

entire five-year period. The consistency of information (Criterion 1, Table 7 and Key findings 1, 4 and 5 Table 8) criteria can be compared and show improvement in the period from 2003 to 2007. The high compliance percentages reported in 2006–2007 (Key findings 2-5) (Table 8) (the inverse of the non-compliance percentages stated in Table 7)(Criteria 1-9) also indicate a high level of compliance with National Treasury Guidelines, and it was recognised as such by the Auditor-General (Auditor-General 2007:46). Alignment between information in strategic documents (Key findings 4 and 5, Table 8), submission of quarterly reports (Key finding 3, Table 8) and compliance to Treasury Regulations to ensure corporate/strategic plans include objectives and outcomes, key performance measures and indicators (Key finding 2, Table 8) took place at 91% of the departments for the 2006-07 financial year.

For the 2007–2008 year, the Auditor-General moved away from reporting on percentages and combined the results of the audit of national and provincial departments. The Auditor-General reported in the 2007–2008 year that for most criteria the percentage of compliance with guidelines was the same as, or was an improvement on the previous year (Auditor-General 2008(b):11) Areas of concern were still the lack of sufficient and appropriate audit evidence (Key finding 4), and the inconsistencies between the various strategic documents (Key findings 2 and 3) as indicated in tables 9 and 10 below. The Auditor-General also indicated in the 2007–2008 National Report the need to develop clear and more concise performance indicators to improve monitoring and control of performance (Auditor-General 2008(b):11)

The following two tables indicate the occurrence of non-compliance in national departments and within provinces in the education and health sectors, the sectors which the Auditor-General focused on for purposes of performance information.

Table 9: Auditor-General SA's findings on performance information for the period 2007–2008 for the Education Sector

Key findings arising from the auditing of performance information	National Departments	Eastern Cape	Free State	Gauteng	KwaZulu Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
<u>Key finding 1</u> Non-compliance with regulatory requirements		X	X			X		X		
<u>Key finding 2</u> Measurable objectives not consistent		X				X	X	X	X	X
<u>Key finding 3</u> Objectives reported in annual report, but not predetermined as per the strategic/corporate/annual performance/integrated development plan and/or budget			X			X	X	X		X
<u>Key finding 4</u> Lack of sufficient and/or appropriate audit evidence		X	X			X	X	X	X	X
<u>Key finding 5</u> Evidence materially inconsistent with reported performance information		X	X		X	X	X			X
<u>Key finding 6</u> Performance information not received in time			X					X		
<u>Key finding 7</u> Changes to planned performance information not approved			X					X	X	
<u>Key finding 8</u> Deficiencies in controls and monitoring of performance information			X		X			X	X	

Source: Auditor-General. 2008(b). *National general report of the Auditor-General on the outcomes of Departments, Constitutional Institutions, Public Entities and other entities for the financial year 2007–08* (Auditor-General, 2008), p. 67.

The Auditor-General did not report any findings for national departments in the Education Sector against the criteria in 2007-08 (Table 9 and Table 10). In the Education sector four of the nine provinces had key findings related to non-compliance with regulatory requirements and six of the nine provinces had key findings on inconsistent performance information between strategic documents (Table 9). In seven of the nine provinces the Auditor-General reported on the lack of

sufficient and appropriate audit evidence and in six of the nine provinces the evidence was materially inconsistent (Table 9) (Auditor-General 2008(b):67).

Table 10: Auditor-General SA's findings on performance information for the period 2007–2008 for the Health Sector

Key findings arising from the auditing of performance information	National Departments	Eastern Cape	Free State	Gauteng	KwaZulu Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
<u>Key finding 1</u> Non-compliance with regulatory requirements		X		X						X
<u>Key finding 2</u> Measurable objectives not consistent		X		X	X			X	X	
<u>Key finding 3</u> Objectives reported in annual report, but not predetermined as per the strategic/corporate/annual performance/integrated development plan and/or budget		X		X					X	
<u>Key finding 4</u> Lack of sufficient and/or appropriate audit evidence		X		X			X	X	X	X
<u>Key finding 5</u> Evidence materially inconsistent with reported performance information			X				X			X
<u>Key finding 6</u> Performance information not received in time										X
<u>Key finding 7</u> Changes to planned performance information not approved										
<u>Key finding 8</u> Deficiencies in controls and monitoring of performance information		X		X					X	X

Source: Auditor-General. 2008(b). *National general report of the Auditor-General on the outcomes of Departments, Constitutional Institutions, Public Entities and other entities for the financial year 2007–08* (Auditor-General, 2008), p. 69.

The Auditor-General did not report any findings for national departments in the Health Sector against the criteria in 2007/08. In the Health sector three of the nine provinces had key findings related to non-compliance with regulatory requirements

and five of the nine provinces had key findings on inconsistent performance information between strategic documents (Table 10). In six of the nine provinces the Auditor-General reported on lack of sufficient and appropriate audit evidence and in three of the nine provinces evidence was materially inconsistent (Table 10). (Auditor-General 2008(b):69).

To improve the quality of performance information the Auditor-General in his 2008 discussion report recommended the identification of clear and consistent objectives, strong central co-ordination, well-established management practices and an accountability focus on understanding performance results. Information also needs to be specific and owned by the entity preparing it. He indicated that high level guidance and specific case study materials are only part of the action required. Specific actions included the development of public sector standards for reporting, identifying clearer responsibilities, consistent communication about the elements of performance reporting, considering outcome information needs and the identifiable users of external performance reports (Controller and Auditor-General 2008(c):19).

6.7 Summary and conclusions

The analysis of the application of the two categories of performance management - performance auditing and performance reporting – in South Africa indicate good practices but also inconsistent practices and shortcomings.

Internal auditors seem to do limited performance audits, or there is a lack of reporting on performance audits completed by internal auditors in the accounting officers' report or in a separate section on work performed by internal auditors (based on Table 2 and the discussion in Section 6.4). It is therefore not possible for the reader of the annual report to form an opinion or to reach a conclusion on the extent to which the departments evaluate how resources are acquired economically and utilised efficiently and effectively, and how all main resource areas are regularly subjected to evaluation to ensure the three E's are promoted. The Accounting Officer also does not make use of an opportunity to demonstrate fulfilment of the accountability bestowed upon this

function through the PFMA and the Treasury Regulations by using the Annual Report to provide feed-back to the reader.

The extent of performance audits completed by the Auditor-General also seems to be limited based on the analysis of the individual annual reports of departments (Table 2) and with reference to the Annual Reports of the Auditor-General (Table 3).

A high percentage of accounting officers realise their responsibility to report on performance information as part of the annual report and included information in this regard in the annual reports (Table 4) although the content differed.

The Auditor-General identified various shortcomings in performance information being reported by departments (Tables 6-10). Major shortcomings include a lack of supporting evidence to substantiate performance information reported and the alignment between the various strategic documents.

The next chapter will summarise and conclude on the research. It will also provide some reflection on the state of performance auditing and reporting on performance as found in this study and some recommendations for the future.

7. CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

The objectives of the study as indicated in chapter 1 (section 1.3) are to describe and examine the current state of research and knowledge on performance auditing and performance reporting, and how these two components of performance management can be applied in the public sector in South Africa, and, at the same time, be in line with the provisions of the Public Finance Management Act.

In chapter 6 (section 6.6), on the application in South Africa, various shortcomings in the quality of performance information reported have been identified. Chapter 6 (section 6.4) also highlights some of the shortcomings related to performance auditing. The study thus focuses on both these categories with the objective to make recommendations that could be considered to improve performance and accountability.

Chapter 7 is the concluding chapter and summarises the observations and lessons learnt from the research. The challenges with performance auditing and performance reporting are reflected on and recommendations for the categories of performance auditing and performance reporting are made.

7.2 Observations and lessons learnt from research

This research started with a clear understanding of the meaning of performance auditing and performance reporting and how these categories fit into the overall performance management framework. The importance of performance is well reflected in statutory order legislation in South Africa including the Constitution, the PFMA, Treasury Regulations and the MFMA and also in the recently published King Code of Governance for South Africa 2009. Despite all the legislative requirements, chapter 2 (section 2.4) concludes that there are limited proposed strategies, an overall

performance management framework or comprehensive practical guidelines to implement performance management in the public sector.

Chapter 2 (sections 2.1.1 and 2.3.1) describes the importance of the responsibilities of accounting officers in terms of economy, efficiency and effectiveness and how they can respond to these responsibilities by having performance audits conducted in various resource areas. These officers must be able to demonstrate fulfilling their responsibility by reporting on the number of performance audits done, the main resource areas covered over the period and the results of the performance audits. The extent to which accounting officers demonstrate the fulfilment of the responsibilities together with other role-players is further analysed in chapter 6 (section 6.4).

Chapter 2 (section 2.1.2) also shows that the relevant legislative requirements can be met by reporting on performance. Accounting officers are required to submit performance information as part of the planning, budgeting and reporting processes and the annual report must include information about the efficiency, economy and effectiveness in delivering programmes and achieving its objectives. Chapter 6 (section 6.6), the practical application in South Africa, analyses the reporting on performance and the extent to which performance reports comply with public performance reporting principles. The categories of performance auditing and performance reporting should not be considered in isolation. For this reason the research has focussed consistently on both these categories.

The research shows that the need for performance management has been recognised globally and in South Africa. To further assist in the achievement of the study objectives the study then researched historical perspectives and developments in performance auditing and performance reporting in order to learn from the past and current experience here and elsewhere. The results are discussed in chapter 3. The two international cases included are Canada and Western Australia.

In Canada performance auditing started to develop in the 1970s and performance reporting in 1995 and was still continuing at the time the study was done. A major drive was launched in Canada to ensure performance reports became an essential accountability tool. The Public Sector Accounting Board approved a Statement of

Recommended Practice in 2006 and in 2007 a guide to preparing Public Performance Reports was issued. The Canadian Comprehensive Auditing Foundation also played a major role in research and development in the public performance reporting arena. A specific Public Performance Reporting Program was initiated and various best practice guidelines have been issued (section 3.3.1.2).

Chapter 4 further elaborates on different supporting mechanisms developed and implemented. This includes guidance documents to support the implementation of performance auditing and performance reporting.

Performance Auditing started in Australia in 1976 and evolved during the following years (section 3.3.2.1). In 1985 the Financial Administration and Audit Act was passed. It made specific provision for examining efficiency and effectiveness. Since then Compliance and Performance examinations that investigate the efficiency and effectiveness have been conducted on a regular basis throughout government. At the same time development in the area of performance reporting took place. A Treasurer's Instruction 904 was issued that required accountable officers to disclose performance information in the annual reports. During the 1990s the Auditor-General issued various reports on the progress on performance reporting. The Treasurer's Instruction was also revised and throughout Australia various developments in performance reporting took place (section 3.3.2.2).

South Africa was not far behind in developments that relate to performance auditing (section 3.4.1). It started in 1975 and is still continuing. The Public Audit Act of 2004 provides the Auditor-General SA with the discretion to report on whether resources are procured economically and utilised efficiently and effectively. Although the Auditor-General SA has the discretion the accounting officers, according to the PFMA, are responsible for the effective, efficient, economic and transparent use of resources. The roles and responsibilities to assist with fulfilling the responsibility and the fulfilment of the responsibility are reported on in chapters 5 (section 5.4) and 6 (section 6.4) of this study.

Performance reporting developed somewhat later in South Africa than in Canada and Australia and was enacted only in 1999 (section 3.4.2). A Framework for Managing

Programme Performance Information was issued in 2007 and a Government-wide Monitoring and Evaluation Framework was also issued in 2007.

Before the application in South Africa is analysed in chapter 6, the study explores in chapter 4 the supporting mechanisms available in different countries and within South Africa. Supporting mechanisms for the implementation of performance auditing and performance reporting by way of guidance documents (section 4.2), training and capacity building (section 4.3.1) and other mechanisms of support are reflected on (section 4.3.2).

Considerable effort and resources have been invested by Canada, Western Australia and other countries in providing guidance documents (section 4.2). The different countries have also implemented mechanisms, other than guidance documents, on performance auditing and performance reporting (section 4.3). The dedicated capacity and a Public Performance Reporting Program in Canada serve as examples (section 4.3.2).

Canada recognises the important role central agencies can play in providing guidelines, principles, criteria or standards and encouraging departments to consult experts about performance information. Furthermore, capacity is developed by engaging senior managers in the development of standards and reviewing and commenting on public performance reports (section 4.3.2).

In South Africa the importance and role of performance auditing within the performance management framework is not clearly defined in the public sector guidelines (section 4.2.1.3). However, the importance of training on performance auditing has been recognised by the Institute of Internal Auditors, the Auditor-General and National Treasury (section 4.3.1).

Regarding performance reporting in South Africa various guidance documents have been issued since 2007 (section 4.2.2.4). However, limited training and capacity building has been provided to ensure that proposed initiatives are correctly interpreted and implemented. Chapter 4 recommends essential supporting mechanisms that need to be in place for the successful implementation of performance auditing and

performance reporting (section 4.4) and indicates that producing good practice guidance and capacity building might be areas that need further attention by National and Provincial Treasuries.

Chapter 5 identifies the different role-players, including those within government (sections 5.2 and 5.4), the Auditor-General SA (sections 5.3.1 and 5.4.3) and internal auditors (section 5.3.2 and 5.4.4) and their roles and responsibilities to ensure the successful implementation of the two categories of performance management.

Within government the roles and responsibilities of National Treasury and Provincial Treasuries (section 5.2.3) include monitoring, providing training, and using the information to monitor, evaluate and report on economy, efficiency and effectiveness in the use of resources to deliver services.

The Auditor-General SA is another important role-player in not only providing assurance but also guidance and support. The Auditor-General SA has a mandate to audit performance information reported by departments in their annual reports and adopted a phased-in approach to fulfil this mandate (section 5.3.1). Chapter 6 (section 6.6) demonstrates that since this approach up to the time of this research the Auditor-General SA reported a substantial and continued improvement in performance reporting.

The Public Audit Act, Section 20 (3), provides the Auditor-General with the discretion to report on whether the auditee's resources were procured economically and utilised efficiently and effectively (Section 5.4.3). The limited extent to which performance audits are conducted by the Auditor-General SA is reported in chapter 6 (Tables 2 and 3).

Internal auditors have to fulfil their role by evaluating reported performance information and conducting performance audits. Internal auditors need to report on the performance of management to an oversight body. Management are required to report on performance in compliance with the PFMA and National Treasury Guidance and the auditors need to provide information on management's compliance and the measures to ensure reliability of the information. The internal auditor and not the

oversight body indicated under the accountability role, also provides management, with objective analyses, appraisals and recommendations to improve performance. These internal auditors could make recommendations on the improvement of performance and the systems used to generate the performance information. The internal auditors need to report on the performance of management to an oversight body by providing information on how well management has performed in acquiring resources economically and applying them efficiently in achieving the set objectives (section 5.3.2).

Once the research was completed on all the above areas it was considered necessary to establish how performance management for the two categories of performance auditing and performance reporting is currently applied in the Republic of South Africa by evaluating its application in various central departments (sections 6.3 and 6.5). To identify application in South Africa the researcher chose to review specific sections mentioned in the Report by the Accounting Officer, the Report by the Audit Committee and the Auditor-General Report, in the annual reports of 34 national departments for the 2006-07 and 2007-08 financial years (Annexure 1 and II). In addition relevant information from the General Reports of the Auditor-General from 2003–2004 to 2007–2008 and the results are included in chapter 6.

Information on the extent to which performance audits were conducted by external and internal auditors and reported on as part of the annual reports was reviewed. The results of this analysis show that limited performance audits seem to be conducted by both external and internal auditors (Table 2). The reasons could be that performance audits are not being conducted or conducted to a limited extent, or performance audits conducted are not being reported on as part of the accounting officers' reports or in a section providing report-back on the work completed by internal auditors.

The opportunity to demonstrate fulfilment of the responsibility included in the PFMA on the effective, efficient and economic utilisation of resources is not being used by accounting officers (Table 4).

For performance reporting the analysis determined to what extent the requirements of information on performance being reported on were complied with. This analysis

indicates various practices and shortcomings when comparing the different departments (section 6.6). The importance of performance information for accounting officers is apparent and most accounting officers made some reference to performance information as part of the accounting officers' report but the content of the reported information differed (Table 4). Audit Committees also adopt various practices relating to performance information (Table 5).

The Auditor-General's reported a continuous improvement in the quality of performance information being reported but reported on the lack of sufficient supporting evidence and non-alignment between the planning, budgeting and actual reporting information (section 6.6).

7.3 Challenges

7.3.1 Challenges with performance auditing

The extent to which accounting officers include information in the annual report on the performance reporting process and their responsibility in this regard (Table 4) outweighs the information disclosed on completed performance audits in the annual reports of departments (Table 2). A danger exists that accounting officers will report on performance and the performance reporting process due to performance information and the process being subjected to audit by the Auditor-General SA but fail to demonstrate that performance audits or evaluations were conducted on individual programmes, resource areas, systems and processes. One of the key challenges for accounting officers would be to balance the extent to which performance is management by way of reporting on performance and through performance audits and the extent to which the effort in both these categories are disclosed as part of the annual report.

7.3.2 Challenges with performance reporting

The Auditor-General of New Zealand identifies some of the reasons why performance reporting is difficult (section 4.3.2) one being the lack of reporting standards that contributes to the quality concerns which have been expressed about the performance reports generated. In South Africa the Auditor-General has also expressed concern

over the quality of reported performance information (Tables 6-10) and the lack of reporting standards which have been highlighted in section 6.6.

Another important reason identified by the Auditor-General of New Zealand includes the lack of a set of professional competency standards or professional support for the preparers of such information. Chapter 4 (section 4.2.2.4) of this study highlights the lack of adequate support for reporting on performance in South Africa.

Section 4.5 also included reference to the need for a system of rewards and sanctions as one of the five areas, in terms of an analysis on best practice in the public and private sector in the United Kingdom and abroad, to strengthen performance management capacity (HM Treasury Cabinet Office 2004:2). The only sanctions that will currently be implemented in South Africa will be the qualification of the Auditor-General SA reports when the Auditor-General SA will start expressing audit opinions on reported performance information (section 3.4.2)

Another important consideration is the importance of reporting good and relevant information, highlighted by the Auditor-General of New Zealand in the overview of the Ministry of Health: Monitoring the progress of the Primary Health Care Strategy. In his overview it is stated that reporting information in some areas but not others create a risk that Parliament and the public will perceive that implementation and results are uneven and potentially ineffective and inefficient. The aim of the report should be to provide a coherent and reasonably complete picture of the overall performance through a mixture of financial and non-financial information (Controller and Auditor-General 2008(a)). Accounting officers with the assistance of internal auditors and guided by the needs of the users need to evaluate what information to report to ensure balanced and un-biased reporting. In South Africa with our challenges in terms of reconstruction and in overcoming development constraints and historical back logs this is of great importance.

Another important obstacle to consider is the role of legislators in the performance reporting process. In a CCAF update, the reports of the British Columbia Auditor-General on Trends and Opportunities in Performance Reporting are discussed. One of the items reported by the Auditor-General of British Columbia is that legislators were

initially enthusiastic about performance but later government reports produced very little debate concerning actual and planned performance. He calls for the legislators to give adequate attention to service plans and budgets and annual performance reports to close the accountability loop. In the same report the Auditor-General also reports how vital it is for the accountability process that third-party assurance is provided. This will also strengthen users' confidence in the information (CCAF 2008(b)). The CCAF also stated earlier on that it will be hardly worth the effort if information is produced and verified but not being used by the intended users (CCAF-FCVI 2006(a):2–3). In South Africa users, including the legislator, need to utilize the information on performance to stimulate debate and inform decisions. However, information reported need to be useful to the users, legislators and other interested parties to enable this. In terms of third-part assurance, the Auditor-General SA has the mandate to provide assurance on performance information (section 3.4.2).

In the same 2008 CCAF update the need for identifying and/or building capacity to produce and use relevant and reliable performance information is indicated as another precondition for improved reporting (CCAF-FCVI 2008(b)). In Canada the importance of creating individual and organisational capacity to generate and use performance information have been identified as early as 2001 in the research on the human resource element referred to in chapter 5 (section 5.2) of this study. In the research publication the three key human factors on which leadership should focus their attention include having a realistic plan to advance public performance reporting, developing the capacity of those who prepare and receive performance information and building the capacity of the organisation to benefit from performance information (CCAF-FCVI 2001). Chapter 4 (section 4.5) concludes that capacity to manage and implement performance auditing and reporting is considered to be an essential supporting mechanism.

Based on the challenges and observations of the research the next section will make some recommendations for consideration to improve accountability and performance.

7.4 Recommendations

7.4.1 Performance auditing

Accounting officers should use the annual reports to demonstrate that they fully fulfil the accountability role bestowed upon them by the PFMA to ensure resources are acquired economically and utilised efficiently and effectively. This could be done by reporting in the Accounting officers' report or in a separate section of work performed by Internal Audit on the nature, extent and scope on performance audits completed.

To assist accounting officers in reporting on the fulfilment of their roles and responsibilities, specific guidance should be provided by central agencies (National Treasury or the Presidency) on what the accounting officer should report on as part of the annual report in order to demonstrate they have maintained effectiveness, efficiency and economy in the departments. Consideration should also be given to a section in the annual reports on the work performed by internal audit and the results thereof with specific reference to performance audits completed and specifically the main resource areas covered. It would be very useful to users if this section can describe the process followed to identify the areas on which performance audits were conducted and the process to ensure all main resource areas are covered over a period of time. The information will provide the user with a sense of comfort that main resource areas are covered over a period of time. Internal Audit should work together with the Auditor-General SA to ensure all the main resource areas are covered and that no duplication takes place.

The Auditor-General SA should consider increasing the extent of performance audits conducted or otherwise provide a motivation why the extent of performance audits completed is considered to be adequate. More information needs to be provided on the process followed to identify and complete performance audits to demonstrate the mandate has been fulfilled.

Muri in her dissertation with the title of *“Establishing performance monitoring in contract health services: An application merging the traditions of program evaluation and performance auditing”* (1994) bases her research on the premise that programme evaluation can be improved by merging programme evaluation and performance

auditing and the vehicle through which it can be done is a performance monitoring system. She defines a performance monitoring system as a group of indicators for significant programme components that are collected and analysed on a regular basis to assess the programme status and promote actions to address any obstacles identified (Muri 1994:2–3). In South Africa it is a requirement that departments need to report on performance on a quarterly basis. The information reported on in quarterly reports give an indication of the areas where a detailed performance audit or programme evaluation can be conducted to evaluate if resources are utilised efficiently and effectively.

7.4.2 Performance reporting

Central agencies, including Treasury, The Presidency, Department of Provincial and Local Government and Government Communication and Information Systems, can support the improvement of performance reporting by providing specific guidelines and standards, including good practices guides that are developed with inputs from senior management and other relevant role-players.

Support should not be limited to guidance documents. The central agencies should also review and provide recommendations on public performance reports and encourage departments to consult experts about reporting performance information. The needs of users should be solicited and regular contacts with users needs to be made to ensure reported information satisfy user needs and are useful and relevant. To enable this it would be necessary to have dedicated resources in terms of time and staff. The users' contribution could be to create the demand for high quality performance information through using and questioning information reported.

Awareness should be raised amongst audit committees of their responsibility related to performance information and clear guidance must be provided by the relevant professional bodies on the information that needs to be disclosed by the audit committee to demonstrate fulfilment of their responsibility.

Accounting officers should be made aware of the importance of performance information and their responsibility in this regard and clear guidance need to be

provided on the information that needs to be disclosed in order to be useful to the reader.

Efforts should be made to develop the capacity of the producers of the performance information reports and as far as possible continuity of membership in the performance reporting team should be encouraged. Capacity development and support should not be limited to the provision of guidance documents. Support should be extended to include entity specific advice and support to ensure timely, regular and reliable performance data. Capacity building efforts for both preparers and users of the information need to be intensified in South Africa through a co-ordinated effort by National Treasury, The Presidency, the Auditor-General and departments.

The systems used to generate performance information should promote cost effectiveness. Internal and external reporting systems should be aligned to prevent the duplication of effort and appropriate technology should be used to ensure high quality, accessible information.

Further rewards and sanctions, other than the unqualified or qualified report by the Auditor-General SA, should be implemented to recognise good public performance reporting and encourage improved performance reporting.

Internal Auditors should play a much more prominent role to assist Accounting Officers to ensure reliable, balanced and un-biased reporting. Internal auditors must play a role in the process of performance reporting by identifying the lack of supporting evidence, indicating control problems in systems generating performance information and reporting on shortcomings with the quality of performance information reported.

7.5 Recommended future research

The following areas could be considered for further research:

- The nature and extent of performance audits conducted by Internal Audit.
- The role of Internal Audit in the performance reporting process.
- The development of measures of success to evaluate performance monitoring systems.
- Integration of performance auditing and performance reporting with risk management.

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ANNEXURE I

ANALYSIS OF 2006–2007 ANNUAL REPORTS OF NATIONAL DEPARTMENTS TO IDENTIFY REFERENCES TO PERFORMANCE INFORMATION AND PERFORMANCE AUDITS

Note: The source of this table was the annual reports of the different departments.

Reference to the page numbers have been included as part of the table.

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Agriculture	Referred to quarterly performance information compiled and evaluated at meetings. Directorate: M&E responsible (p. 14)	No reference	Evidence of actual performance was fragmented. Actual achievements could not be supported by evidence. Evidence provided was inconsistent with reported performance information. (p. 81)	No reference
Arts and Culture	Paragraph on performance information referring to the strategic plan and quarterly reports. (p. 92)	No reference	No policy and procedure framework to manage process. Quarterly reports not completed and signed within reasonable timeframe. Achievements and corrective actions not specific. (p. 97)	No reference
Communications	No reference	No reference	No audit findings	No reference
Correctional Services	A paragraph included in financial statements on corrective action taken on AG findings raised in the previous year on performance information, (p. 71)	Paragraph to indicate satisfaction with contents and quality of monthly and quarterly reports. (p. 66)	No audit findings (p. 79)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Defence	Paragraph on performance measures and the inclusion thereof in Strategic Plan. Reference made to performance information included in Annual Report. (p. 183)	Paragraph to indicate large satisfaction with content and quality of monthly and quarterly reports. (p. 168)	Non-compliance with regulatory requirements. Evidence materially inconsistent with reported information or a lack of evidence. Performance information not always substantiated by adequate evidence. Evidence materially inconsistent with reported performance information. (pp. 195–198)	Accounting Officer report included paragraph on a lack of a system to integrate financial management information system and resource management information system. Performance measures to ensure the three e's not been established. AG report to two performance audits completed on rendering of catering services and management and provision of official accommodation. (Performance audit completed by External Audit) (p. 194)
Education	Section on performance information, referred to monthly and quarterly progress reports and referred to pages where performance information is reported. (p 157)	Paragraph to indicate satisfaction with contents and quality of quarterly reports. (p. 158)	No audit findings (p. 160)	No reference
Environmental Affairs and Tourism	Paragraph included on a system of individual performance reporting culminating in a performance report of DG and being aligned to performance indicators in strategic and business plan. Reference made to performance information included in Annual Report. (p. 35)	No reference	Differences between planned and actual performance were not clearly documented. Achievements not always addressing the measure/indicator, made it difficult to establish the extent to which objectives were achieved. (p. 37)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Foreign Affairs	A paragraph included on performance information making reference to the strategic plan, the performance management system, business plans, and performance agreements. A committee was established to ensure alignment between performance agreements and the business plans. (p. 13)	The report detailed the achievements in addressing the matters emphasised by the AG in the 2005/06 year including the introduction of performance reporting. The report also indicated the focus areas going forward and the development of comprehensive and integrated intervention programmes including in the area of performance information. The audit committee noted progress in the content and quality of monthly and quarterly reports. (Indicate satisfaction and additional information) (p. 233)	Outputs were not defined for the different years. Bi-annual instead of quarterly reports was prepared. Targets defined not always complying with criteria. Reasons for differences not always explained. (pp. 24–25)	The Accounting Officer Report referred to the Internal Audit Unit and that a number of performance audits were conducted during the year.
Government Communications	A paragraph on performance information was included. Reference made to monthly reports and a quarterly report of milestones done by internal audit. Achievements and planned output verified and signed off by the branch managers. Monthly meetings with the Minister was conducted. (p. 89)	The Audit Committee reviewed and discussed the performance information to be included in the Annual Report with the Auditor-General and the Accounting Officer. Confirmed that performance information be accepted and read together with the report of the Auditor-General. (Indicate satisfaction and additional information) (p. 136)	Objectives for two programmes reported on that were never included in the Strategic Plan. (p. 94)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Department of Health	<p>A very comprehensive section on performance information. Reference was made to:</p> <ul style="list-style-type: none"> • Quarterly Reporting System; • Analysis of quarterly reports and compiled summaries; • Collaboration between National and Provincial Government on monitoring including comparative analysis; • Submission rate of Quarterly reports; • List of mechanisms implemented to improve performance information. <p>Comprehensive information provided (p. 93)</p>	<p>Report that framework for performance information was satisfactory.</p> <p>(Indicate satisfaction and additional information) (p. 95)</p>	<p>No audit findings (p. 98)</p>	<p>No reference</p>
Home Affairs	<p>Paragraph on performance information included. A formal and integrated reporting framework with emphasis on quarterly reporting was included.</p> <p>The system of quarterly reporting was proven to be very successful.</p> <p>(p. 75)</p>	<p>No reference</p>	<p>Department did not report on all predetermined objectives. Not all measures and targets included in the strategic plan were included in the annual report. Objectives were reported in the annual report but not included in the strategic plan. A lack of appropriate audit evidence for some of the performance information.</p> <p>(pp. 87–88)</p>	<p>A performance audit on the immigration process was completed.</p> <p>(Performance audit completed by External Audit) (p. 86)</p>

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Housing	Paragraphs included on performance information with reference to the strategic plan and review of operational plans on a quarterly basis. The quarterly reports were also submitted to the executive authority. (p. 70)	No reference	Measurable objectives materially inconsistent between the annual report and the strategic plan and the annual report and the budget. Objectives reported on in annual report but not predetermined per the strategic plan. Evidence was materially inconsistent with reported information or a lack of adequate evidence. (pp. 74–75)	No reference
Independent Complaints Directorate	Section on performance information referring to the performance system for complaints handling including the reporting thereon. (p. 82)	Paragraph to indicate satisfaction with content and quality of monthly and quarterly reports. (p.72)	No matters that required inclusion in report. (p.76)	No reference
Justice and Constitutional Development	Provided a summary of the findings of the AG in the previous year and indicated in response the documentation of the detail performance measurement cycles and a monitoring tool on the Medium Term Strategic Framework key performance indicators was developed. (p. 100)	Paragraph to indicate satisfaction with content and quality of monthly and quarterly reports. (p. 84)	Department did not report on all predetermined objectives. All quarterly reports could not be obtained. (pp. 104–105)	No reference
Labour	Paragraph on performance information referred to quarterly monitoring and level reporting and the monitoring being discussed at a senior level meeting. Reference was also made to an annual review and planning workshop. (p. 68)	No reference	Work plan not aligned with ENE (p. 53)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Land Affairs	Paragraph on performance information referring to the role of the risk and Compliance Directorate that developed standardised systems and procedures for reporting on operational plans and the Monitoring and Evaluation Directorate to monitor organisational performance and validate source information. (p. 135)	No reference	Department did not report on all predetermined objectives but corrections were made. (p. 139)	No reference
Minerals and Energy	Included a paragraph on Corporate Governance arrangements but no specific reference to performance information. (p. 100)	No reference	No audit findings (p. 105)	No reference
National Treasury	Sentence referring to ensuring systems were in place to ensure the effective, efficient and economical and transparent use of the departmental resources. Paragraph on performance information indicating that divisional heads report to the Director-General on progress made in terms of Strategic Plan. (p. 92)	No reference	No audit findings (p. 98)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Parliament	No reference	Concern was raised about inconsistency in the timely production, monitoring and quality of the quarterly reporting reports. (Identified problems with performance information) (p. 85)	No audit findings (p. 92)	No reference
Presidency	Paragraph to indicate performance was monitored by monthly Top Management Meetings with the Accounting Officer to assess the performance of the Presidency against predetermined objectives. (p. 119)	Sentence to indicate in-year management reports reviewed and recommendations made to improvements thereon. (Identified problems with performance information) (p. 120)	No significant findings (p. 140)	No reference
Provincial and Local Government	Quarterly review meetings were held and branch reports generated that reflects quarterly and progressive performance. (p. 98)	Reference to management that embarked on a process to address reporting responsibilities which dealt with performance information. (Indicate satisfaction and additional information) (p. 91)	Department did not report on all predetermined objectives, some information was not updated timeously and sufficient appropriate audit evidence was not obtained. (pp. 102–103)	No reference
Public Enterprises	Paragraph on performance information referring to a control system designed to provide proper monitoring and an IT system to track performance. Quarterly reports on programme performance to Portfolio and Select Committees. (p. 54)	No reference	No audit findings (p. 57)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Public Service and Administration	Paragraph on performance information referred to the responsibility of the Director-General in this regard and to quarterly reports submitted. (p. 42)	No reports submitted to new audit committee and no comment on content and quality of the reports. (Identified problems with performance information) (p. 36)	No audit findings for department (pp. 46–47)	Conducted into government employee related entities transacting with the Department. No significant findings mentioned in the report. (Performance audit completed by External Audit) (p. 46)
Public Service Commission	Paragraph on performance information referring to the submission of quarterly information and being subjected to strict quality assurance process through the management structures. No audit findings (p. 110)	Paragraph to indicate satisfaction with content and quality of monthly and quarterly reports. (p. 102)	No audit findings for department (p. 112)	Performance audit on all national departments to determine employees who are directors of companies or members of close corporations that did business with the department where the person was employed as well as with other departments. (Performance audit completed by External Audit) (p. 112)
Public Works	No specific reference	Paragraph to indicate satisfaction with content and quality of monthly and quarterly reports (p.38)	Not all objectives set in the strategic plan were reported on in the annual report (p.45)	Performance audit on project management. (Performance audit completed by External Audit) (p.45)
SAMDI	No specific reference	No specific reference	No audit findings (p. 77)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Safety and Security	Reference was made to the Internal Audit function and the scope of the work to include ensuring that resources were acquired economically, used efficiently and was adequately protected. Paragraph on performance information making reference to the accountability framework in place to monitor progress with a description of the framework elements. (p. 126)	Paragraph to indicate satisfaction with content and quality of monthly and quarterly reports.	No audit findings (p. 112)	Performance Audits conducted on official housing and border control. (Performance audit completed by External Audit) (p. 111)
Department of Science and Technology	Paragraph on internal performance systems was included. Reference was made to monthly meetings between the CFO, Management Accountant and Programme Managers where the performance of each programme was discussed. (p. 103)	Paragraph to indicate satisfaction with quality of quarterly reports. (p. 107)	No audit findings (p. 106)	Reference in the Accounting Officers' report to performance audit conducted on South African Aids Vaccine Initiative. (Performance audit completed by Internal Audit) (p.104)

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Department of Social Development	Paragraph on corporate governance arrangements making reference to an established network of processes with the objective of controlling the operations that provided reasonable assurance that information published internally or externally was accurate, relevant, reliable, credible and timely. Reference also that resources were acquired economically and employed effectively and efficiently. Paragraph on performance information including the department's performance management and development system and individual performance assessment. Management of level of performance reporting and information resides with the Chief Directorate Monitoring and Evaluation. (p. 144)	No specific reference	No audit findings (p. 148)	No reference
Department of Sports and Recreation	Paragraph on performance information referred to a Strategic and Executive Support Unit responsible for monitoring and evaluation. As part of the responsibilities they would compile reports on impacts of projects and achievements against objectives and outputs. (p. 47)	Paragraph on in-year management and monthly/quarterly reports submitted indicated non-compliance with requirements in submitting quarterly reports or submitting reports late. (Identified problems with performance information) (p. 43)	A lack of performance information system to evaluate the monitoring and reporting of performance information. Material differences between the measurable objectives of annual report and the strategic / business plan. No signed quarterly reports submitted. (p. 51)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
STATS SA	No reference	Paragraph to indicate satisfaction with content and quality of monthly and quarterly reports. (p. 98)	No audit findings (p. 110)	No reference
Department of Trade and Industry	Reference to internal audit capacity being strengthened to perform more specialist audits like performance audits. Paragraph on performance information making reference to the development of a more robust system for monitoring and evaluation and to provide more strategic information, conduct bi-annual reviews and by way of monthly and quarterly reporting facilitate ongoing monitoring and reviews. (p. 107)	Paragraph to indicate satisfaction with quality of quarterly reports. (p. 110)	No audit findings (p. 114)	No reference
Department of Transport	Paragraph on performance information referring to quarterly performance information being submitted and presented to the Executive Committee and templates being developed to facilitate performance reporting. (p. 116)	Paragraph to indicate the Audit Committee has not satisfied themselves with the content and quality of monthly and quarterly reports due to a lack of comments or input from the previous Audit Committee. (Identified problems with performance information) (p. 102)	No audit findings (p. 124)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Department of Water Affairs and Forestry	Sentence to reflect performance information was submitted. (p. 114)	No reference	Inconsistencies between the objectives in the annual report, strategic plan and budget. Objectives not measurable. Information in annual report and quarterly reports could not be substantiated by source documents. (p. 118)	Reference to a performance audit on provision of sanitation services. (Performance audit completed by External Audit) (p. 117)

ANNEXURE II

ANALYSIS OF 2007–2008 ANNUAL REPORTS OF NATIONAL DEPARTMENTS TO IDENTIFY REFERENCES TO PERFORMANCE INFORMATION AND PERFORMANCE AUDITS

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Agriculture	Paragraph on performance information referring to quarterly reporting and evaluation during quarterly meetings. The Department was working on introducing an electronic system to support monthly reporting. (p. 69)	No reference	A lack of sufficient appropriate audit evidence. (p. 74)	No reference
Arts and Culture	Paragraph on performance information referring to a strategic plan being developed that complies with statutory requirements. Quarterly reporting was done to the Minister to facilitate monitoring, evaluation and corrective action. (p. 83)	No reference	No significant audit findings (p.93)	No reference
Communications	Detailed paragraph on performance information processes including cascading of strategic plan into annual business and operational plans reflecting branch objectives and quarterly milestones. Performance information was required from all branches on a quarterly basis and then consolidated into a quarterly performance report and submitted to the Minister. The Department also conducted a mid-year performance review. Performance information was captured electronically on a Performance Management System. (p. 100)	No reference	No significant audit findings (p. 104)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Correctional Services	Paragraphs on performance information. The Department entered into partnership with the TAU to pilot the Framework for Managing Programme Performance Information based on Results Based Management. Developed and approved an integrated planning, resourcing and reporting policy. In the process of developing a monitoring, evaluation and reporting tool. (p. 85)	Paragraph to indicate satisfaction with contents and quality of monthly and quarterly reports. (p. 77)	No significant audit findings (p. 93)	Key investigations conducted in management of suspensions, administration of incapacity leave and procurement irregularities. Auditor-general conducted an audit on repairs and maintenance of correctional centres. (Performance audit completed by External Audit) (p. 93)
Defence	Paragraph on performance measures indicating performance measures for departmental outputs were set out in strategic business plan as measurable outputs and targets. Actual performance against the measures was reported in the main portion of the annual report. (pp. 233, 237)	Paragraph to indicate satisfaction with contents and quality of monthly and quarterly reports. (p. 216)	No significant audit findings (p. 252)	Section under Internal Audit indicated the positive impact that resulted from recommendations and advice by internal audit. (Performance audit completed by Internal Audit) (p. 232) Auditor-General completed two performance audits on: • Rendering of catering services; and • the management and provision of official accommodation to staff. (Performance audit completed by External Audit) (p. 252)

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Education	Quarterly reports were completed and submitted to National Treasury. Paragraph on performance information stating the Department was responsible for development of policy on monitoring and evaluation. The verification of performance could be performed by the Auditor-general and the Audit Committee. (p. 224)	Paragraph to indicate satisfaction with contents and quality of monthly and quarterly reports. (p. 225)	No significant audit findings (p.227)	No reference
Environmental Affairs and Tourism	Paragraph on performance information referred to a performance report of the Director-General which was aligned to the performance indicators per programme as reflected in strategic and business plans. (p. 37)	Paragraph to indicate satisfaction with contents and quality of monthly and quarterly reports. (p. 30)	No significant audit findings (p. 39)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Foreign Affairs	<p>Reference was made that the Internal Audit Unit conducted performance audits during the year. A performance Information Quality Assurance Committee was established to review the performance information to ensure quality of information reported and that it complied with the National Treasury Performance Information Reporting Framework. A section on performance management and information is included. Reference was made to the strategic plan. Business units business plans. Individual branch reviews and departmental reviews were conducted. A template for to ensure reporting against pre-determined objectives were conducted. Business units were not allowed to utilise their budgets without submission of business plans and performance agreements. Reference was also made to the systems of implementation and monitoring including quarterly reports, six-monthly reviews, a performance management system at all levels and six-monthly and annual strategic review.</p> <p>Comprehensive information provided (p. 12–13)</p>	<p>The Audit Committee noticed the improvement from the previous year in the performance information quarterly reporting and establishment of the Performance Information Quality Assurance Committee to ensure quality and accuracy of quarterly reports. The Audit Committee noted progress in content and quality of quarterly reports. The Department developed measures to fully implement the control basis for monitoring and attaining business objectives within a structured framework.</p> <p>(Indicate satisfaction and additional information) (p. 127)</p>	No audit findings (p. 18)	No reference
Government Communications	<p>Quarterly performance report of milestones through Internal Audit tables at EXCO and forwarded to National Treasury. Performance evaluation reports were also submitted at quarterly audit committee meetings.</p> <p>(p. 111)</p>	<p>Paragraph to indicate satisfaction with contents and quality of monthly and quarterly reports.</p> <p>(p. 168)</p>	No significant audit findings (p. 115)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Department of Health	Paragraph on performance information referring to the Quarterly Reporting System for monitoring the implementation of its Strategic Plans and Annual Performance Plans. The National Department analyses quarterly data and compiled summary reports. Submission rate of quarterly reports for provinces improved. List of mechanisms implemented to improve performance information is included. (p. 120)	The Audit Committee indicated they were not entirely satisfied with the content and quality of quarterly reports prepared and issued. Area of concern was the adequacy of information submitted. (Identified problems with performance information) (p. 123)	No significant findings (p. 129)	No reference
Home Affairs	The Department implemented a formal and integrated reporting framework with emphasis on quarterly progress reporting. The Department aimed to track progress against strategic objectives. A separate Chief Directorate for monitoring and evaluation was established. An operations committee was established to monitor performance of the core business on a weekly basis and take corrective action. A team was working on a full set of performance indicators for the Department. (p. 135)	Specific intervention programme that will be monitored by Audit Committee on the reporting of performance information. (Indicate satisfaction and additional information) (p. 117)	Non-compliance to regulatory requirements related to the content of the strategic plan and completeness of information included in quarterly reports. Measurable objectives were inconsistent between annual report and strategic plan and budget. A lack of sufficient appropriate audit evidence. Performance information was also not received in time. (pp. 143–144)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Housing	Reference was made to performance information in a separate section of the report describing that the Monitoring Unit within the Strategic Management Chief Directorate was responsible, describing the responsibilities, the procedures and the sources used to evaluate performance. (p. 118)	The Audit Committee made a statement that they were not satisfied with the content and quality of quarterly reports and the area of concern related to management and reporting on performance information. (Identified problems with performance information) (p. 104)	Findings included: inconsistency between the annual report and the Strategic Plan; In one instance not substantiated by supporting evidence; Performance information not received in time. (pp. 123–125)	Performance audit conducted on housing subsidies and administration of low-cost housing projects. (Performance audit completed by External Audit) (p. 125)
Independents Complaints Directorate	Section on performance information making reference to the complaints handling system and monthly reports issued in this regard. A Monitoring and Evaluation Committee was also established. (p. 90)	Paragraph to indicate satisfaction with contents and quality of monthly and quarterly reports. (p. 80)	No significant findings (p. 85)	No reference
Justice and Constitutional Development	Strategic Unit's activities were documented to detail performance measurement cycles and quarterly reporting time frames. A tool on the Medium-Term Strategic Framework was developed in collaboration with branches. (p. 109)	Paragraph to indicate satisfaction with contents and quality of monthly and quarterly reports. (p. 94)	Non-compliance with regulatory requirements to prepare a strategic plan. Material inconsistency between the annual report and strategic plan. A lack of sufficient appropriate audit evidence. (p.116)	No reference
Labour	Section on performance information referring to quarterly monitoring reports, the source thereof and the different levels of reporting. The process of analysis and evaluation of the reports and the planning process was also described. (p. 69)	Statements to indicate performance information were not provided at the Audit Committee meetings. (Identified problems with performance information) (p. 50)	Not possible to obtain sufficient appropriate audit evidence due to an inadequate system used for generating performance information. (p. 55)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Land Affairs	Paragraph on performance information referred to a Strategic Committee that meets weekly. Reference was also made to the Monitoring and Evaluation Directorate being responsible to synthesise performance reports from branches and keeping record for inclusion in the annual report. (p. 114)	No specific reference	A lack of sufficient appropriate audit evidence. Performance information not received in time. (p. 121)	Performance Audit completed on Proactive Land Acquisition by internal audit. (Performance audit completed by Internal Audit) (p. 115)
Minerals and Energy	No specific reference	Paragraph to indicate satisfaction with contents and quality of monthly and quarterly reports. (p. 118)	No significant audit findings (p. 137)	No reference
National Treasury	Paragraph on performance information referring to Divisional Heads reporting to the Director-General on a regular basis on progress made with regard to measurable objectives. (p. 96)	No specific reference	No significant findings (p. 102)	No reference
Parliament	Paragraph on performance information stating where feasible performance indicators were identified at the planning phase and performance achievements are reported on a monthly basis. (p. 69)	No reference	No significant findings (p. 75)	No reference
Presidency	Section on performance information referring specifically to alignment and referring to section on detailed information. (p. 116)	The Audit Committee stated they reviewed in-year management monthly and quarterly reports (p. 117)	No significant findings (p. 119)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Provincial and Local Government	Paragraph on performance information referred to quarterly reports and evaluation review meetings. Responsibility was allocated to the Branch Monitoring and Evaluation. (p. 142)	Reference to financial reports only. (p. 138)	Non-compliance with regulatory requirements and a lack of reporting on all predetermined objectives. A lack of sufficient appropriate audit evidence. A lack of systems generating performance information. (pp. 145–146)	No reference
Public Enterprises	Section on performance information making reference to an Executive Project Management System that was installed. A dashboard was developed to provide the Board with a tool to monitor the performance. (p. 65)	Paragraph to indicate satisfaction with contents and quality of monthly and quarterly reports. (p. 50)	No significant findings (p. 70)	No reference
Public Service and Administration	Section on performance information referring to the Programme Management Office that coordinates strategic planning and the monitoring and evaluation. Quarterly reports were submitted and the section described the various meetings relevant to performance information. (p. 52)	Paragraph to indicate satisfaction with contents and quality of monthly and quarterly reports. (pp. 43–44)	Non compliance to regulatory requirements related to quarterly reporting. (p. 58)	No reference
Public Service Commission	Paragraph on performance information referring to a process for performance information being documented. It also referred to performance information reported at various governance structures. Quarterly reports were submitted on a quarterly basis and verified by Internal Auditors and the Auditor-General. (pp. 96–97)	Paragraph to indicate satisfaction with contents and quality of monthly and quarterly reports. (p. 98)	No significant findings (p. 99)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Public Works	No specific reference	Paragraph to indicate satisfaction with contents and quality of monthly and quarterly reports. (p. 61)	A lack of appropriate audit evidence (p. 63)	No reference
STATS	No specific reference	Paragraph to indicate satisfaction with contents and quality of reports issued. (p.137)	No significant audit findings (p. 150)	No reference
SAMDI	No specific reference (pp. 64–65)	No specific reference (p. 56)	No significant audit findings (pp. 67–68)	No reference
Safety and Security	Paragraph on performance information referring to quarterly performance information submitted timeously. (p. 165)	No specific reference (p. 147)	No significant audit findings (p. 152)	Performance audits were conducted on: official housing, Border Control Function, Service delivery of police stations and call centres (Performance audit completed by External Audit) (p. 152)
Department of Science and Technology	Paragraph on performance information making reference to a planning cycle framework including strategic planning, quarterly and annual reporting and the approval thereof. An annual performance review was carried out and improved internally. (p. 69)	The Committee considered quarterly reports and considers them to be of acceptable quality. (p. 73)	No significant audit findings (p. 72)	A list of performance audits conducted by internal audit provided. (Performance audit completed by Internal Audit) (p. 69)

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Department of Social Development	Reference was made in the paragraph on corporate governance arrangements about processes in place that provided reasonable assurance that data and information published was accurate, relevant, reliable, credible and timely and resources were acquired economically and employed effectively and efficiently and continuous improvement were emphasised. Paragraph on performance information referring to institutional performance and individual performance. Management of performance reporting resided with Chief Directorate Monitoring and Evaluation and tools included quarterly performance reports, quarterly reviews and evaluation reports. (p. 145)	No specific reference	No significant audit findings (p. 149)	No reference
Department of Sports and Recreation	Paragraph on performance information made reference to Strategic and Executive Support Unit responsible for Monitoring and evaluation. Regular reports would be compiled including periodic achievements as per predetermined objectives and outputs. (p. 134)	Audit Committee held one inaugural meeting and was unable to examine the content and quality of monthly and quarterly reports. (Identified problems with performance information) (p. 112–113)	Measures reported in annual report but not predetermined. A lack of sufficient appropriate audit evidence. Evidence materially inconsistent with reported performance information. (p. 121)	No reference

Department	Reference to Performance Information or the audit thereof			Reference to Performance Audit
	Accounting Officer Report	Report of the Audit Committee	Auditor-General Report	
Department of Trade and Industry	Paragraph on performance information indicating the Department of Trade and Industry is in the process of reviewing the strategic planning architecture to streamline reporting and provided information of a more strategic nature to top management. The strategic planning included a quarterly review of the implementation of annual business plans by the Executive Board. (p. 127)	Paragraph to indicate satisfaction with quality and content of quarterly reports. (p. 107)	Strategic Plan did not include measurable objectives, expected outcomes, programme outputs, indicators and targets of the entity's programmes. (p. 110)	No reference
Department of Transport	Paragraph on performance information referring to the submission of quarterly performance information to the Executive Committee that debated the performance information presented. Reference was also made to templates developed to facilitate performance reporting against budget and the strategic plan. (p. 139)	Paragraph to indicate satisfaction with quality and content of quarterly reports. (p. 121)	No significant audit findings (p. 124)	No reference
Department of Water Affairs and Forestry	Paragraph on performance information referring to the coordination of strategic planning, business plans and the monitoring and evaluation of performance against targets. Quarterly reports were submitted to the Executive Authority. (p. 117)	No reference	Measurable objectives were materially inconsistent when compared with the objectives per strategic plan and budget. Targets did not comply with criteria required by the framework for managing programme performance information. (p. 124)	No reference