

PC Correct
8 May 2013

Preparation and Audit of predetermined objectives

PFMA 2012-13

Correctional Services Portfolio Committee

8 May 2013



Auditing to build public confidence



AUDITOR-GENERAL
SOUTH AFRICA

Reputation promise/mission

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy **by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.**



Topics for discussion

Background

Legislative requirements

Audit strategy and approach

Audit outcomes for PFMA 2011-12

Way forward



Audits performed by AGSA

Annual mandatory audits

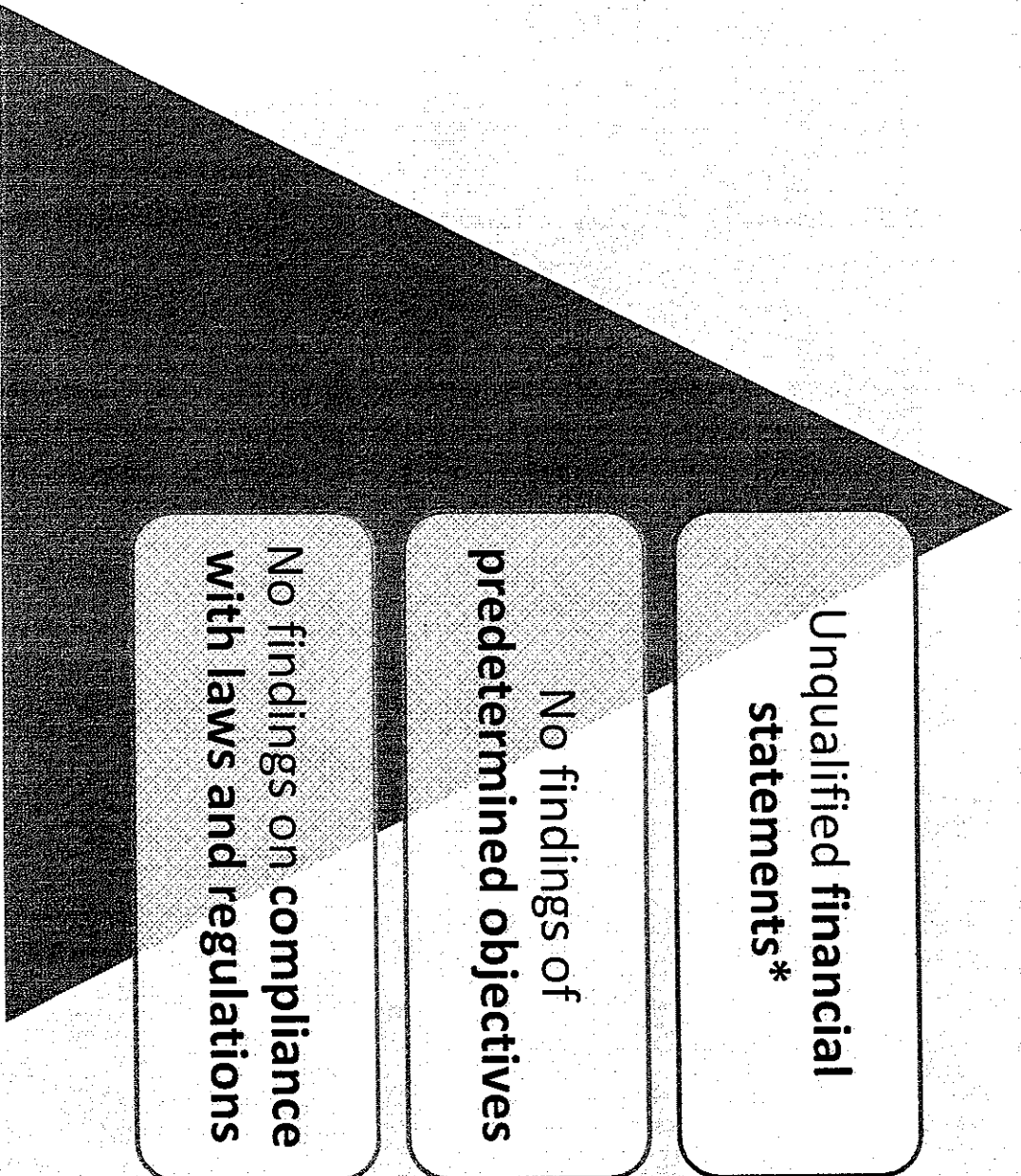
- Financial statements
- Report on predetermined objectives
- Compliance with laws and regulations

Discretionary audits

- Performance audits e.g. infrastructure



Clean administration – from annual audits



5 *Not qualified, disclaimed or adverse opinion

General approach and outcome



Audit of predetermined objectives defined as:

Annual audit of reported actual performance against predetermined objectives, indicators and targets as contained in the annual performance report .

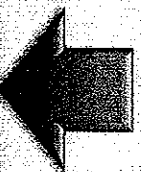
Integral part of the annual regularity audit process, confirming the

- Compliance with laws and regulations
- Usefulness of performance reporting
- Reliability of performance reporting



Legislative requirements - auditing

Sections 20(2)(c) and 28(1)(c) of the Public Audit Act (PAA)



An audit report must reflect an opinion or conclusion relating to the performance of the auditee against predetermined objectives

Applicable to all spheres of government



Legislative requirements for planning, budgeting & reporting of performance info

Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999)

Treasury Regulations issued in terms of the PFMA, 2000

Public Service Regulations (PSR), Part III B (Only applicable to departments)

Guidelines, Instruction Notes, Guidance Notes, issued by National Treasury

Framework for strategic performance reporting (issued by the National Treasury in May 2007)

Framework for strategic and annual performance plans (issued by National Treasury in August 2009)



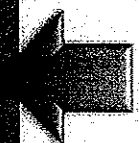
AGSA strategy to the audit of predetermined objectives

2004/05 to 2008/09



- Adopted a phased-in approach
- Factual audit findings reported in both management and audit reports
- No audit opinion in audit reports – only findings
- Regular interaction with stakeholders (NT, Presidency, DPSA) to determine and test audit approach
- Provided inputs to drafting of NT Frameworks (FMPP)

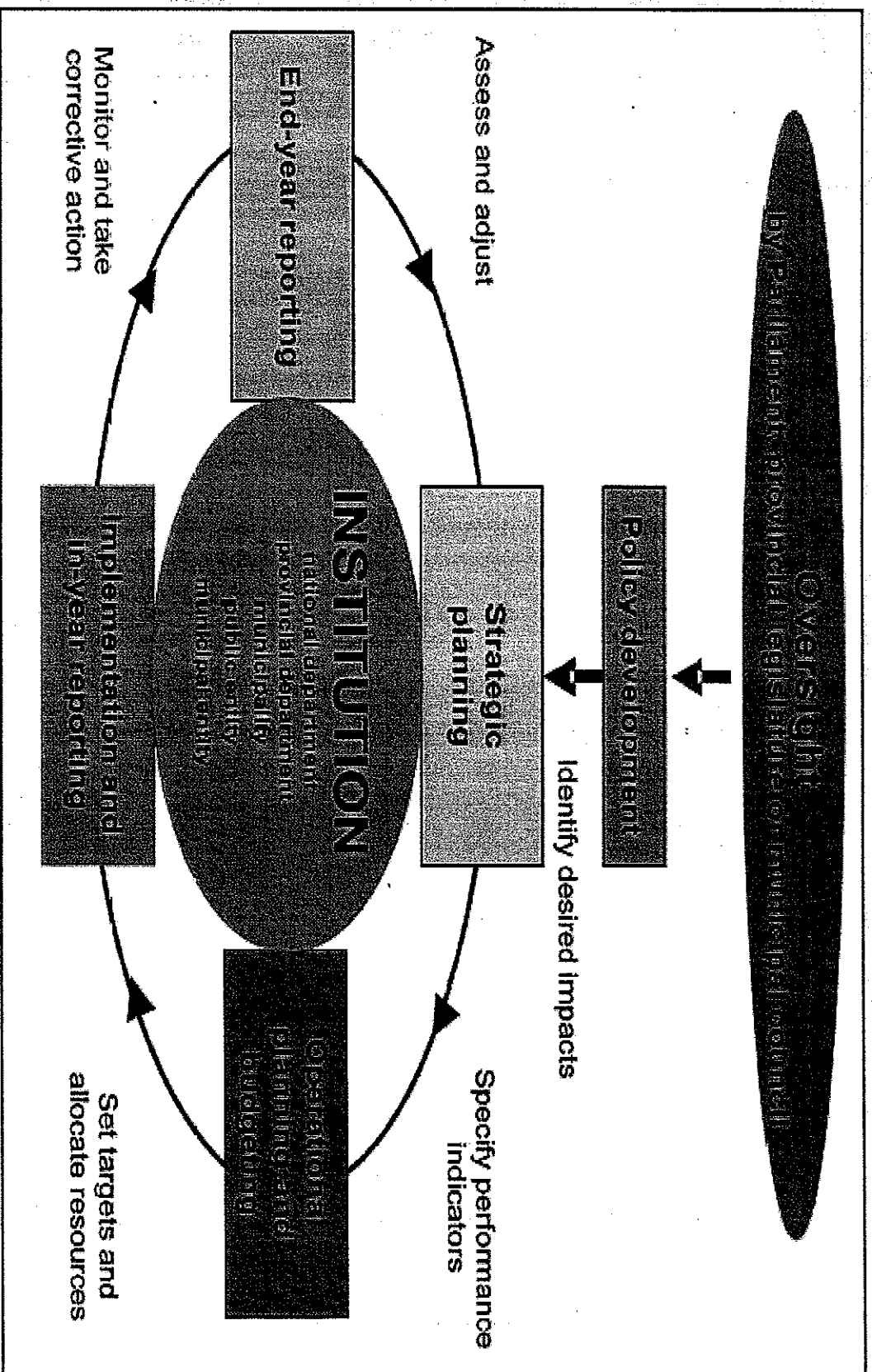
2009/10 to 2012/13



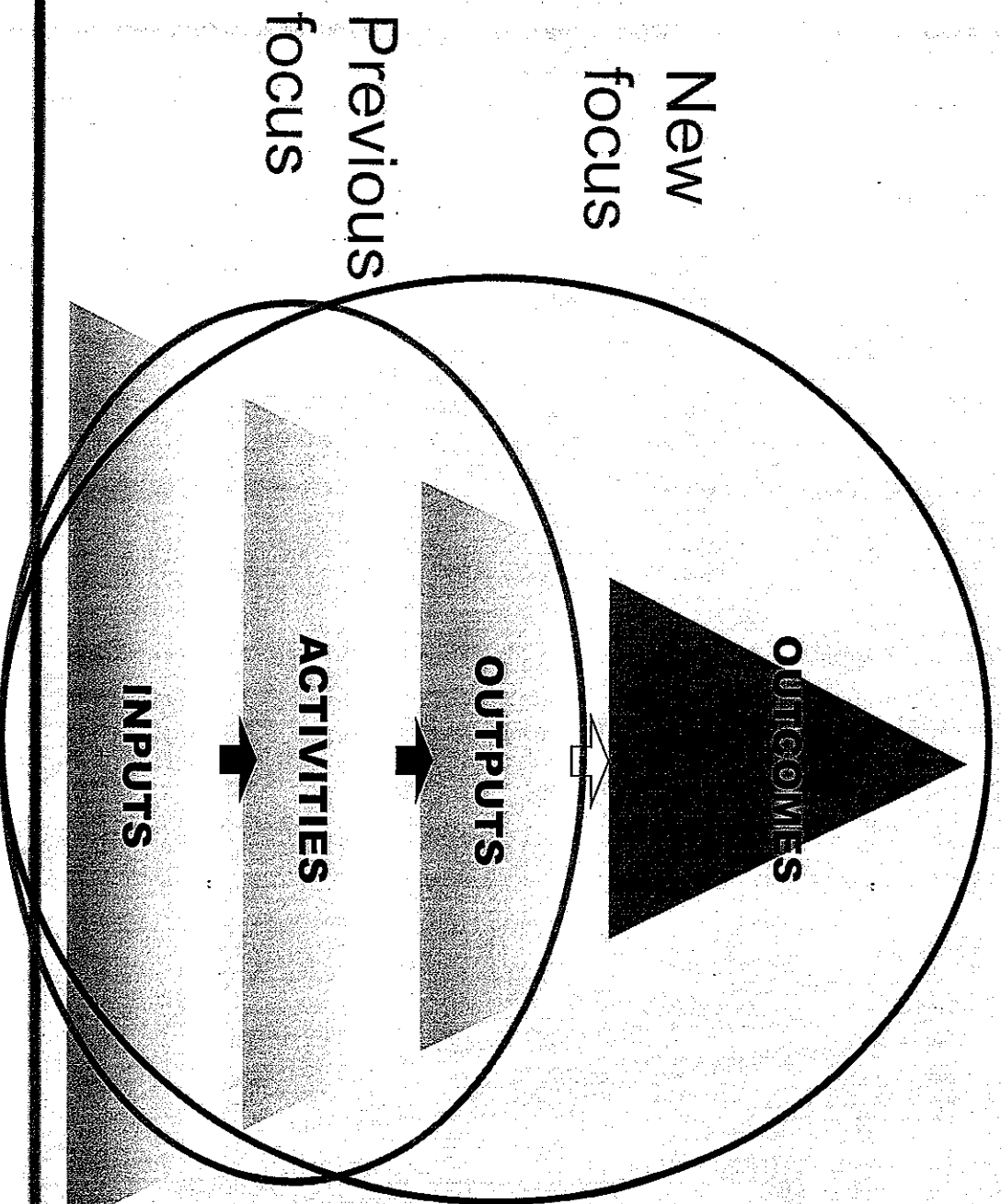
- Completed phased audit approach
- Audit to the extent necessary to express an audit opinion
- Audit opinion in the management report
- Audit reports contain audit findings – not audit opinions



Auditing the planning, budgeting and reporting cycle



Government's outcomes approach (2)



What we wish
to achieve

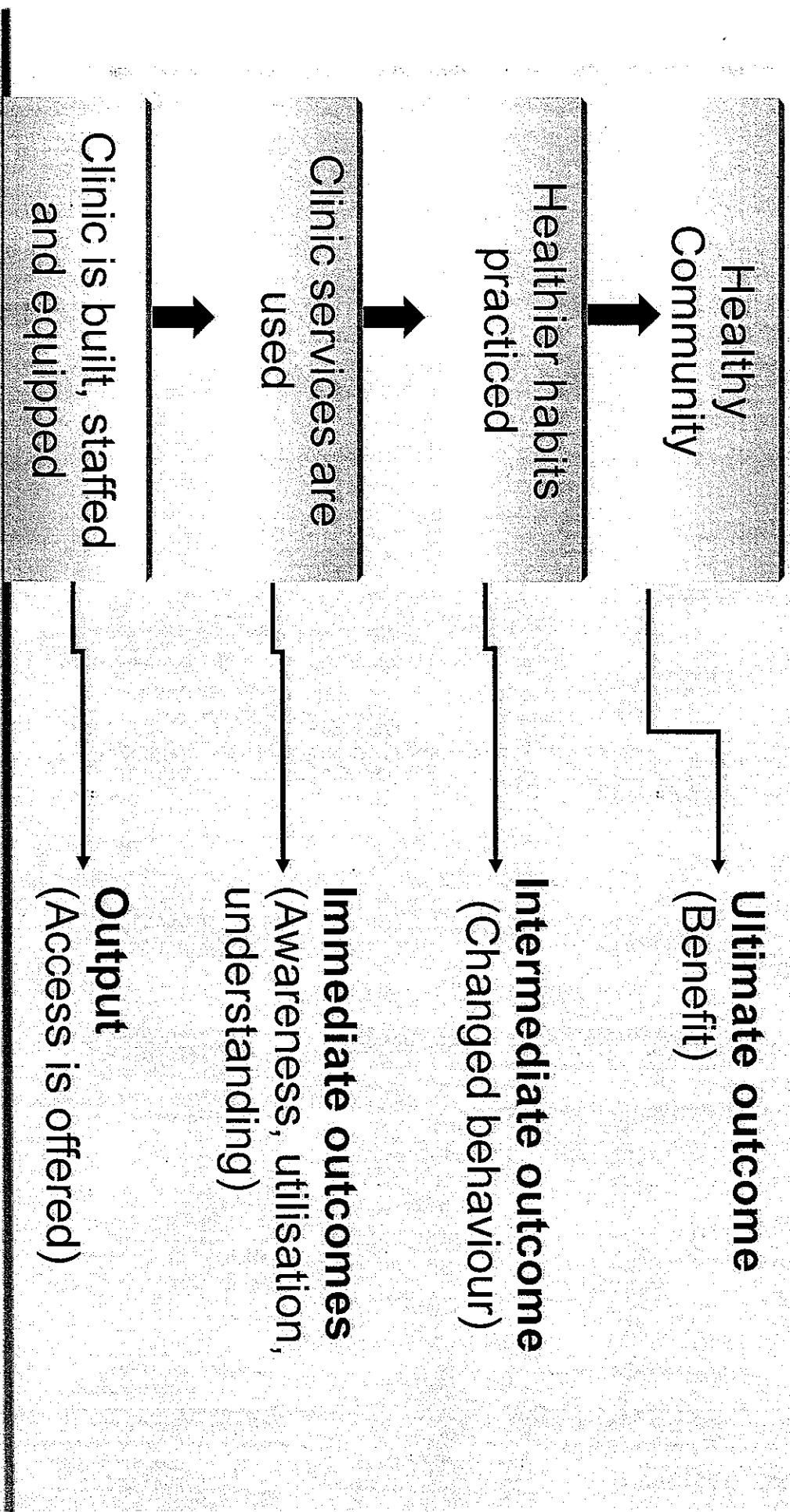
What we produce
or deliver

What we do

What we use
to do the work



Government's outcomes approach (Example)



Government's 12 Outcomes

1. Improved quality of basic education
2. A long and healthy life for all South Africans
3. All people in South Africa are and feel safe
4. Decent employment through inclusive economic growth
5. A skilled and capable workforce to support an inclusive growth path
6. An efficient, competitive and responsive economic infrastructure network
7. Vibrant, equitable, sustainable rural communities with food security for all
8. Sustainable human settlements and improved quality of household life
9. A responsive, accountable, effective and efficient Local Government system
10. Environmental assets and natural resources that are well protected and continually enhanced
11. Create a better South Africa and contribute to a better and safer Africa and world
12. An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship

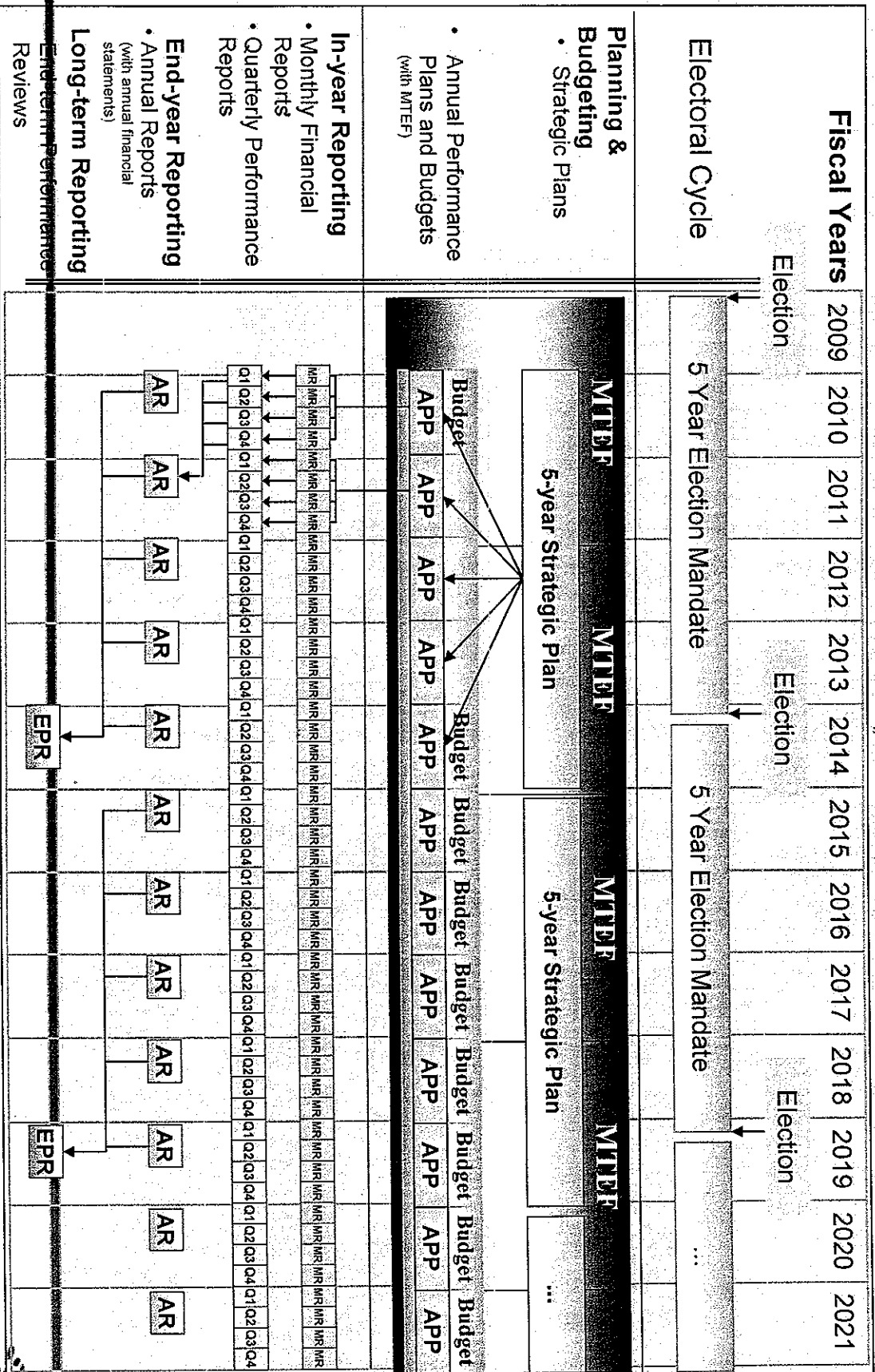


Planning frameworks

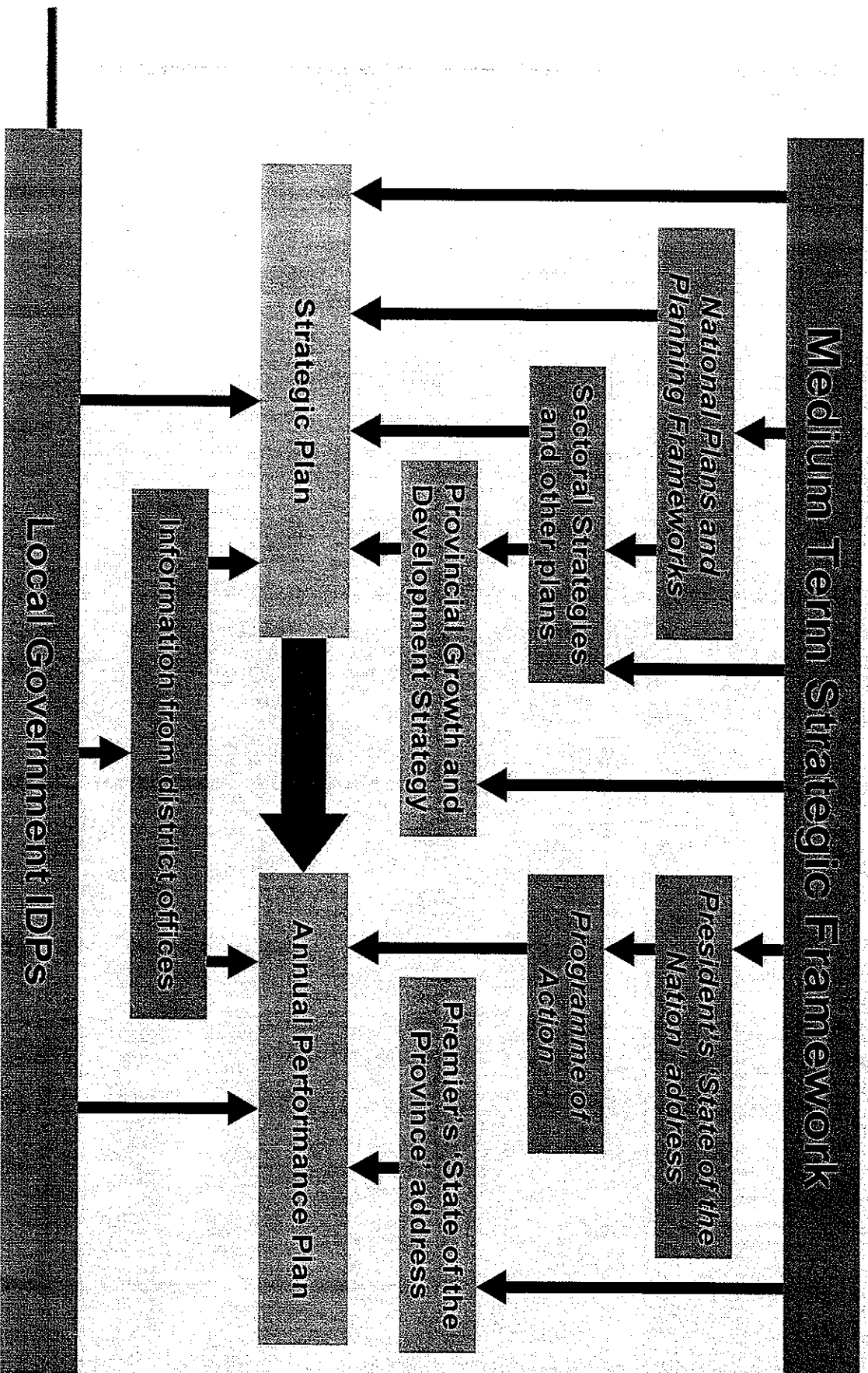
- In terms of the Government Wide Monitoring and Evaluation framework, National Treasury is responsible for managing performance information. In view of that, the following frameworks were developed:
 - Framework for Managing Programme Performance Information (FMPPPI)
 - Issued by National Treasury in May 2007
 - Outlines key concepts in the design and implementation of management systems to define, collect, report and use performance information in the public sector
 - To clarify definitions and standards for performance information in support of regular audits
 - New Framework for Strategic Plans and Annual Performance Plans
 - Framework drafted using international best practice planning models (New Zealand, Canada, United Kingdom and United States of America).
 - Issued to national departments in September 2010.
 - Issued to provincial departments in May 2009.
 - Guide on what should be in SP and APP - taking other existing policies, plans and the budget into consideration
 - The FMPPPI and the planning frameworks should be used in conjunction with each other when preparing planning documents, especially for performance information.



Documents of the planning, budgeting and reporting cycles



Developing SPS and APPs in context



Audit criteria

Main criteria

Compliance with regulatory requirements

Usefulness

Reliability

Sub-criteria

Existence

Timeliness

Presentation

Measurability

Relevance

Consistency

Validity

Accuracy

Completeness



Audit approach

- 1 Understand and assess the design and implementation of the performance management systems, processes, and delivery conditions
- 2 Test the measurability, relevance, presentation & consistency of reported and reported performance information
- 3 Conclude on the usefulness of the report on whether it met objectives
- 4 Test the reported performance information to relevant source documentation to verify the validity, accuracy & completeness of reported performance information
- 5 Conclude on the reliability of the reported performance for selected programmes or objectives



Audit reporting – Management report

An audit conclusion will be prepared and included in the management reports for all departments, constitutional institutions, trading entities, public entities, Parliament and provincial legislatures



Audit reporting – Auditor's report

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Predetermined objectives

Usefulness of information:

Audit findings focus on the consistency, relevance, measurability & presentation of reported performance information.

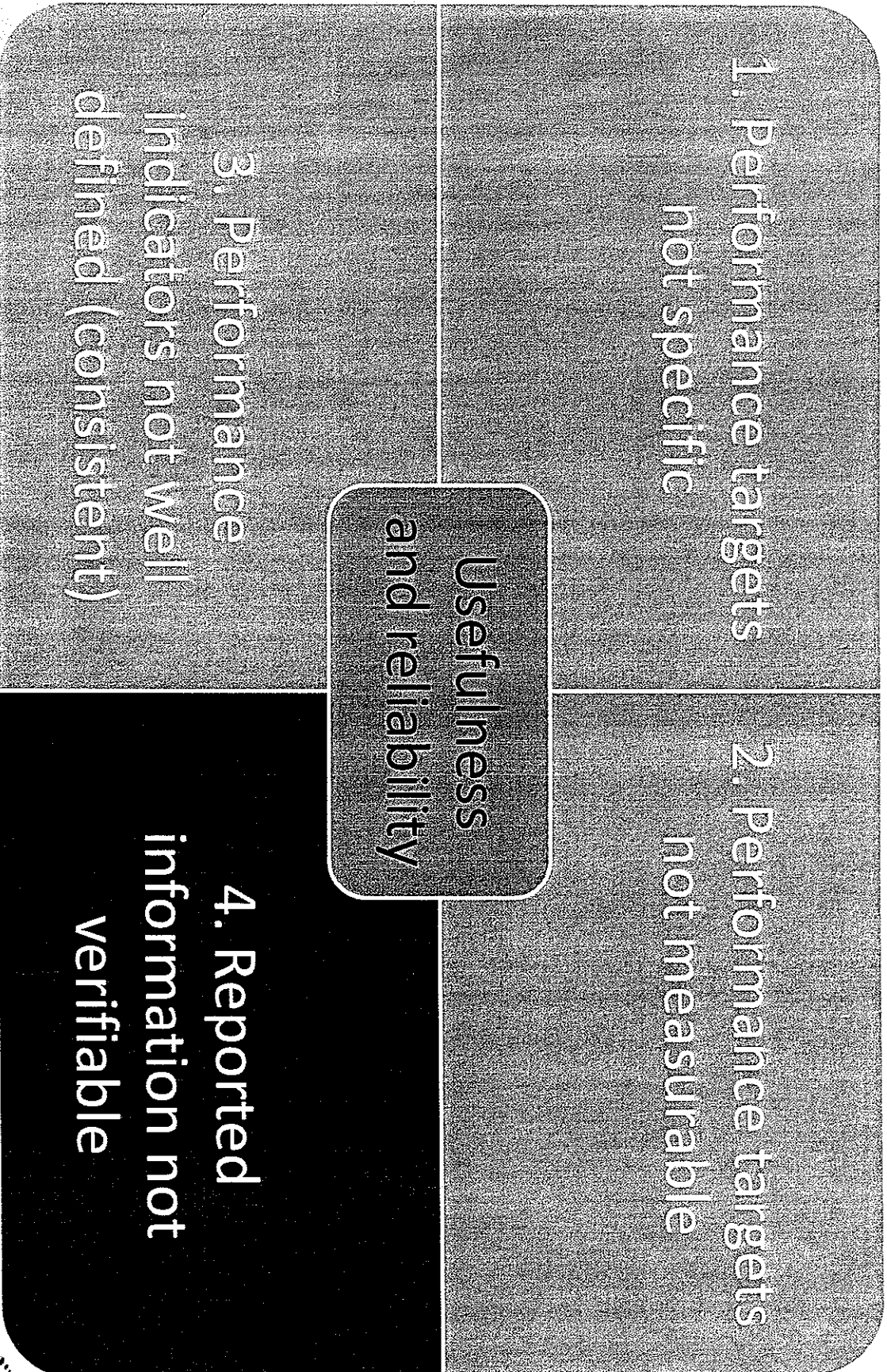
Reliability of information:

Audit findings focus on the validity, accuracy & completeness of reported performance information

COMPLIANCE WITH LAWS AND REGULATIONS

Report non-compliance matters in relation to the performance management and reporting processes

Audit outcomes 2011-12



Root causes

Monitoring
controls

To ensure
adequate
oversight over
performance info

Not sufficient



Recommendations and way forward (to be updated per presentation)

Key driver of internal control	Recommendations for improvement
Leadership	<p>Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p> <p>Action plans to address internal control deficiencies should be specific, time bound and progress should be monitored</p> <p>Training and development of relevant performance management staff</p>



Recommendations and way forward (to be updated)

Key driver of internal control	Recommendations for improvement
Performance management system	<p>Develop and implement standard operating procedures</p> <p>Management to ensure clear definitions and technical standards for indicators and targets are developed</p> <p>Supporting documentation (data definitions)</p> <p>Ensure adherence to FMPP1</p> <p>Clearly defined roles and responsibilities</p> <p>Individual performance contracts should be aligned to the organisational objectives</p> <p>Continuous monitoring and reporting of performance</p>



Recommendations and way forward (to be updated)

Key driver of internal control	Recommendations for improvement
Governance	<p>The audit committee should report on the acceptability of the quarterly reports submitted to National Treasury and should also ensure that internal audit provides assurance on a quarterly basis and monitors implementation of the action plans</p> <p>Internal audit should monitor the reporting against predetermined objectives on a regular basis</p> <p>Reporting on predetermined objectives should be included in risk management strategy and practices</p>



THANK YOU

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