



AUDITOR-GENERAL  
SOUTH AFRICA

# Audit of predetermined objectives

## Community of practice presentation

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17 & 18 March 2021





## MISSION

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



## VISION

To be recognised by all our stakeholders as a relevant Supreme Audit Institution (SAI) that enhances public sector accountability



## For discussion

1. Audit requirements

2. Audit process

3. 2019-20 Audit outcomes

4. Questions and Answers

# Our annual audit examines three areas

THE AG'S  
ANNUAL  
AUDITS  
EXAMINE

3

AREAS:



**1** FAIR PRESENTATION AND  
ABSENCE OF SIGNIFICANT  
MISSTATEMENTS IN  
FINANCIAL STATEMENTS

**2** RELIABLE AND CREDIBLE  
PERFORMANCE  
INFORMATION FOR  
PREDETERMINED OBJECTIVES

**3** COMPLIANCE WITH ALL  
LAWS AND REGULATIONS  
GOVERNING FINANCIAL  
MATTERS



# Audit reporting requirements

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



An audit report must reflect an opinion, conclusion or findings  
**on the auditee's reported performance against its  
predetermined objectives**



Applicable to all spheres of government



# What is the legislative requirements and framework for performance management and reporting applicable to PFMA institutions?



# Legislative requirements and framework – PFMA auditees



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



**Circulars and guidance issued by National Treasury, DPSA and supported by DPME**



***Framework for managing programme performance information***  
(issued by the National Treasury in May 2007)



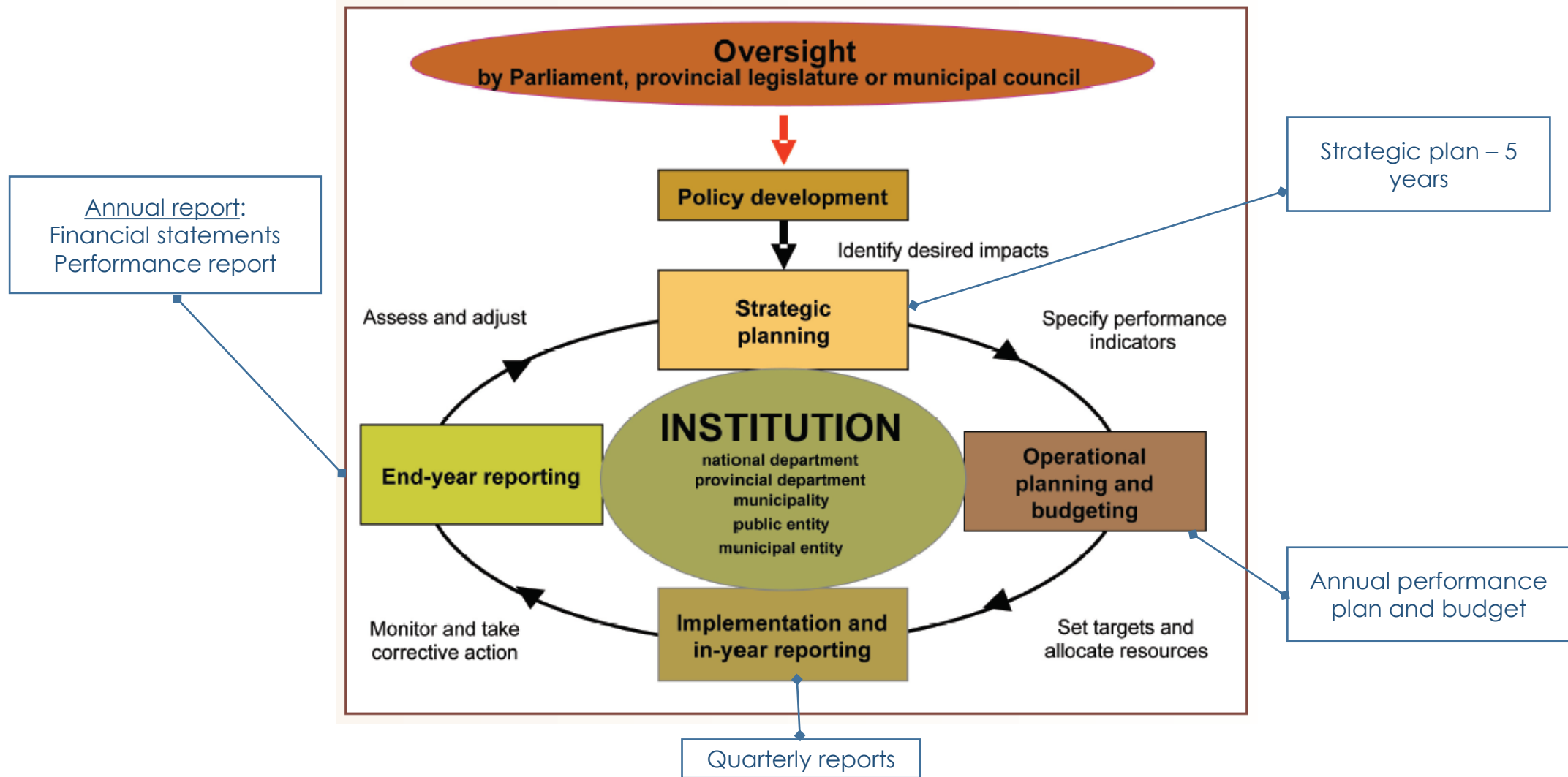
***Revised Framework for strategic plans and annual performance plans***  
(issued with NT instruction No.10 of 2020)

This represents the **performance management and reporting framework** against which the performance information should be managed and reported, as applicable to each auditee.

**The principles and requirements set out in the framework are used as a basis for the audit.**

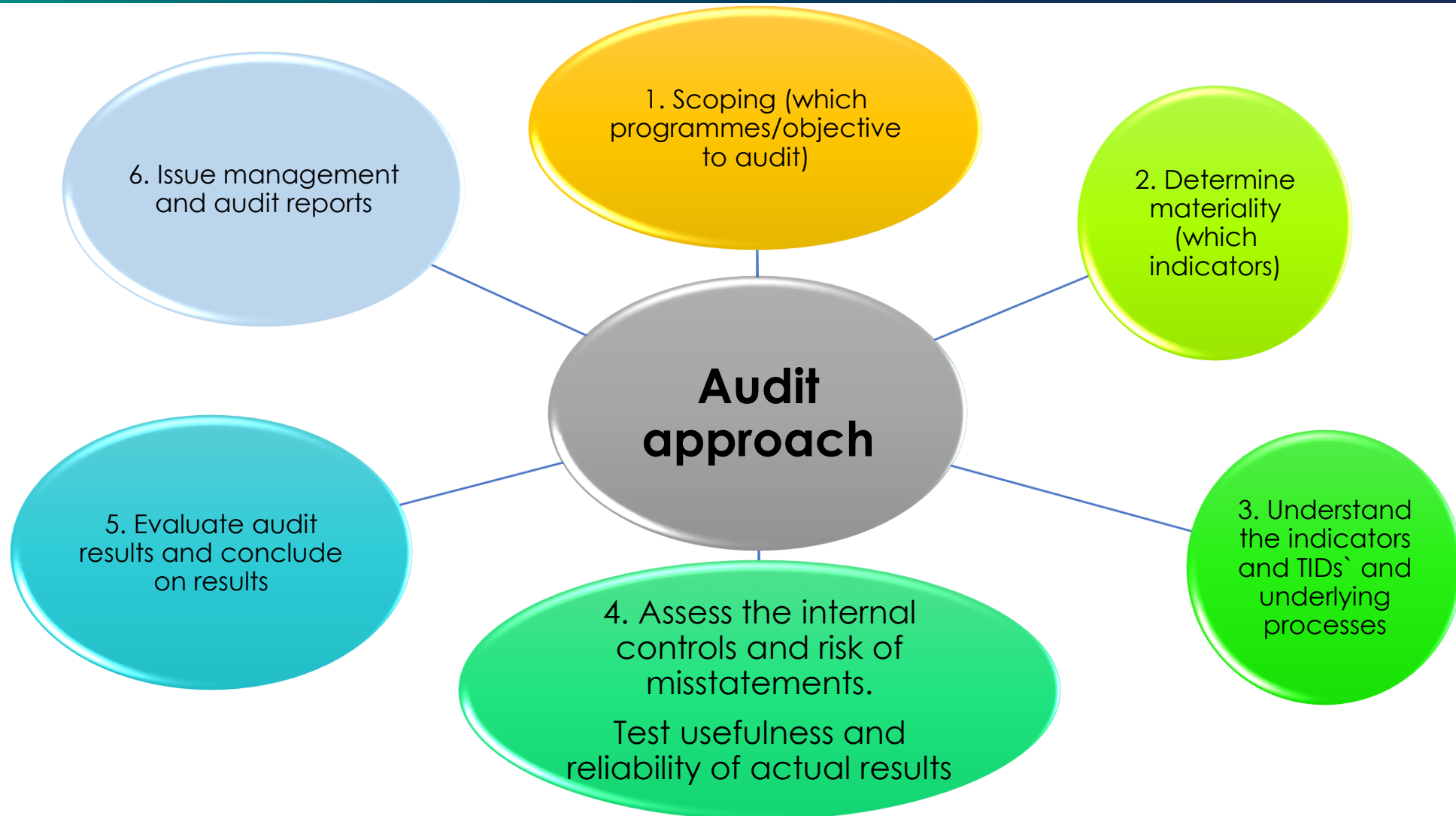


# What do we audit?





# The audit approach – applicable to all audits



# Audit criteria derived from framework

## What we test

Usefulness of reported performance information	
<b>Consistency</b>	Performance indicators and targets are consistent between planning and reporting documents.
<b>Measurability</b>	Performance indicators are well defined and verifiable, and targets are specific, measurable and time bound.
<b>Relevance</b>	Performance indicators relate logically and directly to an aspect of the entity's mandate and the realisation of strategic goals and objectives.
	From the entity's mandate, applicable legislation and strategic goals and objectives, all performance indicators are included in the approved plan.
<b>Presentation and disclosure</b>	Performance information in the annual performance report is presented and disclosed in accordance with applicable legislation, frameworks, circulars and guidance.
Reliability of reported performance information	
Recording, measuring, preparing and presenting of actual performance achievement is <b>valid, accurate and complete</b>	

## How we test

Tested for all indicators  
No sampling or selection as it is a condition which is either true or false

Extent of testing informed by a risk- based approach



## Good performance indicators should be:

### Reliable

Must be accurate enough for its intended use and respond to changes

### Well defined

Clear, unambiguous definition so that data will be collected consistently and will be easy to understand and use

### Verifiable

Possible to validate the processes and systems

### Cost-effective

Usefulness of the indicator must justify the cost of collecting the data

### Appropriate

Avoid unintended consequences and encourage service delivery improvements

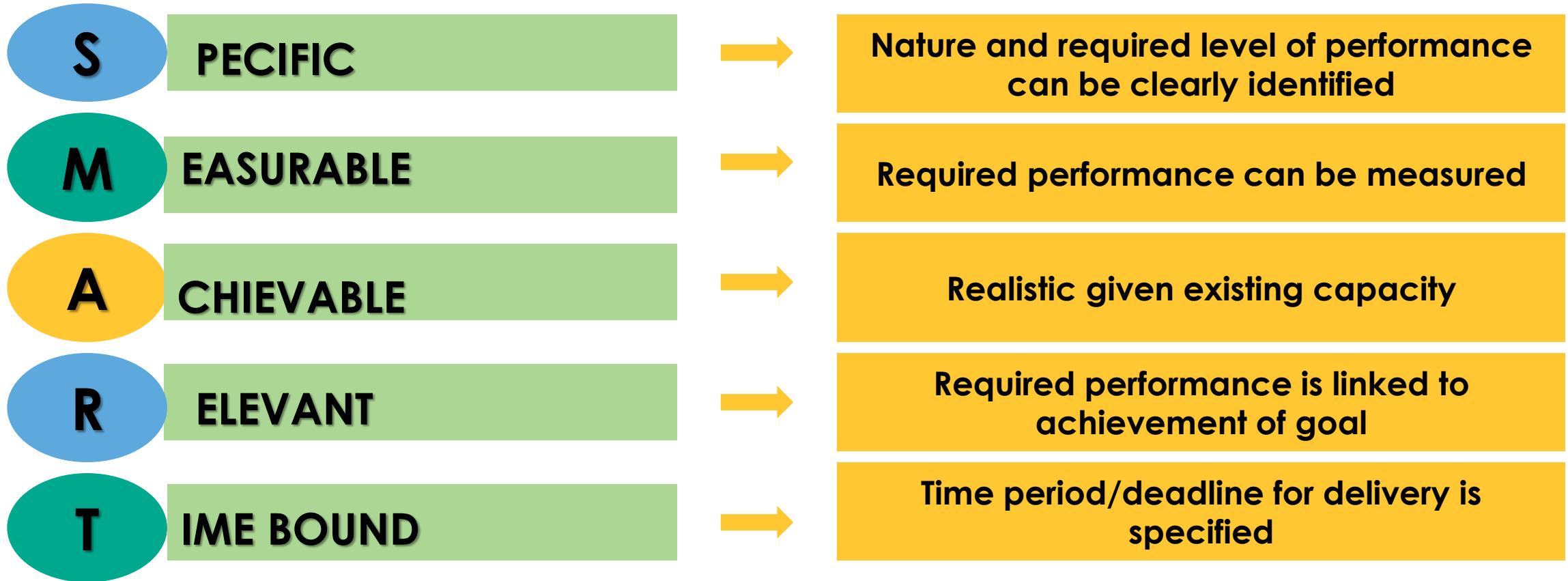
### Relevant

Must relate logically and directly to an aspect of the institution's mandate

Source: *FMPPI*



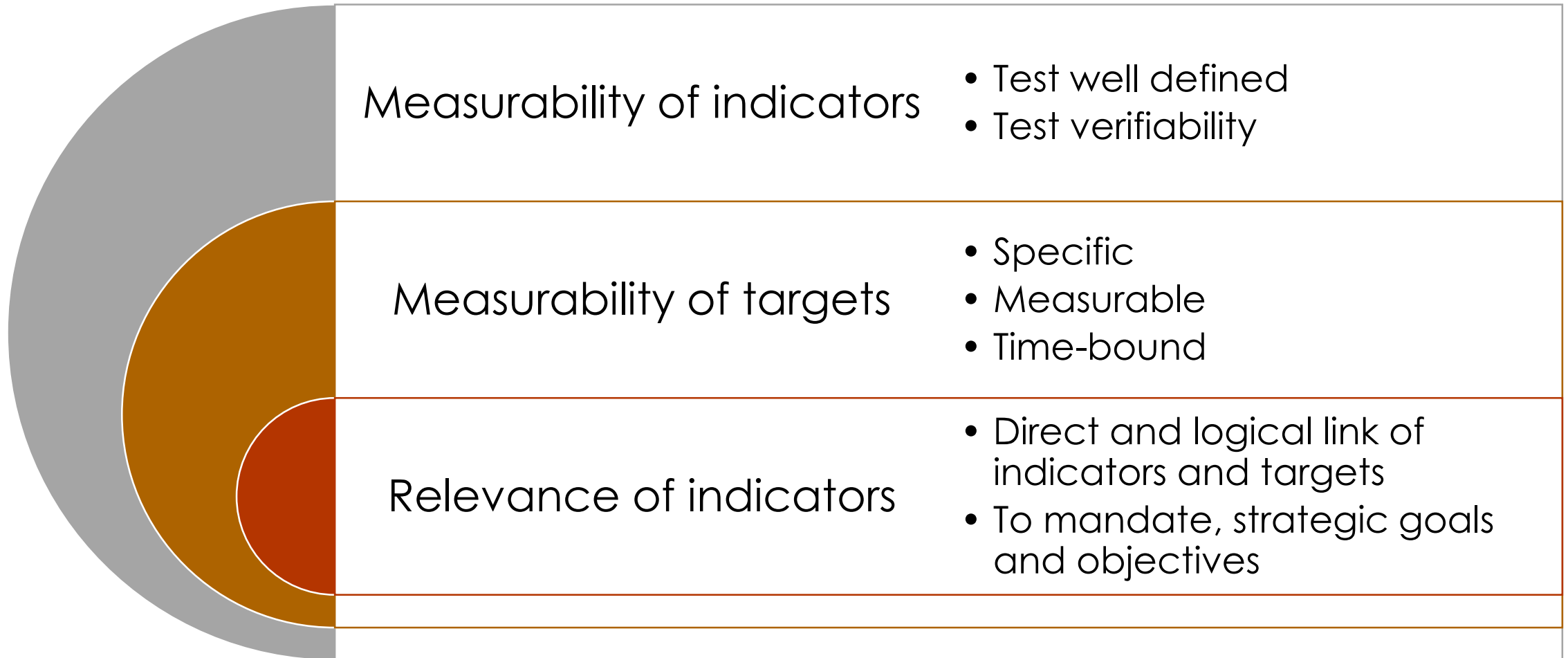
# SMART performance targets



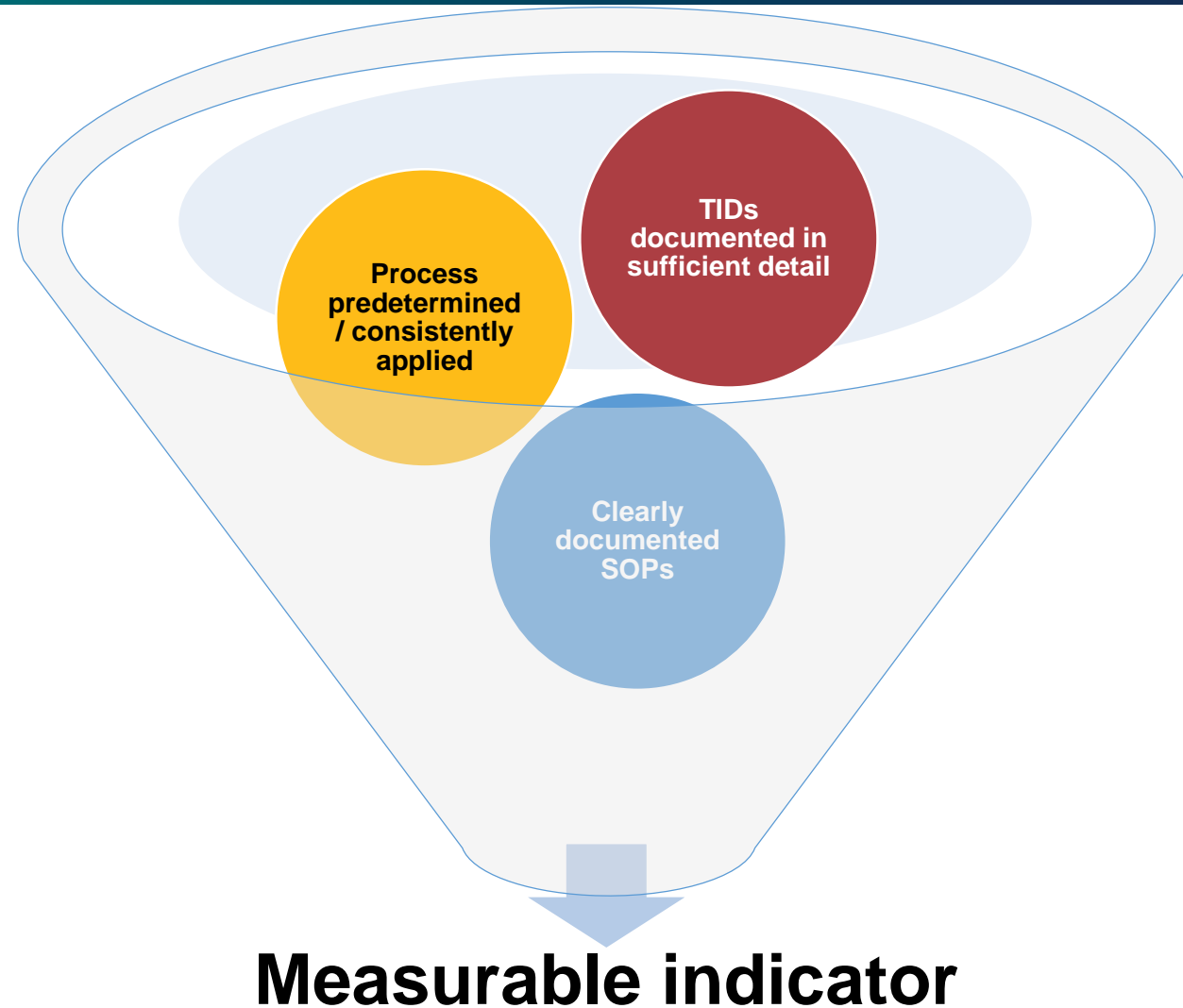
Source: *FMPP*



## Measurability and relevance criteria – further details



# Usefulness: Measurability of indicators



# What do auditors test when auditing measurability?

## Measurability of indicators

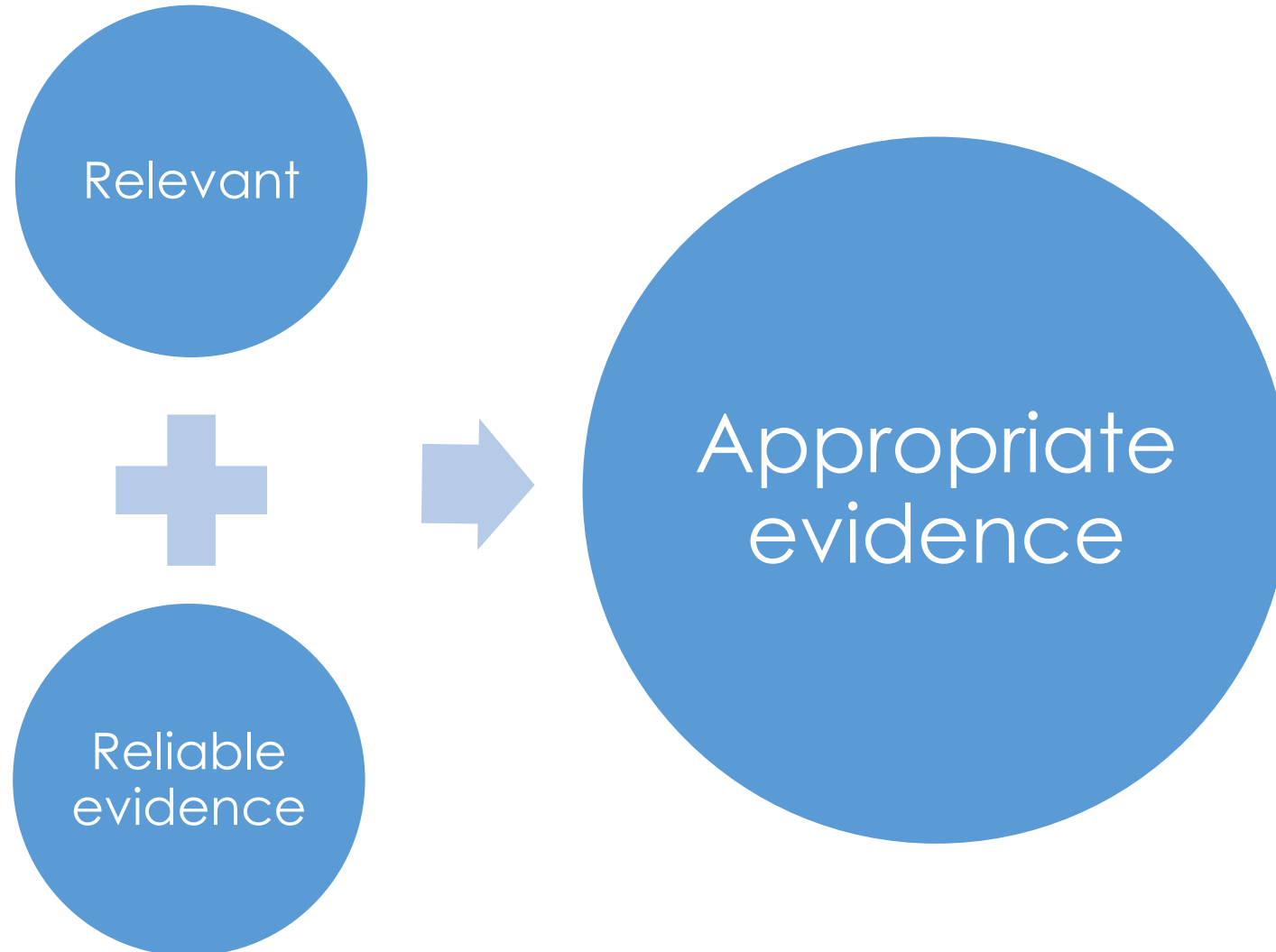
- Test whether indicators are :
  - **well defined** (Does the indicator have a clear definition and is there technical indicator descriptions for each indicator? )
  - **verifiable** (Is it possible to verify the processes and systems that produce the indicator?)

## Measurability of targets

- Test whether targets are:
  - **Specific** (Is the nature and required level of performance clearly identified?)
  - **Measurable** (Can the required performance be measured?)
  - **Time-bound** (Is the time period/deadline for delivery specified?)



# What is appropriate audit evidence?





# Examples of relevant and reliable evidence

## Relevant

- E.g. Target: Build a dam - but evidence provided is a report on a infrastructure plan to be developed.
- The primary sources or origin of the actual performance is available to the auditor e.g. a register which includes a record of treatment per patient.

























## Reliable

- Evidence is more reliable **when**
  - **In documentary form** – e.g. paper, register, electronic or other media
  - Generated through **management and information systems with proper controls**
  - All source information **exist and is complete** – e.g. a list of patients that can be verified against patient files or records
  - Information is **valid** – e.g. every entry in register can be traced to an appropriate record
  - Information is **accurate** – e.g. info in file corresponds to info in system



























# 2019-20 PFMA audit outcomes



	Target	Movement	2019-20	2018-19									
	Performance reports prepared		100% (317)	100% (315)	<p><b>2019-20</b> with movement</p> <table border="1"> <thead> <tr> <th>Departments</th> <th>Public entities</th> </tr> </thead> <tbody> <tr> <td> 100% (159)</td> <td> 100% (158)</td> </tr> <tr> <td> 34% (54)</td> <td> 45% (71)</td> </tr> <tr> <td> 63% (100)</td> <td> 80% (126)</td> </tr> </tbody> </table>	Departments	Public entities	 100% (159)	 100% (158)	 34% (54)	 45% (71)	 63% (100)	 80% (126)
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	Quality of performance reports submitted for auditing		39% (125)	31% (97)									
	Quality of published performance reports		71% (226)	60% (190)									

**101 auditees (32%)** had no material findings only because they **corrected all misstatements** identified during the audit

## Findings on performance reports

	Movement	2019-20	2018-19										
	Achievement reported not reliable		23% (74)	33% (103)	<p><b>2019-20</b> with movement</p> <table border="1"> <thead> <tr> <th>Departments</th> <th>Public entities</th> </tr> </thead> <tbody> <tr> <td> 34% (54)</td> <td> 13% (20)</td> </tr> <tr> <td> 23% (36)</td> <td> 13% (20)</td> </tr> <tr> <td> 1% (2)</td> <td> 2% (3)</td> </tr> </tbody> </table>	Departments	Public entities	 34% (54)	 13% (20)	 23% (36)	 13% (20)	 1% (2)	 2% (3)
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	Performance reporting not useful		18% (56)	23% (71)									
	No underlying records or planning documents		2% (5)	3% (8)									

### Most common usefulness findings

10% not well defined	5% reasons reported for variances not reliable	5% not verifiable	5% not consistent
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## National and provincial overview

	Performance reports prepared		Quality of performance reports submitted for auditing		Quality of published performance reports	
	Number	Movement	Number	Movement	Number	Movement
National	161 (100%)	▶	71 (44%)	▲	128 (80%)	▲
Eastern Cape	21 (100%)	▶	10 (48%)	▲	15 (71%)	▲
Free State	13 (100%)	▶	2 (15%)	▼	5 (38%)	▼
Gauteng	21 (100%)	▶	11 (52%)	▲	15 (71%)	▲
KwaZulu-Natal	21 (100%)	▶	5 (24%)	▲	14 (67%)	▶
Limpopo	15 (100%)	▶	6 (40%)	▲	8 (53%)	▶
Mpumalanga	16 (100%)	▶	3 (19%)	▼	10 (63%)	▲
Northern Cape	12 (100%)	▶	3 (25%)	▼	8 (67%)	▲
North West	18 (100%)	▶	1 (6%)	▼	6 (33%)	▲
Western Cape	19 (100%)	▶	13 (68%)	▲	17 (89%)	▶
<b>Total</b>	<b>317 (100%)</b>	<b>▶</b>	<b>125 (39%)</b>	<b>▲</b>	<b>226 (71%)</b>	<b>▲</b>

# Questions

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# Our social media platforms

**Thank you**



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