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## The status of performance management

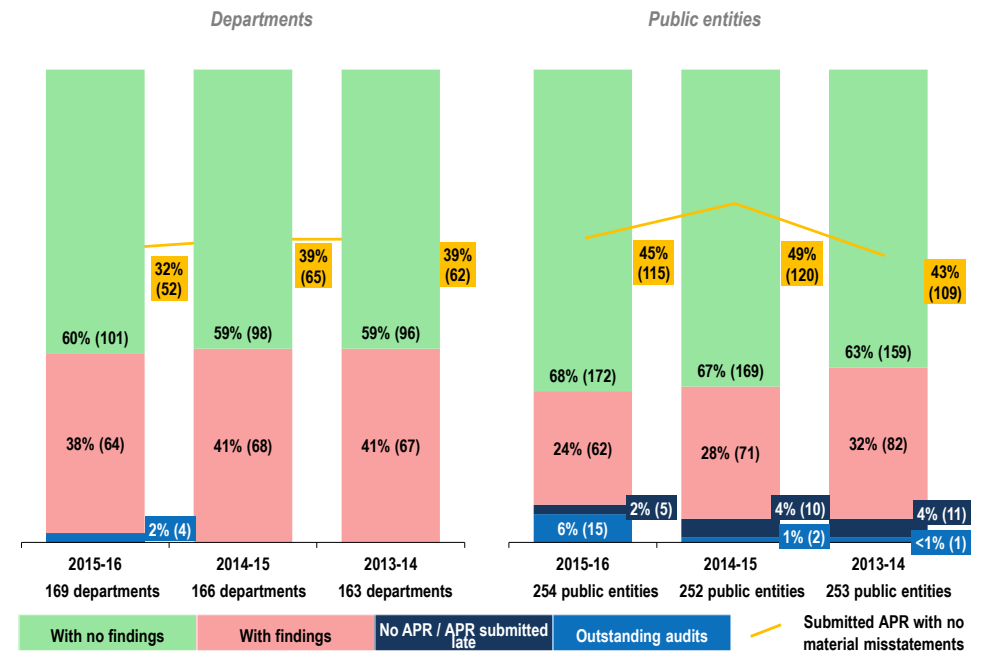
## 4. Annual performance reports

Figure 1 provides an overview of audit outcomes on the APRs, the APRs submitted with no material misstatements (red line) and the auditees that did not submit APRs or submitted them late over a period of three years, while figure 2 shows the same per auditee type. Table 1 provides the status of APRs in national and provincial government.

**Figure 1: Findings on annual performance reports and quality and timeliness of submission for auditing**



**Figure 2: Findings on annual performance reports and quality and timeliness of submission for auditing – departments and public entities**



**Table 1: Status of annual performance reports in national and provincial government**

Portfolio	Auditees with no findings <u>before</u> correction of material misstatements		Auditees with no findings <u>after</u> correction of material misstatements	
	Number	Movement from 2014-15	Number	Movement from 2014-15
National auditees	86 (45%)	↘	134 (69%)	↘
Eastern Cape	9 (36%)	↘	17 (68%)	↘
Free State	5 (31%)	↗	10 (63%)	↗
Gauteng	17 (57%)	↘	26 (87%)	↗
KwaZulu-Natal	11 (37%)	↘	22 (73%)	↘
Limpopo	5 (22%)	↘	15 (65%)	↗
Mpumalanga	6 (35%)	↗	11 (65%)	↗
Northern Cape	7 (39%)	↘	10 (56%)	↘
North West	3 (13%)	↘	7 (29%)	↘
Western Cape	18 (78%)	↘	21 (91%)	↘
Total	167 (42%)	↘	273 (68%)	↘

There has been a slight improvement in the submission of APRs since 2013-14 when 3% of auditees had either not prepared APRs or not submitted them on time for the audit. All departments submitted their APRs on time in 2015-16 while only 2% of public entities did not submit their APRs.

These auditees included the following:

- National auditees: (one) – Pan South African Language Board also failed to prepare a report in the previous year.
- Northern Cape: (one) – Northern Cape Fleet Management did not prepare a report in the year under review.
- North West: (three) – North West Housing Corporation, while North West Youth Development Trust and Signal Developments also did not prepare a report in the previous year.

There has been a slight improvement in the number of auditees with no material findings on the quality of their APRs since 2013-14, more noticeable at public entities. The movement since 2014-15 was limited. Of the total of 273

auditees with no material findings, 231 auditees (85%) had no material findings in the year under review and previous year, which means that the controls and processes required to produce credible performance reports were in place to ensure the sustainability of the audit outcomes on APRs. However, the material findings have remained high at the departments in the **Education, Health and Public Works** sectors, at 80% (24 of 30 auditees).

There has been a slight regression since 2013-14 in the number of auditees that submitted APRs that contained no material misstatements. This can be attributed to the departments that regressed (from 39% to 32%). There was however a slight improvement for public entities that submitted APRs with no material misstatements (from 43% to 45%) since 2013-14. There has been a slight regression since 2014-15 at public entities (49% to 45%) and the departments regressed from 40% to 32%.

In 2015-16, 48% of departments and 33% of public entities had no material findings in their audit reports only because they corrected all the misstatements we had identified during the audit. This is an improvement compared to the previous year when only 33% of departments and 27% of public entities corrected all the misstatements identified.

As indicated in the second column of table 1, there was a regression in the number of auditees with no material findings before corrections were made in the Eastern Cape, Gauteng, KwaZulu-Natal and the Northern Cape compared to the previous year. An improvement in the number of auditees with no material misstatements was only noted in the Free State and Mpumalanga.

The fourth column of table 1 shows the number of auditees that submitted APRs with no material misstatements as well as those where the material misstatements were corrected. There was an improvement in Gauteng, Limpopo, Mpumalanga and the Free State, while North West, the Free State and the Northern Cape had the lowest number of auditees with no material findings in their APRs after correction. The high number of auditees with no material findings was noticeable in the Western Cape, Gauteng, KwaZulu-Natal and the national auditees.

Figure 3 reflects the findings on the usefulness and reliability of APRs over the three years for all auditees that had prepared and timeously submitted APRs, while figure 4 reflects the same for departments and public entities separately.

Figure 3: Findings on the annual performance reports prepared

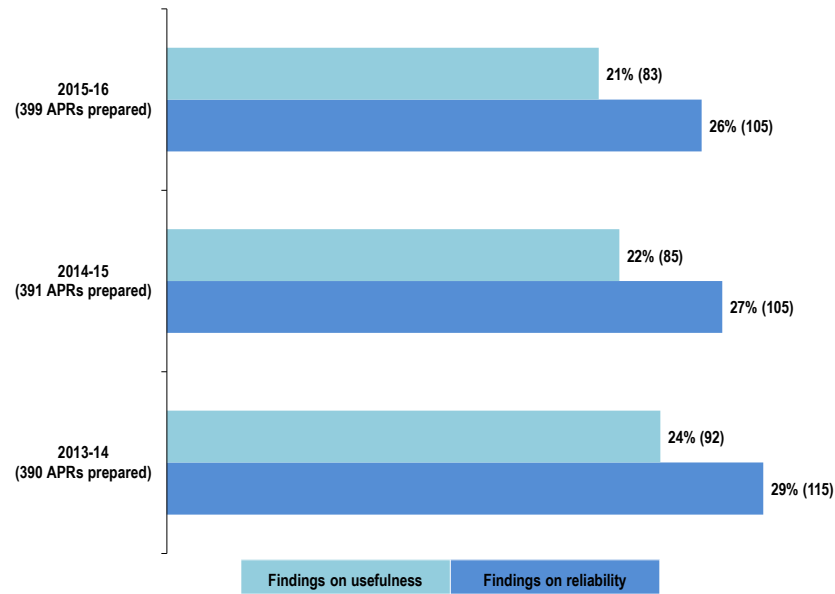


Figure 4: Findings on the annual performance reports prepared – departments and public entities

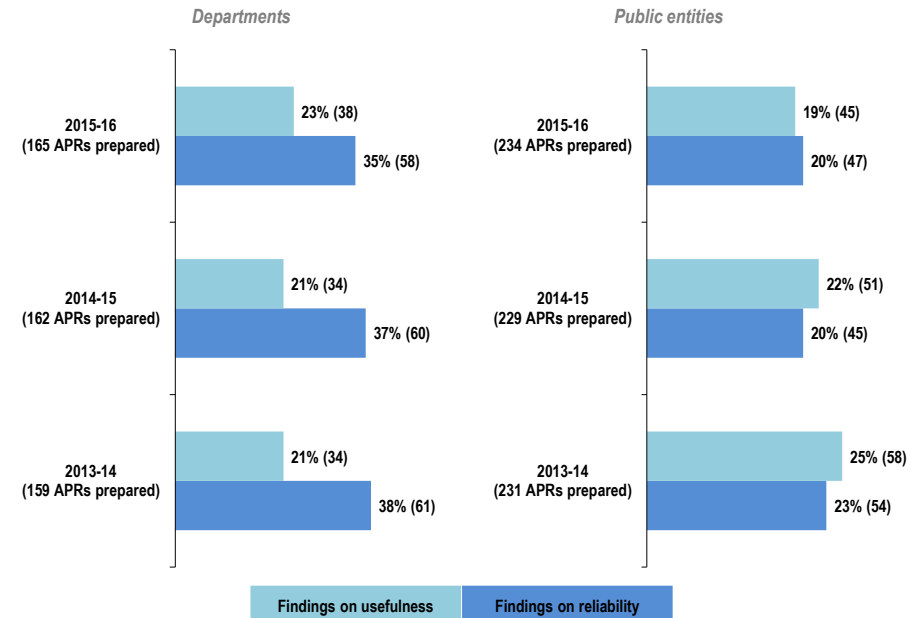


Figure 3 indicates a slight improvement in the **usefulness** of the information in the APRs over the three years. The number of public entities with findings on usefulness decreased slightly while there was a slight regression in the number of departments over the three years.

The most common findings on usefulness in 2015-16 were that auditees reported on indicators that were not well defined (11%) or verifiable (7%) and reported information that was not consistent with the objectives, measures and/or targets (7%), while targets were also not measurable (9%) or not specific enough (10%) to ensure that the required performance could be measured and reported in a useful manner.

The usefulness of the reported information continued to improve as auditees corrected their performance indicators and targets as part of the annual planning and budget processes based on the recommendations we provided and their increased understanding of the application of the requirements for performance planning.

The processes and controls required to produce **reliable information** on performance have shown little improvement over the period as the reported performance information continued to be invalid, inaccurate or incomplete.

While the quality of the APRs has slightly improved, the low number of auditees that submitted their APRs without material misstatements (42%) (noted in the second column of table 1) indicates that most of the auditees were still struggling to produce credible APRs.

## Conclusion

Quality financial statements are an important accountability mechanism as they enable oversight to assess the financial performance and position of an auditee. However, in the public sector the focus of oversight is also on whether the auditee used the money and its resources to deliver on its service delivery objectives and mandate.

APRs that do not include useful information or that are unreliable hamper the ability of oversight bodies to assess the performance of the auditee and call them to account. They also weaken decision-making at different levels, including by the management of the auditee.

The performance planning, management and reporting are improving slightly every year, but overall the progress is too slow and this could affect the ability of national and provincial government to achieve its service delivery goals as set out in the medium-term strategic framework (MTSF).

We are in the process of setting up a task team that includes the DPME, the National Treasury and the Department of Cooperative Governance to explore and respond to the challenges in performance management and reporting in government and strengthen these processes with a goal of improved accountability and service delivery.

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Annexure 1 lists the auditees with findings on predetermined objectives.