



A U D I T O R - G E N E R A L

FOREWORD

It is my pleasure to present this as my penultimate *General report on audit outcomes* at the national level. After a decade of democracy I believe that the journey to transformation and better-quality public administration is still a challenging one. In this report I have further entrenched some of the key building blocks to assist the public administration in achieving the necessary and far-reaching goals set by this government.

The key areas that I believe government should focus on during the forthcoming periods relate to achieving the objectives of service delivery and providing evidence of the ongoing commitment to accountability and transparency through effective systems of governance.

The government, through the promulgation of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) (and now through the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)), has empowered management to manage its business. This includes the responsibility for the aspects of planning, budgeting, controlling and reporting of all entities on the three levels of government. In the last few years there has been an improvement in the compliance with the basic requirements of the PFMA.

Much is spoken of change management, but the far-sighted legislation promulgated since the democratisation of South Africa requires an attitude where managers are indeed managing and are held accountable for their performance. This requires utilisation of up-to-date practices and technologies, which will ultimately ensure the protection and efficient utilisation of public funds as well as effective service delivery. To facilitate this process I am acutely aware of the challenges facing the Auditor-General.

Whilst there may be some simple quick-fixes, many of the challenges require thorough consideration and tough decisions in order to find long-term sustainability. To this end, this report has evolved over several years and has continually focused on key issues. I am confident that the increasing scrutiny of this report by a multitude of stakeholders will further enhance the common goal of moving South Africa's public administration to an advanced level of effectiveness and service delivery.

I would like to thank all the staff who have contributed to this report.

S A Fakie
Auditor-General

Pretoria
3 November 2005



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EXECUTIVE SUMMARY

To provide an overview of the functioning of government entities is a challenge in itself. To understand the performance of entities ranging from national departments and large public entities such as Eskom through to small museums in a systematic and consistent fashion is what this report attempts to do.

There are universal principles that govern the public sector and these principles are what the Auditor-General (AG) is trying to evaluate. Internationally the process of public sector accounting is still lagging behind its private sector counterpart. The public sector does not have a simple measurement tool such as profit at its disposal. This makes evaluation and comparative analysis more difficult.

To understand that proper record-keeping is the basic essential for accountability and transparency is nothing new and is universally an accepted practice. However, constant reporting of shortcomings in the financial statements has meant the need to not only report on the findings, but to highlight the root causes related to these findings. In this report on the national departments the root causes are identified. Although controls appear to have been designed in national government, they still have to be effectively implemented. To achieve level 3 compliance according to the financial management capability model, full implementation is essential.

A reason why the level 3 failures have been so common across national government is that departments are not taking full ownership of the requirements of the PFMA and other directives issued by the National Treasury.

To have effective internal controls it is important for management to be able to discharge their responsibilities. Only from this position can management be confident that public resources are safeguarded and have confidence in the integrity and adequacy of their information used for decision-making.

An audit committee has a fundamental role to play in promoting and ensuring the importance of internal controls within an entity. Their reliance on internal audit to fulfil their responsibility is essential to ensure the achievement of level 3 financial management. Based on the audit findings, the capacity of several internal audit functions is still inadequate.

Another key challenge facing the AG has been to provide more assurance on the performance of public sector entities. To this end a review is provided of performance information disclosed in the annual reports of departments and public entities. This is proving to be a slow process and a key restraining factor is the lack of a framework for providing performance information.

Shortcomings in the disclosure of performance information as well as the lateness of annual reports provided to the AG indicate areas where the National Treasury needs to facilitate improvement. Once again the templates for the annual reports and financial statements, issued by the National Treasury to the various departments, were far too late.

In general, whilst improvements are noted in particular with regard to the reduction in qualified audit opinions, the situation shows that departments and public entities are still not in a position where I can place a high level of reliance on their controls.



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A final area of concern is the long outstanding issue of the lack of reliance or limited reliance on the transversal IT systems for personnel and financial management used by national and provincial departments. These systems, BAS and PERSAL, which are used by all departments, provide a limited level of reliance due to controls not working effectively at the central level. This means that the data used by departments may not be reliable.



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SECTION 1: INTRODUCTION

1.1 Introduction

As my previous general reports were presented to a wide range of stakeholders, it has become clear that there are different perceptions as to the purpose of a regularity audit. The table below attempts to clear up some of these ambiguities and misunderstandings. The table only deals with regularity audits.

Table 1. Purpose of a regularity audit of financial statements in the public sector

What the audit indicates	What the audit does not indicate
Reasonableness and reliability of the financial statements and information	Effectiveness of financial management
Validity of the disclosure of inputs into the organisation e.g. assets procured, personnel costs	Outputs and service delivery
Identify areas of poor controls and potential fraud	Efficiency and effectiveness of controls or actual fraud
Areas of non-compliance with key financial legislation	Total picture of possible malpractices
Matters identified during the course of the audit that are in the public interest	Comprehensive information on areas for improvement
Adequacy of the internal audit function	Adequacy of the overall governance structure

An area of great concern is the lack of benchmarking and comparability of the current financial statements of the public sector. Despite a significant volume of detail in financial statements of departments, no key ratios and/or benchmarks can be used to evaluate the effectiveness of financial management of the public sector entities.

This is in stark contrast to the private sector. In the private sector the financial statements are also used for analysing ratios which can be used across the industry or over time. In this general report we have not analysed any ratios in the financial statements of departments. In the case of public entities some analysis has been done but it is still very difficult to conclude because of unique practices and related inconsistencies.

The purpose of each public entity needs to be understood before conclusions can be drawn. For example, although they may operate at a loss, this may not necessarily have implications for long-term sustainability.

Role players such as the Accounting Standards Board and the Office of the Accountant-General within the National Treasury need to assess the adequacy of the financial statements and their own contribution in making these more user-friendly and relevant. For example, key stakeholders such as the public may not find the financial statements to be understandable. This in turn also undermines the interpretation of the audit reports.

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Due to these limitations, further value-adding audit work and initiatives are under way in the AG. These value-adding audit activities will be further elaborated on in my *Activity report*. The provision of such additional audits is hampered by the extensive resources (over 90%) utilised for the regularity audits. The following summary represents the value-adding audit work the AG is currently providing:

- Implementation of the financial management capability model
- Auditing of performance information
- Performance audits
- Special investigations

In this report I have aligned the financial management root causes with the audit report findings for the national departments. However, given the scope of the financial statements, this is by no means a comprehensive or systematic assessment of financial management. It is with this in mind, that issues are related to levels and not to the respective entities.

Given the volume of issues (311 emphasis of matter) one can start getting a picture of where government departments are lacking and this is mainly in terms of implementation of controls (representing failures at level 3).

For the auditing of performance information once again a desk review has been conducted. This is the second year of the review, and it has been extended to cover the public entities. The findings are consistent between entities and between years. It is evident that aspects to facilitate performance information are still being developed. In addition, entities need more guidance to determine what they must report in terms of performance information.

At the national level and in some provinces there is a distinct lack of performance audits. Section 3 shows the limited number of reports issued. Often these reports have been significantly condensed and included in the regularity audit reports.

1.2 Structure of the report

Section 2: Regularity audit and financial management information on the national departments

Section 3: Review of performance information

Section 4: Other specialised audits

Section 5: Information on public entities

Section 6: Information on provincial Departments of Health, Education and Social Development

Section 7: An overview of local government

Section 8: Portfolio summaries



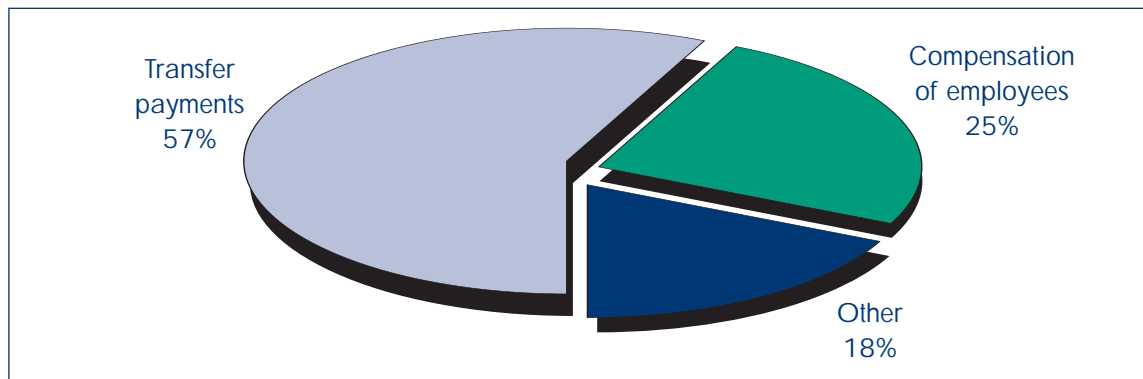
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SECTION 2: NATIONAL DEPARTMENTS

2.1 Results of the audits of national departments for 2004-05

The total expenditure of national departments during 2004-05 was R153,3 billion. This is represented by the categories shown in figure 1. The majority of the expenditure (57%) is represented by transfer payments, together with compensation of employees (25%) which is the next largest area of expenditure.

Figure 1. Total expenditure of national departments



The annual reports of departments, which include the financial statements, were used to extract the following key information:

- Vacancy rates amongst senior management; and
- Unauthorised, irregular and fruitless and wasteful expenditure (see annexure 1).

An area of particular concern is that of the receipt of annual report information. For an audit opinion to be provided, part of the process includes an evaluation of the annual report to ensure the information does not contradict that which is presented in the financial statements. However, during the 2004-05 audits, the annual report information received by the auditors was often delayed, thus making the said review very difficult or impossible. Table 2 below summarises the receipt of annual report information.

Table 2. Receipt of annual reports by the Auditor-General

Timing	Percentage of departments
Annual report received with financial statements	0%
Annual report received after financial statements but prior to signing of audit report	7%
Annual report only received after signing of audit report	82%
Annual report not received by 30 September	11%



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The provision of any type of assurance, in particular on matters related to performance information, thus becomes very difficult. At this stage the accountability process is being severely hampered as the expectation of further value-adding from the audit process is being compromised.

A contributory factor in the lateness of the annual reports (and financial statements), amongst others, is the late issuance of guidance by the National Treasury (NT).

2.2 Vacancy rates amongst senior management

The departments (for which information was available) where vacancy rates have continued to constitute over 20% of the approved posts for the previous two years are:

- Department of Public Works;
- Department of Trade and Industry;
- Department of Transport; and
- National Treasury

2.3 Unauthorised, irregular, and fruitless and wasteful expenditure

The table below shows the total disclosed expenditure in respect of each category for national departments.

Table 3. Unauthorised, irregular, and fruitless and wasteful expenditure by departments during 2004-05 (see annexure 1)

Type of expenditure	R million	Number of departments
Unauthorised	37,4	1
Irregular	44,5	10
Fruitless and wasteful	1,9	11
Total	83,8	22

For details of each item refer to annexure 1 to the report.

2.4 Audit opinions on the national departments

For 2004-05 the number of qualified audit opinions has fallen from 11 issued in 2003-04 to only 6 in 2004-05. However, it should be noted that the audit of Home Affairs had not been completed at the time of compiling this report. Table 4 below reflects departments that received a qualified audit opinion in 2004-05 and the number of consecutive years that qualifications have been received.



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Table 4. Qualified audit opinions for 2004-05

Department	Number of consecutive years a qualified opinion has been received
Home Affairs (Information not available)	4 (Not including 2004-05)
Correctional Services	4
Defence	3
Health	2
Parliament	2
Labour	First year
Transport	First year

On a very positive note three departments should be congratulated for not receiving a qualification for the first time in a number of years. These are:

- Public Works;
- Water Affairs and Forestry; and
- Statistics South Africa.

The qualified audit opinions now represent only 18% of the total votes.

2.5 Reasons for qualified audit opinions

The progress made by the departments in improving compliance with financial statement disclosures and PFMA requirements can in part be attributed to our initiative of identifying the root causes of issues raised in our management letters and audit reports. This provides the department not simply with an explanation of what went wrong, but of which aspects of their internal controls were not functioning adequately to prevent or detect the problem affecting the department.

Table 5 categorises the issues that gave rise to qualified audit opinions into similar groups and according to financial management criteria. Each of the financial management categories is explained in annexure 2 to this report.



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Table 5. Analysis of qualified audit opinions for national departments¹ (see annexure 2)

Categorisation of transactions						
FM criteria	Income and receivables	Personnel expenditure	Other expenditure	Other control weaknesses	Asset management	DoRA
Level 2²						
Policy framework		Labour Parliament		Transport		
Reconciliations and monitoring	Correctional Services* Defence		Labour*			
Control environment	Correctional Services					
Level 3³						
Reconciliation/monitoring (non-compliance with policy framework)	Correctional Services Defence*	Correctional Services		Correctional Services	Defence*	Health*

* Multiple issues identified.

The main category where qualification issues arose was that of income and receivables. These were attributable to the Departments of Correctional Services and Defence, which are also two of the departments with long-standing qualifications.

The issues causing qualified audit opinions mainly relate to a lack of reconciliation and monitoring. These root causes appear at both levels 2 and 3 of the financial management criteria and account for 81,8% of all findings. A lack of reconciliation and monitoring means that management have either not designed adequate processes for monitoring or reconciling key transactions (level 2), or if designed, such processes were not followed by staff or management (level 3).

These issues are indicative of the fact that management often believe that by assigning responsibility or by requesting a process to be designed, their responsibilities with respect to controls are discharged. This in fact is not the case and, as individuals with the greatest influence on and responsibility for the entity, their role in ensuring control is vital.

2.6 National departments: matters emphasised

The number of items raised under emphasis of matter has increased over the past three years, from

¹ For explanations of the financial management criteria please see annexure 2 to the report.

² Development level – elements of the internal control framework required by management have not been developed and documented, i.e. no proper communication of the framework, no system and/or processes or no appropriate updating and maintenance of the framework.

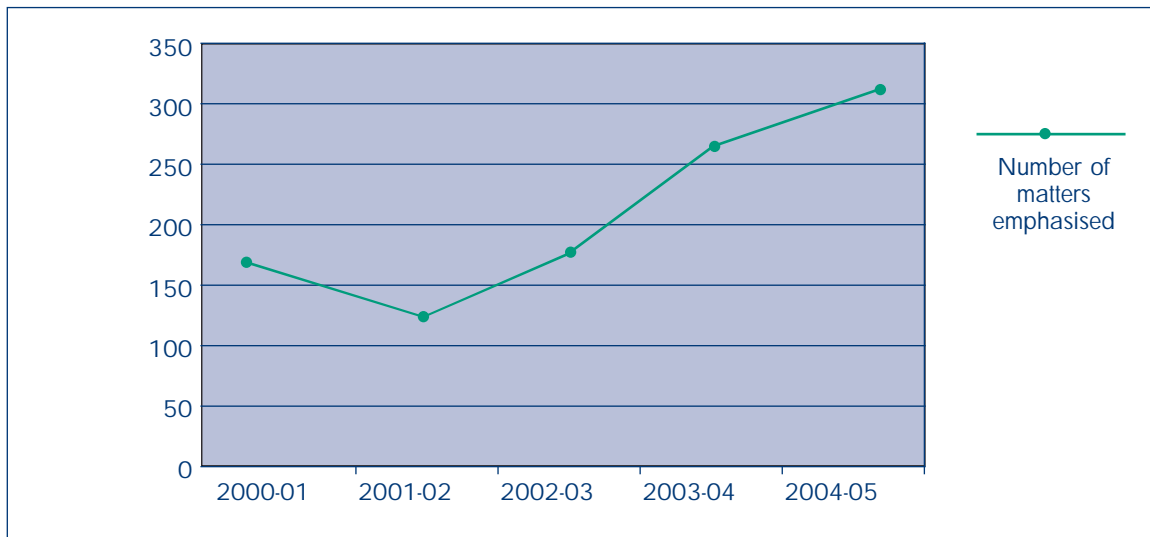
³ Control level – internal control framework designed by management has not been adequately implemented, i.e. officials are not carrying out their functions effectively or information reported cannot be relied upon.



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fewer than 150 items in 2001-02 to over 300 items in 2004-05. Figure 2 below provides information on the trend for the past five years.

Figure 2. Number of matters emphasised



The issues leading to matters emphasised are categorised into the following most commonly reported areas:

- Income statement
- Asset management
- Information systems
- Internal audit and audit committee

To some extent the increase in the number of items raised in my report is linked to the increasing disclosure requirements as departments are expected to migrate to accrual accounting. The accounting for and control over assets is proving particularly problematic as demonstrated below.

Table 6 below shows the frequency of issues reported and the coverage of the four main categories.

Table 6. Analysis and classification of emphasis of matter issues into categories

Issue	Number of issues 2004-05	Number of issues 2003-04	Number of issues 2002-03
Asset management	99	78	41
Income statement	93	41	38
Information systems	44	65	14
Internal audit and audit committees	16	16	17
Other	59	61	68
Total	311	261	178



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The four main categories cover 81% of total findings. At this stage, asset management still remains the most frequently reported issue. The reasons for the issues can be linked to the financial management levels as shown in the table below.

Table 7. Matters emphasised analysed by financial management levels (see annexure 3)

Emphasis of matter issues						
FM criteria	Asset management	Income and expenditure	Information systems	Internal audit	Other	Total
Level 1¹		2			1	3
Level 2²						
Authorisations		1	1	1	1	4
Policy framework	16	19	34		19	88
Reconciliations and monitoring	1	5			1	7
Control environment (capacity, training)	5	10	1	10	4	30
Level 3³						
Authorisations	1	5			1	7
Segregation of duties	1					1
Reconciliation/monitoring (non-compliance with policy framework)	59	51	8	5	32	155
Physical security of assets	16					16
Total	99	93	44	16	59	311

2.7 General observations on financial management

Emphasis of matter findings are based on level 3 reconciliation and monitoring, which is similar to audit findings that resulted in qualifications. These items alone account for 50% of all findings. As stated above, they relate to the fact that although systems and processes are in place, information is not being monitored and reconciled by management and staff.

The next area of concern is policy framework issues at level 2. These represent 28% of all findings, indicating that processes needed to control transactions and activities are simply deficient.

These two areas alone account for 78% of all findings. Many of the issues would be addressed if management could define their needs properly and implement processes to monitor and reconcile their activities.

2.8 Asset management

Asset management remains the major challenge for effective internal control. Issues pertaining to asset management were once again the most commonly reported matter, increasing from 78 issues in 2003-04 to 99 in 2004-05. Typical issues here include the following:

¹Start-up level – no proper control framework is in place, i.e. the mandate and function of the entity has not been clearly understood or the roles and functions are not clearly separated from other entities.

²Development level – elements of the internal control framework required by management have not been developed and documented, i.e. no proper communication of the framework, no system and/or processes or no appropriate updating and maintenance of framework.

³Control level – internal control framework designed by management has not been adequately implemented, i.e. officials are not carrying out their functions effectively or information reported cannot be relied upon.



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- Asset registers were not kept up to date
- Asset counts were not performed
- Assets could not be verified to the ledgers

In terms of the financial management categories these issues arise as a result of the lack of monitoring and reconciliations performed by management and staff. The process and policy by and large seem to be in place, but the commitment of management and the calibre of staff to follow processes are questionable.

2.9 Income statement

This is a broad area and covers a number of issues such as:

- Income
- Personnel
- Transfer payments (including DORA)
- Other expenditure

This area, as is demonstrated in table 6 above, has increased by 127% from the previous year. This represents a serious worsening of the situation and should be noted. The main financial management area concerning the findings centres around reconciliation and monitoring at level 3. There has been a significant growth overall in issues of personnel expenditure (89% increase).

The above seems to indicate that management and staff are not undertaking their review functions when it comes to controls. This is once again indicative of a poor attitude amongst management towards their roles and responsibilities with regard to internal controls.

2.10 Information systems (IS)

A further area of concern is the emergence of information systems issues. These mainly concern the general controls operated within the departments and include the following areas:

- General controls
- Programmed application controls within the business processes
- User controls

With reference to my *Report on the information systems audits performed at the National Treasury and the State Information Technology Agency for the financial year 2004-05* [RP 209/2005], the audits indicated that although management had implemented controls, the above-mentioned weaknesses still existed within the overall control environment. These weaknesses could compromise the integrity, confidentiality and reliability of the data of the systems concerned. As a result no reliance was placed on the transversal systems BAS, LOGIS and PERSAL by the external auditors.

2.11 Internal audit/audit committee

The reporting issues relating to internal audit and audit committees have remained constant at 16 issues for both 2003-04 and 2004-05. The root cause of these issues is the problem of capacitating



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the internal audit function. It appears that either adequate, appropriate resources cannot be attracted, or the efforts made by management are insufficient.

2.12 Initiatives undertaken by the National Treasury and the Auditor-General

Given the issues discussed under matters emphasised, the NT and the AG have created a forum to proactively address the issues identified. The *Activity report* provides more details on the areas covered.



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SECTION 3: PERFORMANCE INFORMATION REVIEW – NATIONAL DEPARTMENTS 2004-05

3.1 Introduction

Last year I reported, in paragraph 2.4 of my *General report on audit outcomes for the financial year 2003-04* [RP 210/04], on the results of a desk review of performance information reported by national departments. This was the first step in the process of phasing in performance information audits.

The issue of an audit opinion or conclusion on “the reported information relating to the performance of the auditee against predetermined objectives” became a requirement as per the Public Audit Act, 2004 (Act No. 25 of 2004). After careful consideration and in consultation with different role players I decided to continue with the phasing-in approach towards the auditing of performance information. 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 that all the suitable and predetermined criteria have been established, communicated and can be met by the departments.

As the quality of reported performance information improves, users will view the performance information provided as of equal or greater value than the financial information that they already expect and receive audit assurance on. We are working towards expressing an audit opinion or conclusion on performance information, which is the ultimate goal. Until then, the phasing-in audit approach will be followed.

As a second step in the process of phasing in performance information audits, the AG has conducted another review of performance information reported by national departments. This performance information is contained in the section “programme performance” in the departments’ annual reports for 2004-05. The review was conducted on 28 of the 34 national departments (82% of all national departments, compared to 56% for the 2003-04 financial year). All departments except for the following were reviewed:

- Parliament
- Home Affairs
- Government Communication and Information System
- Social Development
- Land Affairs
- Water Affairs and Forestry

The performance information in the annual reports was evaluated against certain criteria. The selection of these criteria was based on and supported by the requirements of financial legislation, regulations and guidelines for the preparation of budgets and annual reports, issued by the National Treasury up until the year ended 31 March 2005.

It is important to note that performance information is contained in the annual reports of the departments. These annual reports as shown in table 2 are only received by the AG at a very late stage. This has significant issues for future development.



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The criteria for the review were formulated as follows:

1. The performance information (specifically the measurable objectives and the measures/indicators) reflected in the annual report should agree with the performance information in the Estimates of National Expenditure (ENE) for 2004-05 and the objectives as per the approved strategic plan.
2. Measurable objectives should be formulated to adhere to the SMART principle, namely to be:
 - Specific
 - Measurable
 - Attainable
 - Relevant
 - Time bound

Note – during the review only the principles of specific, measurable and time bound were evaluated.

3. Subprogrammes should be grouped together so that their outputs contribute to a single measurable objective for the programme.
4. Measurable objectives and performance indicators should be consistent from one reporting period to the next – i.e. consistent with quarterly and annual reporting.
5. The performance information should be presented in a way that is straightforward and meaningful and should not be fragmented in the annual report or difficult to follow.
6. Actual performance should be indicated for each measure/indicator and reasons for any differences should be explained.

3.2 Review results

The outcomes of the review results on each of the above-mentioned criteria for the 28 departments reviewed are presented below.

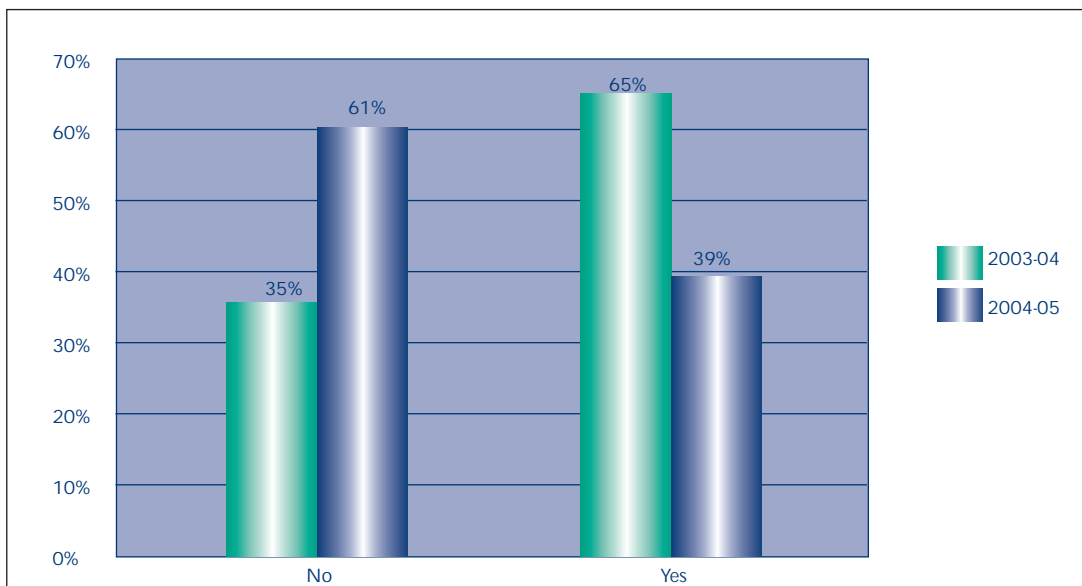
Criterion 1: The performance information (specifically the measurable objectives and the measures/indicators) reflected in the annual report should agree with the performance information in the Estimates of National Expenditure (ENE) for 2004-05 and the objectives as per the approved strategic plan.

The results of the review were as follows:



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Figure 3. Agreement between annual report, ENE and strategic plan



Note to graph – Please note that the difference between the results for the two years can also be attributed to the expansion of the criteria for 2004-05 to include the alignment with the strategic plan as well.

In 61% of the departments reviewed, the objectives and performance information reflected in the annual report did not agree with the objectives reflected in the ENE and objectives set in the strategic plans.

For example:

- Objectives in the strategic plan were set per business unit or directorate whilst it was set per programme for ENE purposes.
- Objectives were reflected in the strategic plans and budgets which were either not addressed or inadequately addressed in the annual reports.
- Objectives were not reported on in the annual reports.
- Objectives as per strategic plans and ENE differed substantially. In addition information on progress against predetermined objectives was not included in the annual report.
- Objectives in the strategic plans and ENE were not presented in the same format, making it difficult to follow progress against predetermined objectives through to the annual reports.

The most apparent reason for the above findings is that guidance on performance information and reporting is still fragmented, making consistent implementation by departments very difficult.

Furthermore the non-achievement of planned objectives is not being reflected in the annual reports although resources were allocated in terms of the budget for the achievement of such objectives.

Therefore the basis of planning and funding and the reporting requirements in the public domain are not aligned, resulting in a lack of clear accountability.



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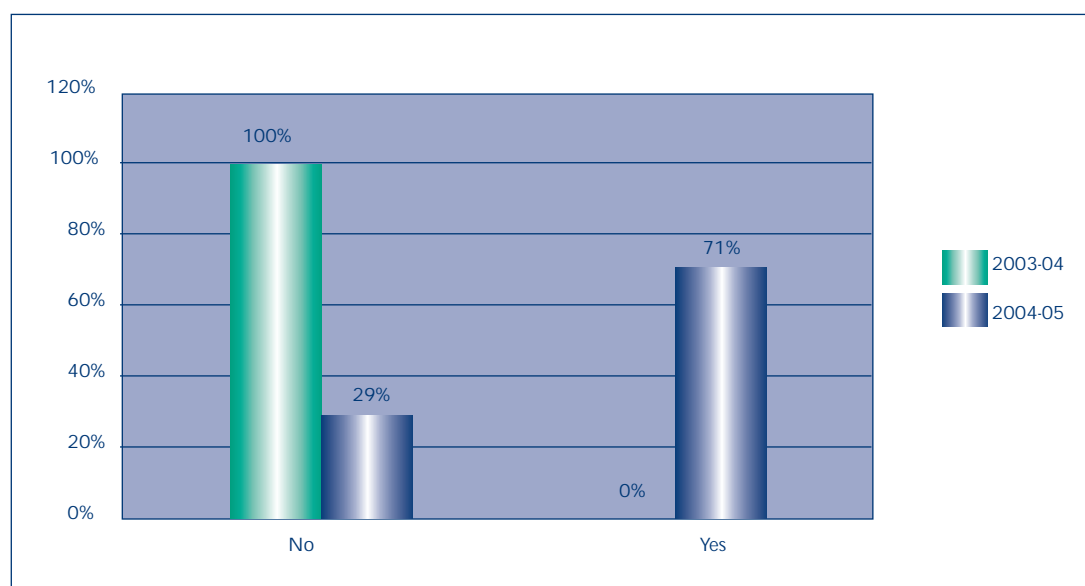
Criterion 2: Measurable objectives should be formulated to be specific, measurable and time bound.

In terms of guidance provided by the National Treasury in this regard, the following has reference¹: Measurable objectives are defined as specific, quantifiable outcomes that can be achieved within a foreseeable time.

A measurable objective should be an observable action that describes what the programme will do. Measurable objectives serve as a roadmap for achieving the department's goals and define the actual impact on the public rather than focusing on the level of effort that is expended. Objectives could be measured by means of setting expected outcomes, programme outputs, indicators (measures) and targets of the institution's programmes.

The results of the review were as follows:

Figure 4. Specific measurable objectives



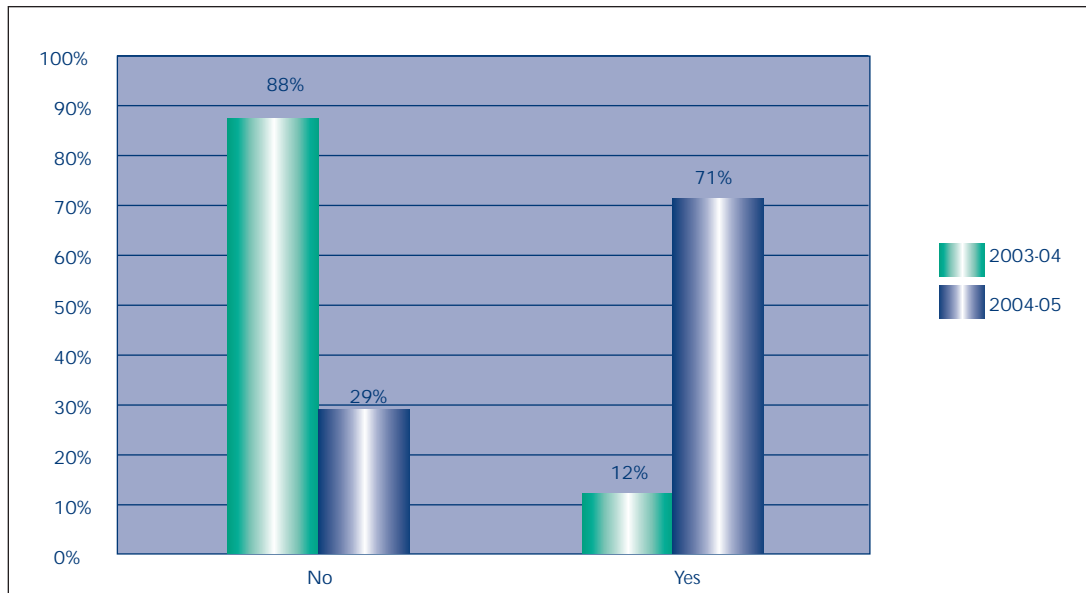
As can be seen from figure 4, in 71% of the cases where information was available, specific measurable objectives were in place. This reflects a considerable improvement from the previous year when it was reported that none of the measurable objectives were formulated to be specific.

¹ Treasury Guidelines on the Medium Term Expenditure Framework: Preparing MTEC submissions, National Treasury, 2003.



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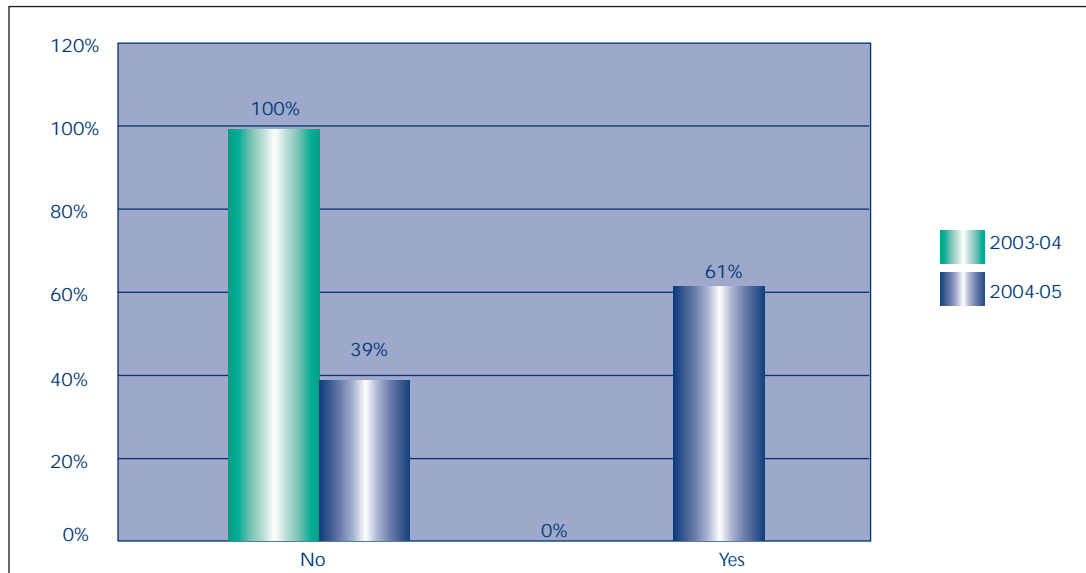
Figure 5. Level of performance measurable



The extent to which the objectives are measurable provides an indication of the planned impact on the public and stakeholders involved. In 29% of the cases it was not possible to identify such impact compared to 88% in the previous year. The improvement shows that the level of sophistication in the articulation of performance information has improved, but still needs a lot more attention to indicate the actual impact on the public.

What also became apparent during the analysis was that in some cases the desired level of performance was reflected as part of the objectives and in other cases as part of the performance measures or targets. It is thus clear that departments need more guidance in this regard.

Figure 6. Achievement of objective linked to time





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In 39% of the cases objectives could not be directly linked to time. It was noted, however, that at some of the departments, timelines were either indicated in the strategic plans or reflected in the performance measures or targets. The lack of linking performance delivery to timelines poses another challenge to the accountability processes, as a key question is often: “When will the service be delivered?”

In conclusion, the root cause for measurable objectives not being specific, measurable and linked to time can be attributed to a lack of consolidated guidance, training and support to departments in formulating relevant performance objectives, measures and targets.

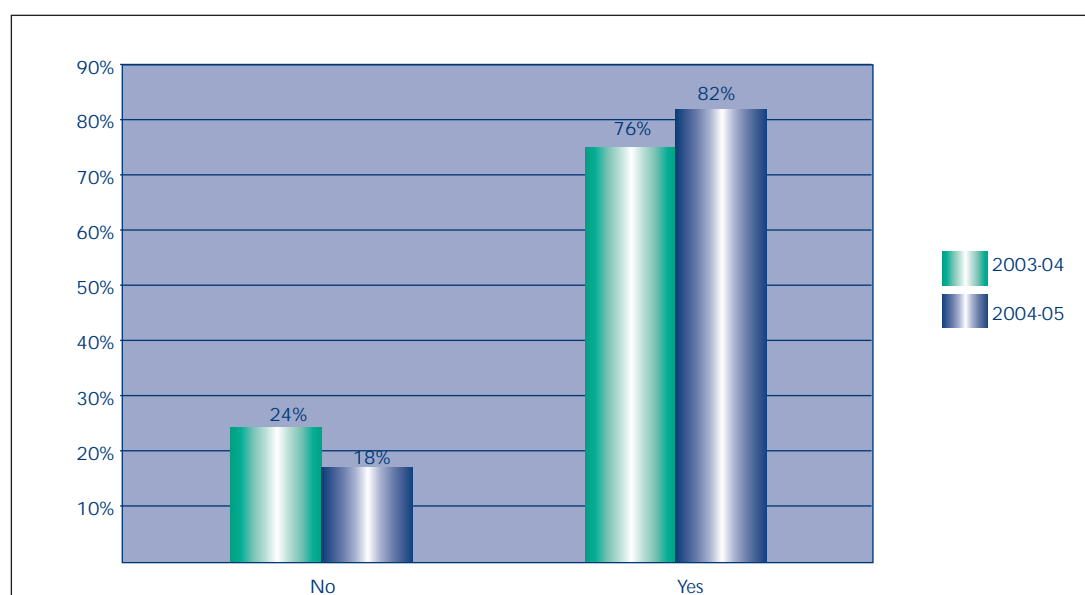
Criterion 3: Subprogrammes should be grouped together so that their outputs contribute to a single measurable objective for the programme.

According to the National Treasury’s guidance, when reviewing the measurable objectives, departments should also consider the following as a way of ensuring alignment with the programme’s purpose and structure:¹

- Subprogrammes should be grouped together so that their outputs contribute to a single measurable objective for the programme.
- Too many subprogrammes included under a single programme very often complicate the formulation of a common objective.
- The right balance between the number of programmes and subprogrammes that achieve the department’s mandate in the most efficient and effective manner is desired.
- Consideration of certain programmes to be downscaled and shifted under another programme.

The results of the review were as follows:

Figure 7. Subprogrammes grouped to contribute to a single objective per programme



¹ Medium Term Expenditure Framework Treasury Guidelines: Preparing MTEC submissions, National Treasury, 2003



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In line with the previous year this area was encouraging as only 18% (2003-04: 24%) of the departments analysed did not group subprogrammes together adequately to provide a “bigger picture”. This provides for more complete coverage of the department’s performance.

However, various shortcomings in the formulation of outputs, measures or indicators per subprogramme and related matters were identified:

- Although outputs were grouped together per subprogrammes, they were not always clearly linked to the measurable objectives in some of the departments.
- Performance measures or indicators did not always relate to the outputs.
- The outputs were not always specific to enable performance measurement.
- Outputs only addressed part of the objectives and not all aspects.

The root cause of this can be linked to the lack of allocation of responsibility and monitoring at programme/directorate, departmental and national level. Other reasons are also attributable to the lack of consolidated guidance and training in this regard.

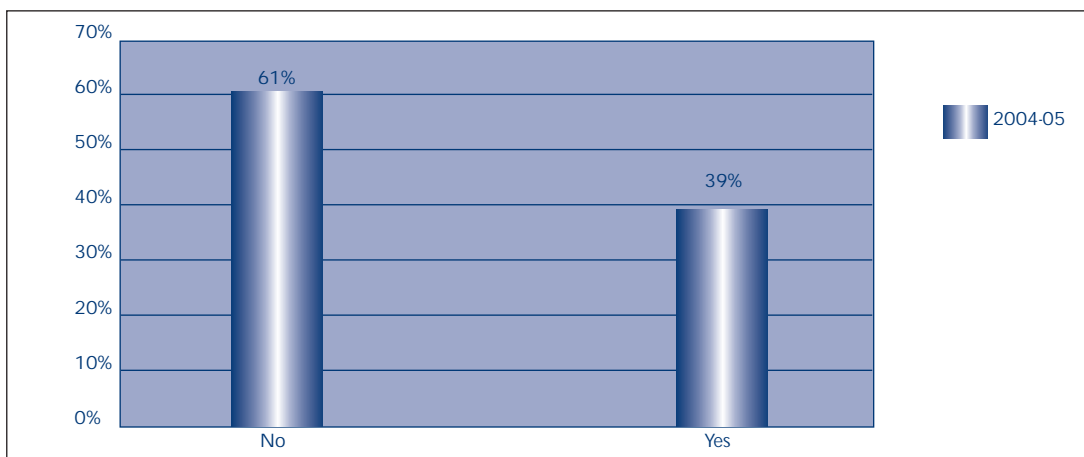
Criterion 4: Measurable objectives and performance indicators should be consistent from one reporting period to the next – i.e. consistent with quarterly and annual reporting.

One of the criteria for good reporting on performance information is consistency.¹ The criterion of consistency is defined as follows:

“Performance measures should be consistent from one reporting period to the next, and the information should be prepared on the same basis in order to compare and assess performance adequately.”

Consistency between performance information reflected in the annual report and quarterly reports could only be confirmed in 39% of the departments analysed, as in most of the cases no quarterly reports were compiled. This clearly reflects that reporting on performance is a once-a-year exercise with limited in-year monitoring and reporting on performance. In terms of Treasury Regulation 5.3.1, departments are required to submit quarterly reports regarding measurable objectives as required per section 27(4) of the PFMA. Currently reporting on performance seems to be limited to financial information.

Figure 8. Objectives/indicators are consistent from one period to the next



¹ Guide for the preparation of annual reports, national and provincial departments, for the year ended 31 March 2004, National Treasury.