

8 Performance reports

8. Performance reports

Performance reports are a key accountability mechanism. In the performance reports, auditees report on whether they achieved the objectives that had been determined in the planning and budgeting process, which include the delivery of projects and services to the benefit of citizens.

Figure 1 provides a four-year overview of our findings on the performance reports, the performance reports submitted with no material misstatements (orange line), and the auditees that did not submit performance reports or submitted them late. Table 1 provides the status of performance reports in national and provincial government.

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

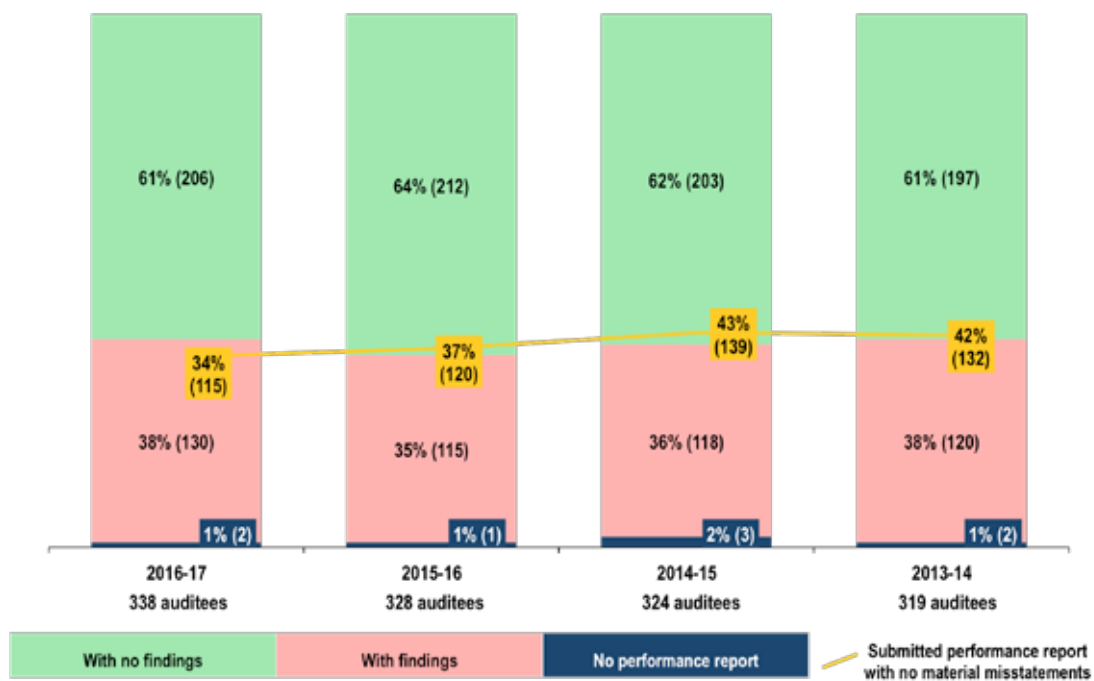


Table 1: Status of performance reports in national and provincial government

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 2015-16	Number	Movement from 2015-16
National auditees	38% (63)		67% (112)	
Eastern Cape	38% (8)		62% (13)	
Free State	21% (3)		29% (4)	
Gauteng	41% (9)		77% (17)	
KwaZulu-Natal	23% (5)		64% (14)	
Limpopo	29% (6)		48% (10)	
Mpumalanga	29% (5)		53% (9)	
Northern Cape	15% (2)		69% (9)	
North West	5% (1)		10% (2)	
Western Cape	72% (13)		89% (16)	
Total	34% (115)		61% (206)	

As depicted in figure 1, there had been limited movement in the number of auditees with **no material findings** on the quality of their performance reports since 2013-14, with a slight regression since the previous year. The Free State, KwaZulu-Natal, Limpopo, Mpumalanga and North West regressed during 2016-17, with Gauteng slightly regressing.

The following auditees did not prepare performance reports:

- North West: The North West Tourism Board did not prepare a report this year, as it is the first year that they had to prepare a performance report and no official was appointed to take responsibility for submitting a performance report.
- National auditees: The Courier and Freight Group (a subsidiary of Sapo) failed to prepare a report in the current and previous year because they had no corporate plan or shareholders compact, and the indicators and targets included in the Sapo planning or reporting documents were insufficient.

Overall, 166 auditees had no material findings in the current and previous year, which means that the controls and processes required to produce credible performance reports were in place to sustain the quality of these reports.

Figure 1 also shows a reduction since 2013-14 and a slight regression from the previous year in the number of auditees that submitted performance reports that contained no material misstatements. In total, 91 auditees (27%) had no material findings on the quality of their performance reports in their 2016-17 audit report only because they corrected all the misstatements we had identified during the audit.

The fourth column of table 1 shows the combined number of auditees that submitted performance reports with no material misstatements as well as those that had corrected the material misstatements. There was an improvement in the Northern Cape with a slight improvement at national auditees, while the Free State and North West had the lowest number of auditees with no material findings on their performance reports after correction. High numbers of auditees with no material findings were most noticeable in the Western Cape, Gauteng and the Northern Cape.

Figure 2 reflects the findings on the usefulness and reliability of performance reports over the four years for all auditees that had prepared and timeously submitted performance reports. Figures 3 and 4 look at the status in this regard at departments and public entities, respectively.

Figure 2: Findings on the performance reports prepared

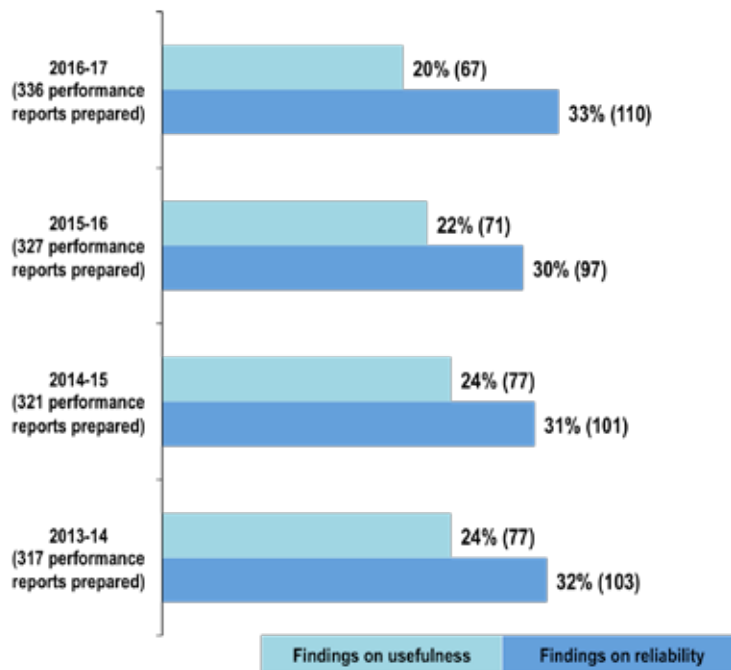


Figure 3: Findings on performance reports and quality and timeliness of submission for auditing – departments

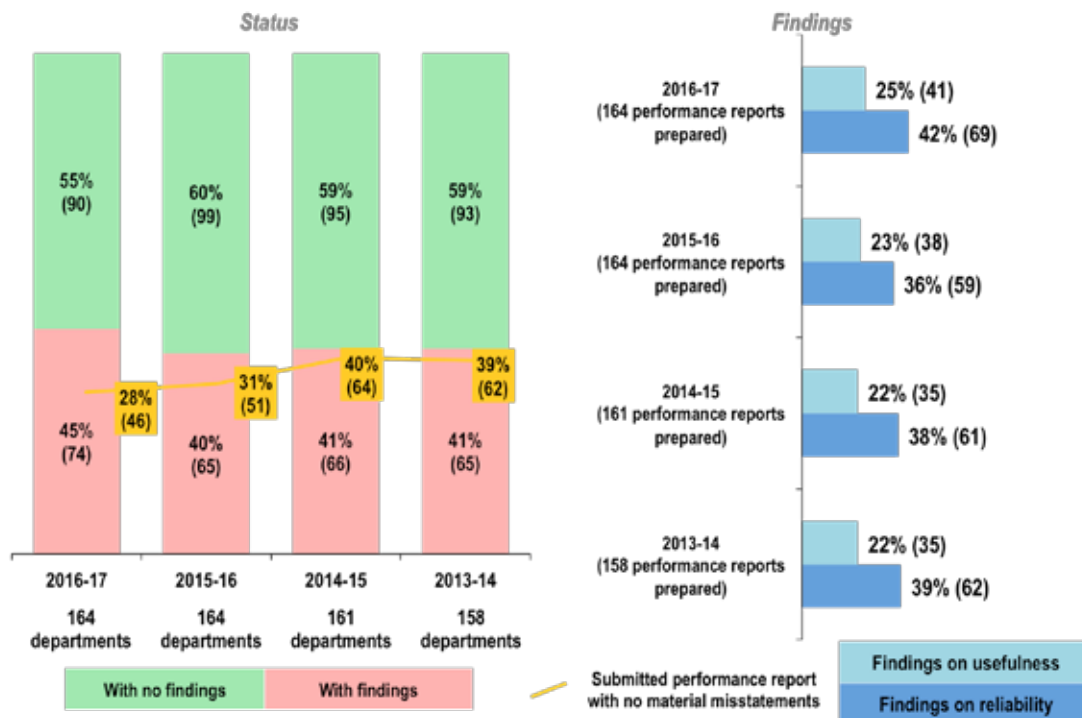


Figure 4: Findings on performance reports and quality and timeliness of submission for auditing – public entities

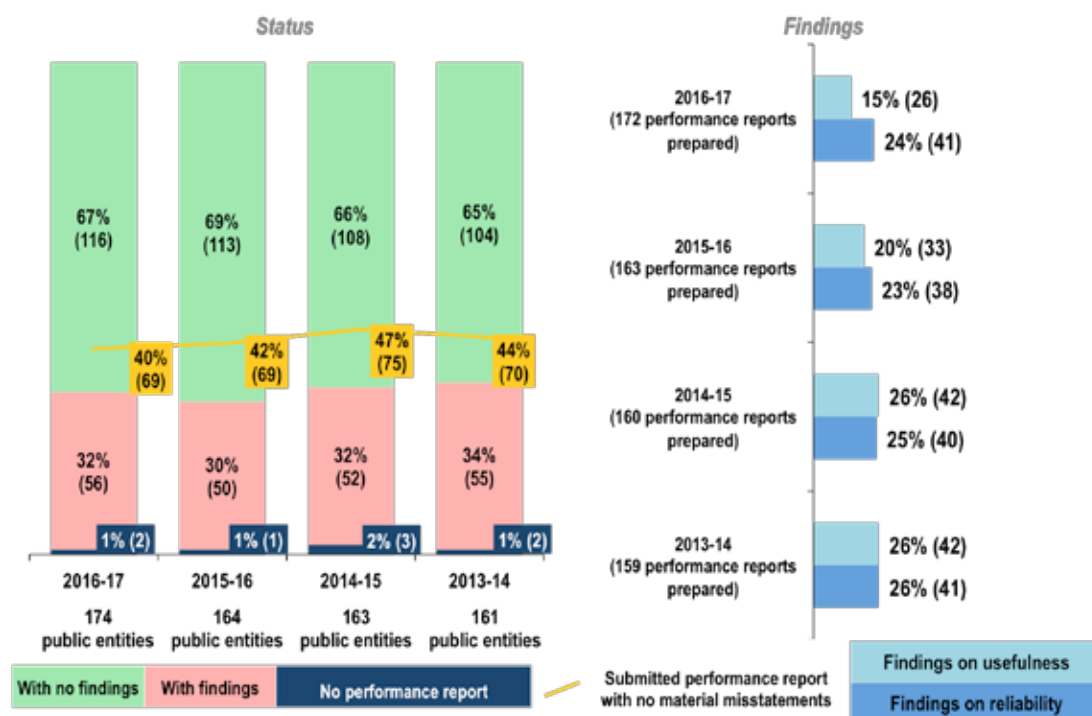


Figure 3 shows a slight regression at departments since 2013-14 and from the previous year. The number of public entities with no material findings increased (the percentage shows a regression, but it is as a result of a significant increase in the number of auditees being audited since 2013-14). The material findings have remained high in the education, health and public works sectors at 70% (21 of 30 auditees) – an improvement from the previous year.

As can be seen in figure 2, there had been a slight overall improvement in the **usefulness** of the information in the performance reports since 2013-14 and from the previous year. However, departments showed a slight regression over the four-year period and since 2015-16. The regression was notable in the Eastern Cape and the Northern Cape, while North West had the highest number of departments with findings on usefulness (77%).

The most common findings on usefulness in 2016-17 were that auditees reported on indicators that were not well defined (12%) or verifiable (6%); and targets were not measurable (7%) or specific enough (6%) 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 our recommendations and their increased understanding of the application of the requirements for performance planning.

Figure 2 also shows that there had been an increase in the number of auditees with findings on the **reliability** of their performance reports since 2013-14. The increase was as a result of a slight regression in the reliability of the performance reports of departments. All the **health** departments (with a combined budget of R164 billion) had findings on reliability during 2016-17, while eight **education** departments had findings in this area.

The prevalence of performance reports containing information that is not reliable or useful is a sign of serious weaknesses in the ability of auditees to adequately plan, manage and report on their performance. Accounting officers and authorities have a responsibility to set targets that are aligned to the government priorities defined in the MTSF and to account for the achievement thereof.



We therefore recommend the following:

- Auditees should integrate performance reporting into the regular financial reporting routines. This will ensure that there are sufficient controls to address the gaps created by treating performance reporting as an isolated event rather than a process linked to financial reporting.
- Auditees should collaborate with other sectors to implement and improve adequate computerised systems for identifying, collecting, collating, verifying and storing information; and move away from manual processes.
- Internal audit units and audit committees need to be better utilised for independent reviews of the information reported.
- Targets should be intensively reviewed to ensure that there are adequate available resources that are under the control of the auditee, and that targets are achievable within the set time frames and financial constraints.
- In addition to aligning service delivery requirements to reporting systems, the leadership should evaluate the potential financial impact of performance information that is not useful or reliable.

Conclusion

Sustainable improvements in performance management and service delivery can be achieved if the leadership clearly defines the targets to be achieved by using, among other, the strategic plan, annual performance plans and the annual budget (**PLAN**).

The basic disciplines of proper record keeping and standard daily and monthly controls built on a foundation of effective and efficient leadership and stability in key positions will enable a robust performance management system (**DO**).

Regular, credible in-year reporting monitored by, and acted upon, senior management, the accounting officer or authority, executive authorities as well as reports and recommendations on performance management from the internal audit unit and the audit committee will enable corrective action to be taken if targets are not achieved (**CHECK**).

Consistently investigating indicators of poor performance and applying consequence management will ensure that a culture of accountability prevails (**ACT**).

These improvements in performance management will enable better audit results, but more importantly contribute to a better life for all citizens (**IMPACT**).



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Annexure 1 available on our website lists the auditees with findings on their performance reports (predetermined objectives).