



Auditing



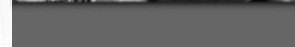
AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

International Seminar on Audit of the Public Sector

Brazilia

7 June 2017



Auditing



THE AUDIT OF PERFORMANCE INFORMATION

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Performance information in South Africa



Why is measuring performance important?

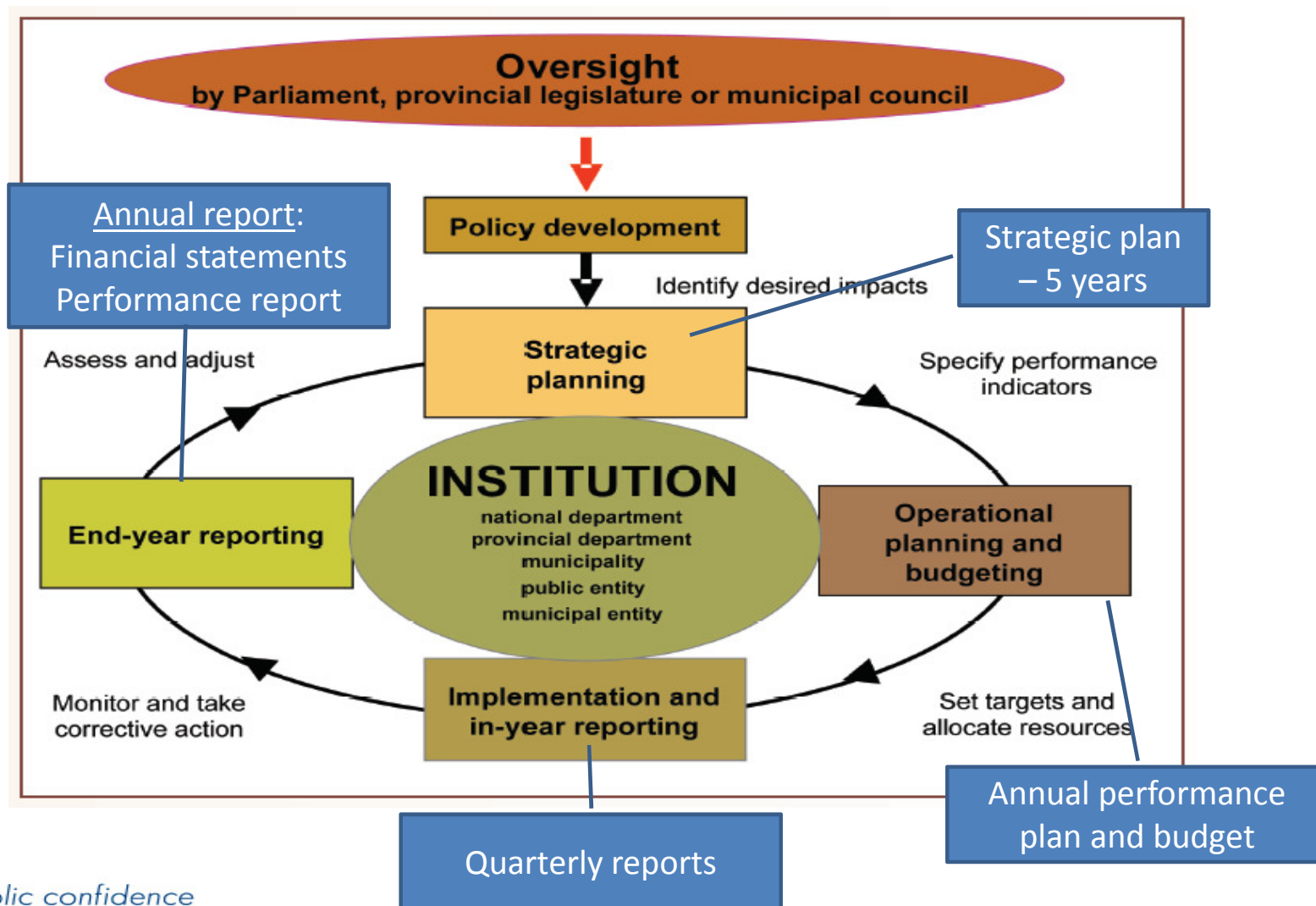


The Power of Measuring Results

- *If you do not measure results, you can not tell success from failure*
- *If you can not see success, you can not reward it*
- *If you can not reward success, you are probably rewarding failure*
- *If you can not see success, you can not learn from it*
- *If you can not recognise failure, you can not correct it*
- *If you can demonstrate results, you can win public support*

Adapted from Osborne and Gaebler, 1992, Reinventing Government

The planning, budgeting and reporting cycle



Performance planning, monitoring & reporting

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Guideline/ framework	Purpose
Framework for strategic plans and annual performance plans	Sets out a framework to align strategic and annual performance planning with emphasis on the outcomes oriented monitoring and evaluation approach led by the Presidency.
Framework for managing programme performance information (FMPPI)	Outlines key concepts in the design and implementation of management systems to define, collect, report and use performance information in the public sector
Annual report guidelines	Provides guidance on the non-financial information requirements of the annual report



Example of budget programme – Health

9. OVERVIEW OF THE 2015/16 BUDGET AND MTEF ESTIMATES 2016/17 TO 2018/19

Table A12: Expenditure estimates and economic classification										
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19	
			Audited outcome	Voted (Main appropriation)	Adjusted Appropriation	Revised Estimates	Medium-term estimates			% change from 2015/16
Programmes	R'000									
1. Administration	536,731	619,349	576,459	625,488	677,715	687,947	674,962	690,863	713,476	(1.9)
2. District Health Services	7,953,629	8,659,522	8,939,147	9,338,285	9,520,090	9,426,670	9,968,415	10,664,947	11,438,734	5.7
3. Emergency Medical Services	619,525	812,946	850,947	971,832	1,072,025	1,041,404	1,120,995	1,366,759	1,446,031	7.6
4. Provincial Hospitals Services	2,470,953	2,666,158	2,818,809	4,691,674	4,791,272	4,873,227	3,320,324	3,440,162	3,631,476	(31.9)
5. Central Hospital Services	2,165,233	2,412,192	2,444,026	803,770	840,151	839,305	2,838,790	2,869,692	3,030,608	238.2
6. Health Sciences & Training	579,964	650,152	726,252	751,909	787,353	740,647	799,467	880,304	923,217	7.9
7. Health Care Support Services	84,309	97,779	92,399	102,648	103,327	94,029	118,609	122,477	129,580	26.1
8. Health Facilities Management	1,192,168	1,130,157	1,101,815	1,210,307	1,231,769	1,222,372	1,402,776	1,441,349	1,518,534	14.8
Total for Programmes	15,602,512	17,048,255	17,549,854	18,495,913	19,023,701	18,925,601	20,244,339	21,476,552	22,831,656	7.0



Example: Strategic Plan – Health

8. Programme 2: DISTRICT HEALTH SERVICES

8.1. Purpose

To render facility-based district health services (at clinics, community health centres and district hospitals) and community-based district health services (CBS) to the population of the Western Cape Province

8.2. Structure

SUB-PROGRAMME 2.1: DISTRICT MANAGEMENT

Management of District Health Services, corporate governance, including financial, human resource management and professional support services e.g. infrastructure and technology planning and quality assurance (including clinical governance)

SUB-PROGRAMME 2.2: COMMUNITY HEALTH CLINICS

Rendering a nurse-driven primary health care service at clinic level including visiting points and mobile clinics

SUB-PROGRAMME 2.3: COMMUNITY HEALTH CENTRES

Rendering a primary health care service with full-time medical officers, offering services such as: mother and child health, health promotion, geriatrics, chronic disease management, occupational therapy, physiotherapy, psychiatry, speech therapy, communicable disease management, mental health and others

SUB-PROGRAMME 2.4: COMMUNITY BASED SERVICES

Rendering a community based health service at non-health facilities in respect of home-based care, community care workers, caring for victims of abuse, mental- and chronic care, school health, etc.

SUB-PROGRAMME 2.5: OTHER COMMUNITY SERVICES

Rendering environmental and port health services (port health services have moved to the National Department of Health)

SUB-PROGRAMME 2.6: HIV/AIDS

Rendering a primary health care service in respect of HIV/Aids campaigns



Example: Annual Performance Plan

Programme 2: District Health Services

Strategic Objective ↑	Performance Indicator ↑	Audited/Actual performance			Target 2015/16 ↑
		2012/13	2013/14	2014/15	
HIV infection rate reduced by 15% by 2019	Adults remaining on ART – Total	222 107	271 244	301 141	464 684
	Total children (under 15 years) remaining on ART - Total	15 765	17 236	18 434	24 565
Child mortality reduced to less than 34 per 100 population by 2019	Immunization coverage under 1 year (annualised)	82.6%	80.7%	80.9%	90%

Example: Annual Performance Report

Programme 2: District Health Services

Performance Indicator	Annual Target 2015/2016	Actual Annual Achievement 2015/2016	Deviation Planned To Actual Achievements	Comment on deviation
Adults remaining on ART – Total	464 684	500 0000	+ 35 316	Achievement was mainly due to patient retention activities conducted.
	Useful?		Reliable?	
Immunization coverage under 1 year (annualised)	90%	86.1%	-3.9%	Vaccines have been out of stock for a while at certain clinics and some clinics are still not electrified

SAI SA approach to audit of performance information



Legislative requirement

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

Audit methodology

Based on ISAE 3000 –
Assurance engagements other than audits or reviews of historical financial information.



Audits are performed as reasonable or limited assurance engagements



Part of annual regularity audit process – also financial statements and compliance audit



NB: This is not a performance audit.

Subject matter information, subject matter and criteria

Subject matter information = Annual performance information

Subject matter = Selected programmes reported on in the annual performance report e.g.

For the health department there were 8 programmes they report against – we do not audit all, we select the most material ones

Programmes	
1.	Administration
2.	District Health Services
3.	Emergency Medical Services
4.	Provincial Hospitals Services
5.	Central Hospital Services
6.	Health Sciences & Training
7.	Health Care Support Services
8.	Health Facilities Management

Criteria – Specific criteria are identified that we test all reported performance information against

Determining which subject matters (programmes) to audit

Qualitative and quantitative factors such as the following considered individually and in combination.



Programmes that are a requirement of a law, regulation or sector determination.



Programmes that relate to the primary functions or purposes of the entity; i.e. its reason for being.



Programmes that could be of significant national, community or public interest.



Programmes that relate to outputs of significant importance to the public, such as those with an impact on public health, safety as well as social, economic or environmental well-being.



Any individual programme with a budgeted or actual expenditure or revenue amount constituting 30% or more of the total budgeted or actual expenditure or revenue amount.



Programmes

1. Administration
2. District Health Services
3. Emergency Medical Services
4. Provincial Hospitals Services
5. Central Hospital Services
6. Health Sciences & Training
7. Health Care Support Services
8. Health Facilities Management



Criteria to test against

Usefulness of reported performance information		
Consistency	Objectives, performance indicators and targets are consistent between planning and reporting documents.	Strategic Objective HIV infection rate reduced by 15%
Measurability	Performance indicators are well defined and verifiable, and targets are specific, measureable and time bound.	Performance indicator Adults remaining on ART
Relevance	Performance indicators relate logically and directly to an aspect of the entity's mandate and the realisation of strategic goals and objectives.	Target 464 684 adults
	From the entity's mandate, applicable legislation and strategic goals and objectives, all performance indicators are included in the approved plan.	Achievement 500 000 adults
Presentation and disclosure	Performance information in the annual performance report is presented and disclosed in accordance with applicable legislation, frameworks, circulars and guidance.	Phased in
Reliability of reported performance information		
Recording, measuring, preparing and presenting of actual performance achievement is valid, accurate and complete.		

Reporting: Example of opinion

2.1 AUDIT OF THE ANNUAL PERFORMANCE REPORT

2.1.1 Introduction and scope

I have undertaken a reasonable assurance engagement on the reported performance information for the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2017

Programme	Pages in annual performance report	Opinion	Mov.
Programme 2: District Health Services	x – x	Qualified	↑
Programme 5: Central and Tertiary Hospitals	x – x	Adverse	↓

I conducted my reasonable assurance engagement in accordance with the International Standard on Assurance Engagements, ISAE 3000: *Assurance engagements other than audits or reviews of historical financial information*.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

2.1.2 Programme 2: District Health Services

Qualified opinion

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of my report, the reported performance information for Programme 2: District Health Services is useful and reliable in accordance with the applicable criteria as developed from the performance management and reporting framework.

Basis for Qualified opinion

Indicator: Improve mental health treatment

I was unable to obtain sufficient appropriate evidence that clearly defined the predetermined method of collection to be used when measuring the actual achievement for the indicator, as required by the FMPPI. This was due to a lack of technical indicator descriptions and I was unable to test whether the indicator was well-defined by alternative means.

Audit opinion – Transitional reporting arrangements

Management report



The audit opinion is expressed in the management report, on the **usefulness** and **reliability** of the reported performance for each selected subject matter and material misstatements are reported per indicator

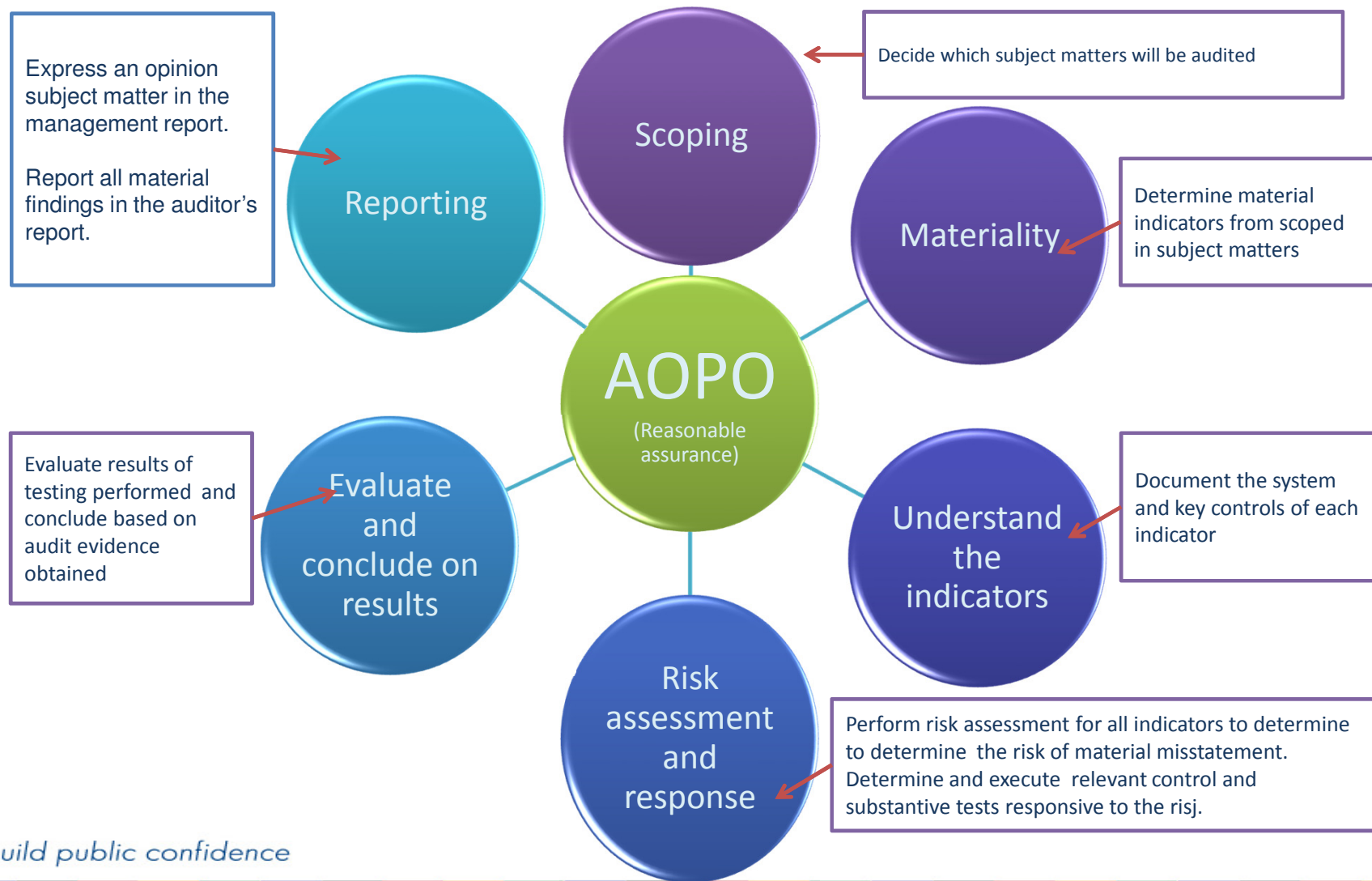
Auditor's report



The audit opinion is not included in the auditor's report. Only material findings that form the basis for the opinion expressed in the management report are included in auditor's report



The audit of performance information approach

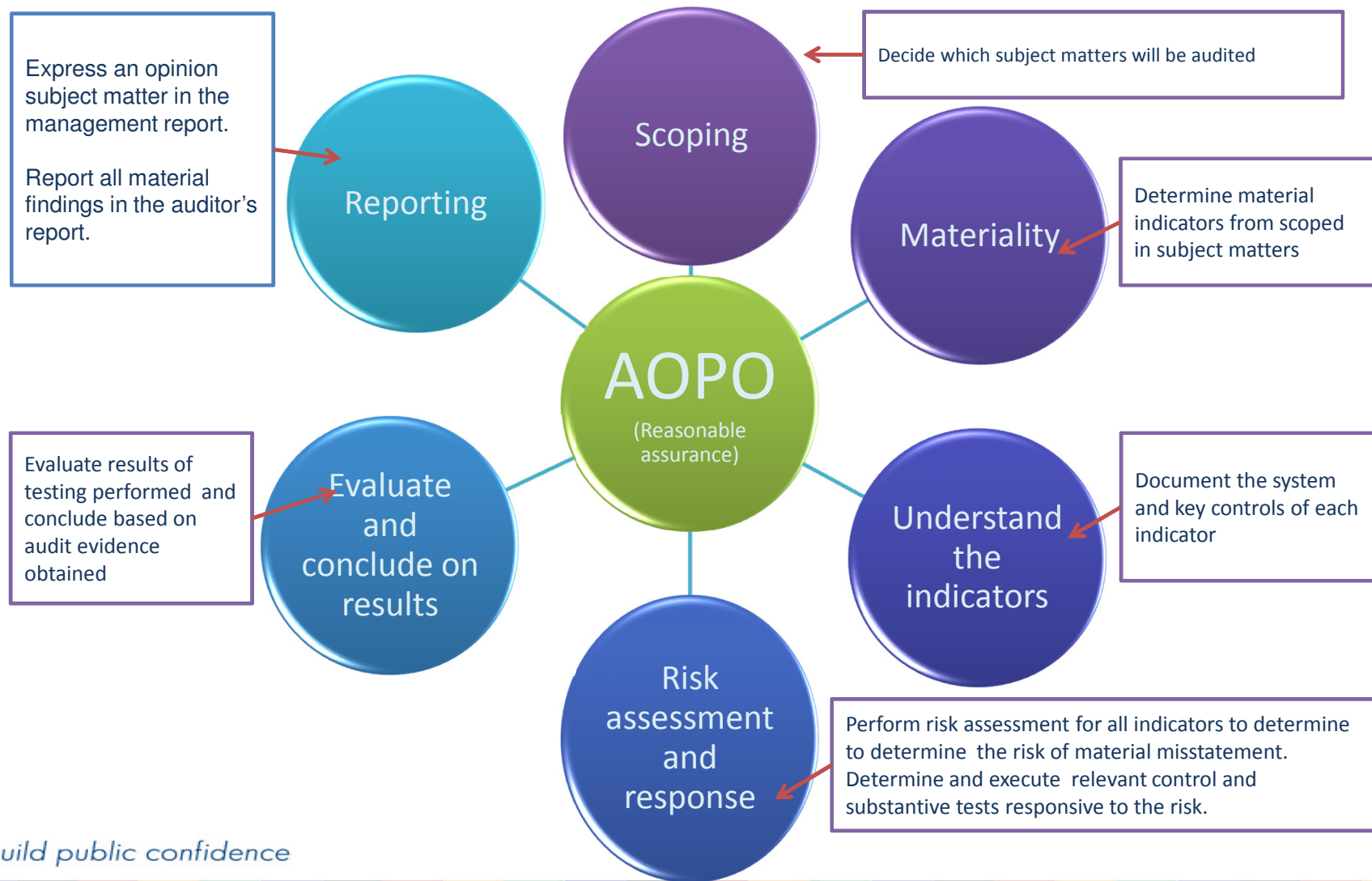


Identifying material performance indicators

- To determine if a performance indicator is material, the following **qualitative factors** are considered (one or more indicate materiality):
 - ☐ relates to or is a requirement of a law or regulation or sector determination
 - ☐ relates to primary functions or the purpose of the entity
 - ☐ significant interest to the public and has an impact on the public
- Qualitative considerations based on the auditors **understanding** obtained of the auditee' mandate and functions
- **Professional judgement**



The audit of performance information approach



What we test

Usefulness of reported performance information	
Consistency	Objectives, performance indicators and targets are consistent between planning and reporting documents.
Measurability	Performance indicators are well defined and verifiable, and targets are specific, measureable and time bound.
Relevance	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.
Presentation and disclosure	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 valid, accurate and complete.	

How we test

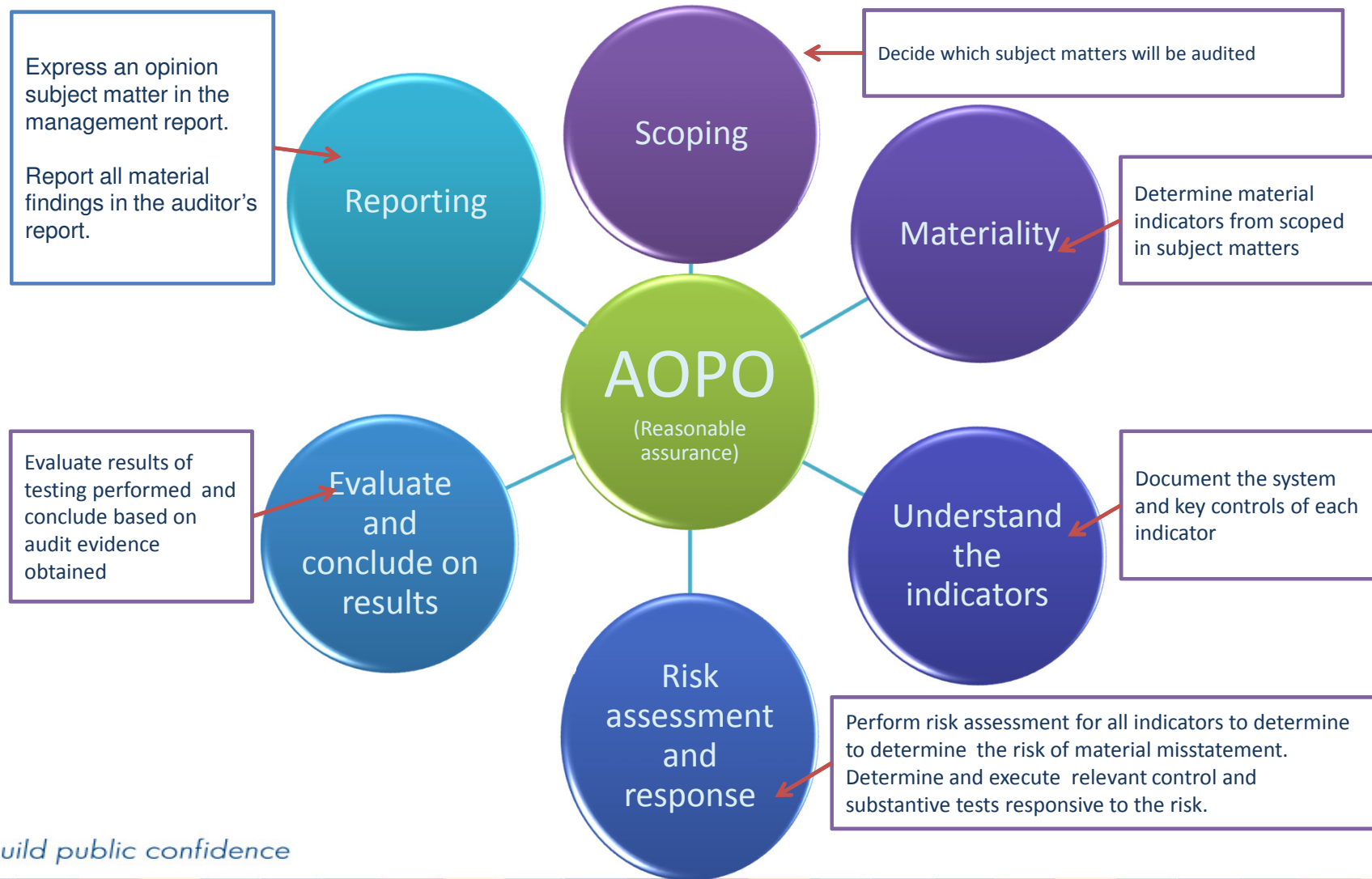
Tested for all indicators (whether material or non-material). No sampling or selection as it is a condition which is either true or false

Extent of testing of material indicators are more. Need to test population – method:

- All items
- Specific items
- Sampling
- Combination



The audit of performance information approach



Evaluation and conclusion

Final uncorrected misstatements are evaluated to determine whether or not the misstatements are material

Usefulness

Any misstatement for material performance indicator
= **MATERIAL MISSTATEMENT**

Reliability

The achievement of any target of a material performance indicator misstated by 10% or more
= **MATERIAL MISSTATEMENT**

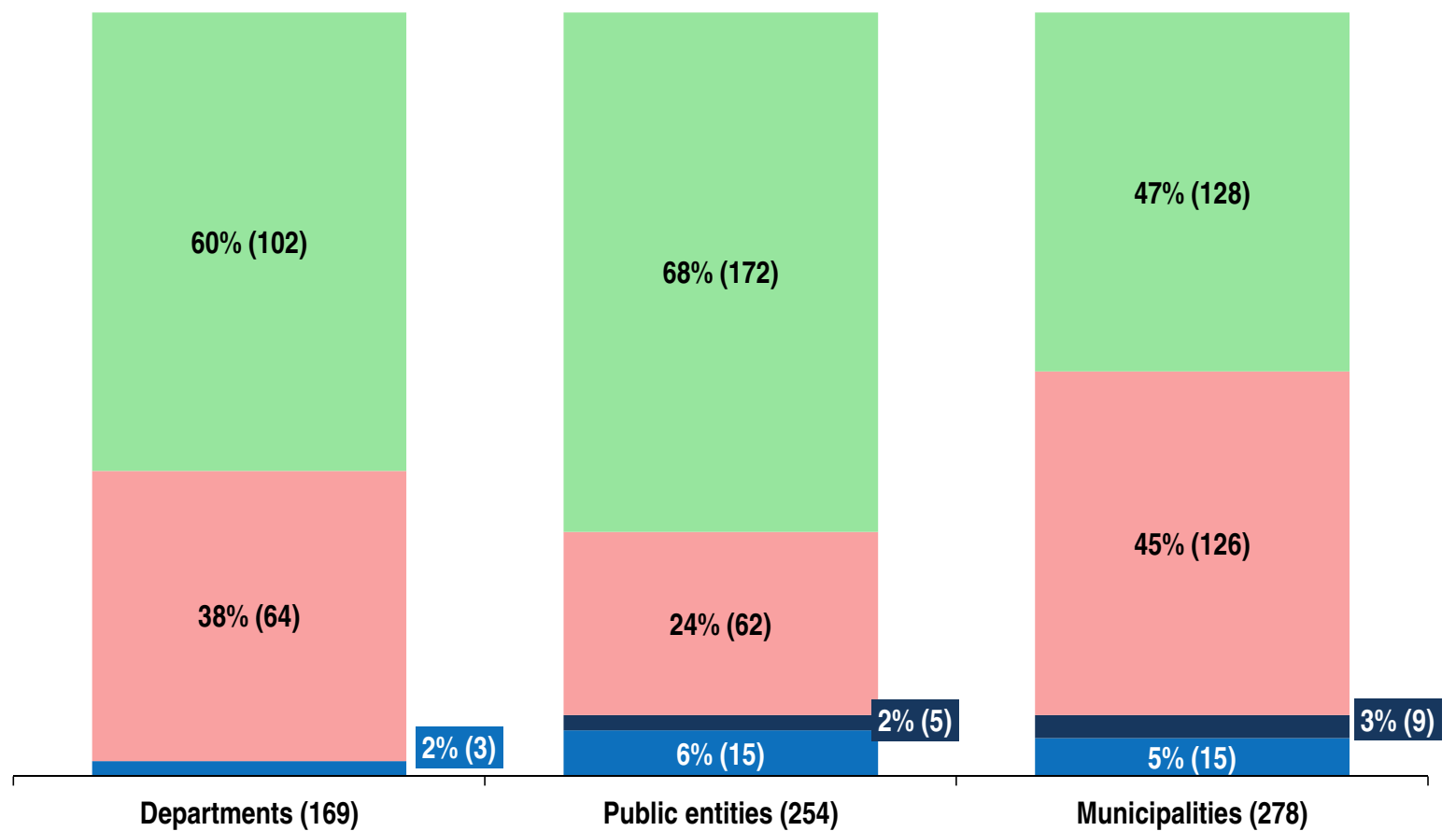
Any material misstatement leads to a modified opinion on the programme:
Qualified, disclaimer or adverse

The state of performance information in South Africa



Audit outcomes on performance information – 2015-16

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With no material
misstatements



With material
misstatements



No APR / APR submitted late



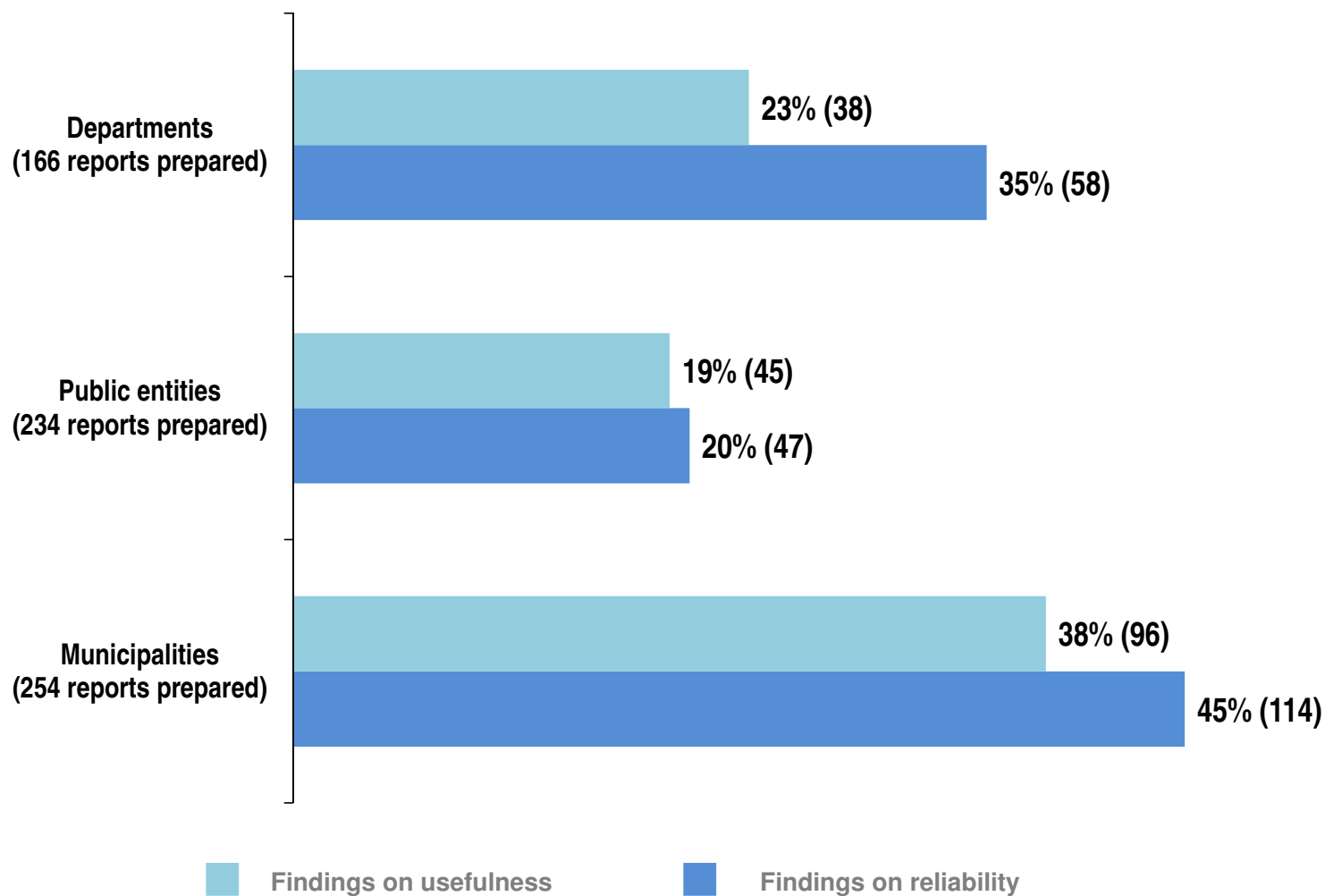
Outstanding audits

Auditing to build public confidence



Findings on the performance reports prepared – 2015-16

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Challenges in the performance information environment

- No standard in place for reporting on performance information in public sector
- Existing frameworks and guidelines for performance management and reporting are not always clearly understood and inconsistently applied
- Poor intergovernmental relations between institutions resulting in slow progress being made towards achieving priorities and outcomes of government
- Lack of/inadequate performance management systems and processes to manage and report on service delivery
- Poor oversight over quality of plans – plans are prepared to ensure compliance with legislation but lack substance
- Auditors are not always comfortable with auditing performance information

