

NOTICE 646 OF 2007

DIRECTIVE: PERFORMANCE INFORMATION PUBLIC AUDIT ACT, 2004 Act No. 25 of 2004

Under the powers vested in me by sections 20(2)(c) and 28(1)(c) of the Public Audit Act, 2004 (Act No. 25 of 2004) (hereafter referred to as the PAA), I, Terence Mncedisi Nombembe, Auditor-General of the Republic of South Africa, hereby determine the following:

Applicability

1. This directive is applicable to all audits within the constitutional mandate of the Auditor-General as per sections 4(1) and 4(3) of the PAA, conducted by:
 - authorised auditors as defined by section 1 of the PAA, and
 - auditors in public practice where I have opted not to perform the audit in terms of section 4(3) of the PAA.

Auditing of performance information

2. The information related to the performance against predetermined objectives is subject to audit in terms of section 20(2)(c) or section 28(1)(c) of the PAA. Section 13 of the PAA requires me to determine the standards to be applied in performing such audits. I have adopted a phasing-in approach to compliance with sections 20 and 28 of the PAA until such time as the environment promotes a state of readiness to provide reasonable assurance in the form of an audit opinion or conclusion.
3. The 2006-07 stage of the phasing-in approach to the auditing of performance information constitutes the following:
 - Obtaining an understanding of the internal controls relating to performance information.
 - Documenting system descriptions for the systems relevant to reporting on performance information. The system descriptions should be verified by means of walkthrough tests.
 - Determining the stage of performance reporting by evaluating the following:
 - The existence of, and reporting against, predetermined objectives.
 - The existence of the following principles in the measurement objectives:
 - specific
 - measurable and
 - time bound.
 - The consistency of the predetermined objectives recorded in the strategic plan, budget, quarterly reports and annual report.
 - The format and presentation of the performance information in the annual report.
 - Comparing reported achievement of performance against objectives to the information sources and conducting limited substantive procedures on the information.
4. The performance information should be submitted for audit together with the annual financial statements within two months after the end of the financial year. The auditor appointed should ensure that the reported information is audited in accordance with the requirements listed above and is reported on as required by the PAA.

Reporting on performance information

5. In terms of section 20(2)(c) or section 28(1)(c) of the PAA, an audit report must reflect an opinion or conclusion on the reported information relating to the performance of the auditee against predetermined objectives.

I have determined that, until further information is published in this respect, no separate opinion on performance against predetermined objectives should be included in the audit reports. Reporting in this regard will form part of the regularity audit process. Reporting will be in relation to material shortcomings in the process, systems and procedures of reporting against predetermined objectives that may come to the attention of the auditor during the audit and that may impact on the public interest. This reporting will be contained in the "other reporting responsibilities" section of the audit report as per the attached example.

Any queries related to this notice should be addressed to the following:

J H van Schalkwyk
Business Executive: Audit Research and Development
The Auditor-General
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Signed and approved:

T M Nombembe
Auditor-General

REPORT OF THE AUDITOR-GENERAL TO [PARLIAMENT] NAME OF PROVINCE PROVINCIAL LEGISLATURE] ON THE [GROUP] FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF [VOTE NO. X] [NAME OF ENTITY] FOR THE YEAR ENDED [31 MARCH 200X/30 JUNE 200X]

REPORT ON THE FINANCIAL STATEMENTS

OTHER MATTERS

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

1. I have audited the performance information as set out on pages xx to xx.

Responsibility of the [accounting officer/accounting authority]

[for departments, constitutional institutions and trading entities]

2. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the [type of entity].

[for public entities]

3. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

[for municipalities]

4. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

[for municipal entities]

5. In terms of section 121(4)(d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.

Responsibility of the Auditor-General

6. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice [xx] of 2007*, issued in *Government Gazette No. [xx] of [xx] 2007* [and section 45 of the MSA].
7. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

8. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings

9. xxxxxxxxxxxxxxxxxxxxxxxxx

10. xxxxxxxxxxxxxxxxxxxxxxxxx

APPRECIATION

11. The assistance rendered by the staff of the [name of entity] during the audit is sincerely appreciated.

Signature