

Benchmarking financial reporting in the public sector (2008)

Dieter Gloeck:

Chairperson of the SAIGA Reporting Awards Committee

Seven years ago, the Southern African Institute of Government Auditors (SAIGA) introduced a series of important awards in the public sector to recognize the pursuit of excellence in annual reports published by all provincial and national departments.

The Awards are called the Annual Public Sector Reporting Awards (or SAIGA Reporting Awards). The SAIGA Reporting Awards project produces twelve awards:

- one for the best report of a national department
 one for the best provincial department (for each of the nine provinces)
- one for the most consistent highest score over the last three years
- a twelfth award is made for the department obtaining the overall highest score.

This year's overall winner with the highest score of 95.19% is the Free State Department of Sport, Arts & Culture. Previous winners were - 2007: the national department of Education; 2006: the Free State Department of Health; 2005: the national department of Sport & Recreation; 2004: the Free State Department of Health; 2003: the national Department of Housing; and 2002: the Department of Provincial & Local Government.

The full list of 2008 winners for the financial reporting year ended 31 March 2007 is:

Category(Province)	Winning Department (ranked from highest score downwards)	Score %	Average % for category
Overall winner	Sport, Arts & Culture (Free State)	95.19	86.34 (all)
Free State	Sport, Arts & Culture	95.19	88.39
National	Environmental Affairs & Tourism	93.98	87.44
Western Cape	Local Government & Housing	93.58	91.43
	Parliament (joint winners)	93.58	
Mpumalanga	Agriculture & Land Administration	92.65	87.88
KwaZulu-Natal	Office of the Premier	92.25	85.80
Northern Cape	Sport, Arts & Culture	91.71	87.81
Eastern Cape	Safety & Liaison	91.71	83.90
Gauteng	Sport, Arts, Culture & Recreation	89.84	83.95
North West	Office of the Premier	89.44	82.10
Limpopo	Local Government & Housing	87.17	82.71
Most consistent	Agriculture (Western Cape)	93.32	86.34 (all)

Professor Dieter Gloeck, Executive President of SAIGA and Chairperson of the Award Committee praised the high scoring

departments and pointed to the overall sustained improvement in adherence to reporting standards since the inception of the





awards seven years ago. This bodes well for increased transparency and public accountability.

Since the competition was intense, special mention should also be made of departments which achieved a high score, but were

not category winners. SAIGA has therefore decided to publish a "Top 20" list (as three departments occupy joint last place on this table it is extended to 22).





Position	Name of Department	Percentage	Category Province
1	Sport, Arts & Culture	95.19	Free State
2	Environmental Affairs and Tourism	93.98	National
3	National Treasury	93.72	National
4	Local Government & Housing	93.58	Western Cape
4	Parliament	93.58	Western Cape
6	Health	93.45	Western Cape
7	Agriculture	93.32	Western Cape
8	Transport	93.18	National
9	Public Enterprises	93.05	National
10	Environmental Affairs and Development Planning	92.91	Western Cape
11	Agriculture and Land Administration	92.65	Mpumalanga
11	Legislature	92.65	Mpumalanga
11	Agriculture	92.65	National
11	Education	92.65	Western Cape
11	Transport and Public Works	92.65	Western Cape
16	Office of the Premier	92.25	KwaZulu-Natal
16	Education	92.25	National
18	Arts, Culture and Tourism	92.11	KwaZulu-Natal
18	Treasury	92.11	Western Cape
20	Premier	91.98	Free State
20	Tourism, Environmental and Economic Affairs	91.98	Free State
20	Public Service and Administration	91.98	National

- The score of the Free State Department of Sport, Arts & Culture (95.19%) is the highest score ever recorded by a department since the Awards' inception in 2002.
- The overall average score recorded by all departments this year is a record 86.34%. This is the highest average score recorded in the seven year history of the Awards, with the second highest score recorded in 2006 (86.00%). Other previous scores were: 2007: 84.95%; 2006: 86.0%; 2005: 82.83%; 2004: 80.49%; 2003: 75%; 2002: 70%.
- The high percentage is even more impressive if one takes into account that the number of evaluation criteria are steadily being increased as departments are required to disclose more detail in their annual financial statements. In the first year of the competition the maximum number of points was 410 marks compared to the 748 points this year.
- A record total of 35 departments scored above 90%. In

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the first year of the Awards only 3 departments scored above 90% and in the second year only one department. The number of departments scoring above 90% in other years were: 2007: 21; 2006: 25; 2005: 19; and in 2004:11. This year's 35 high scorers represent a 40% increase over the previous record of 25.

- The "Top 20" list shows that the competition was stiff the lowest percentage in the Top 20 has crept up to almost 92% (91.98%) (2007: 90%; 2006: 90%; 2005: 89%; 2004: 88%; 2003: 83%; 2002: 79%). It now seems that the top departments are consolidating around the 90% plus mark which is a remarkable adherence percentage.
- This year only 8 departments (2007: 14; 2006: 8; 2005: 9; 2004: 8; 2003: 14; 2002: 27) did not qualify as their audit reports contained a disclaimer. In the Eastern Cape Province 4 departments were disqualified and in the Northern Cape 2. The other province with a single qualification was KwaZulu-Natal and one national department.
- The departments in the Western Cape recorded the highest average of 91.43%. The same province topped this list in 2007 with a score of 89.38%. The province with the lowest score is North West province with 82.10%. Last year Limpopo came last with 79.95%. The overall improvement is therefore also clearly visible in these statistics.
- Another indication of sustained high scoring by adhering to public sector reporting standards is the fact that with the exception of two departments all other qualifying departments scored above 70%. In the first year of the Award (2002) only 47 departments exceeded this barrier (2003: 91; 2004: 122; 2005: 134; 2006:142 and last year (2007) 147 departments scored above 70%). The prestige of achieving the most consistent high performance award over three years goes to the Department of Agriculture in the Western Cape (positions: 7 in 2008; 2 in 2007 and 15 in 2006).

SAIGA's Executive President highlighted the fact that due to the performance information and other factual disclosures, the annual reports of government departments contained a wealth of information not only about the financial results, but more importantly, about the activities and the performance of the departments. In this regard government departments' reports generally provide more information than the annual financial statements of listed companies. The full effect of the Public Finance Management Act's (PFMA) objective regarding transparency and performance management is becoming visible.

Referring to an increase in media reports about misuse of funds in government departments, Prof Gloeck put the matter in perspective by pointing out that the PFMA's transparency requirements ensured that this information is publicly available. "The departments do not necessarily incur more unwanted expenditure than the organisations in the private sector, but there is simply more information available about public sector organisations." The PFMA requires that all unwanted expenditure (unauthorised, irregular and fruitless and wasteful expenditure), irrespectively of whether or not it is a material amount or not, is disclosed by citing figures and reasons for its occurrence. Gloeck pointed out that the time had come for private sector companies (public interest companies in particular) to be placed on an equal footing with regard to the disclosure of this kind of information. Even after the implementation of International Financial Reporting Standards (IFRS) and after complying with the Companies Act and the King II Report on Corporate Governance, the information disclosed by private sector companies still does not measure up to the information in the annual reports of government departments.

Efforts need to be increased to make the general public more aware of the disparity between disclosure requirements in the public and private sectors. This will also put perceptions on public sector fraud, corruption and mismanagement in a better perspective.

A similar picture of more meaningful information can be observed with regard to the Auditor-General's audit reports, which contain a wealth of information about the auditee (even unqualified reports) in contrast to the standard audit opinion paragraphs which private sector auditors issue.

The SAIGA Reporting Awards are now firmly established and have become a highly visible instrument and benchmark to monitor public accountability and transparency in national and provincial departments.

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The Secretary of SAIGA, Prof Herman de Jager, who is also the Head of the Department of Auditing at the University of Pretoria, which acted as quality assurer of the Awards, hands the trophy for the best department in 2008 to the MEC for Sport, Arts & Culture in the Free State, Ms Mamiki Qabathe. The Accounting Officer of the Department, Ms Mokone Nthongoa looks on (holding her winner's framed certificate.