

## Benchmarking financial reporting in the public sector (2005)

**Dieter Gloeck**

Chairperson of the SAIGA Reporting Awards Committee



Four years ago, the Southern African Institute of Government Auditors (SAIGA) introduced a series of important public sector awards 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 (in 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 winner, for the highest overall score is the national department: Sport & Recreation South Africa. They join the list of previous winners (the Free State Department of Health: 2004, the national Department of Housing: 2003, and Department of Provincial & Local Government: 2002).

The full list of 2005 winners for the financial reporting year ended 31 March 2004 is:

<b>Awards Category</b>	<b>Winning Department</b> (ranked from highest score downwards)	<b>Score %</b>	<b>Average % for category</b>
<b>Overall winner</b>	<b>Sport &amp; Recreation (national)</b>	<b>95.55</b>	<b>82.83</b>
National	Sport & Recreation	95.55	84.18
Western Cape	Local Government	95.26	88.06
Limpopo	Office of the Premier	92.24	79.56
KwaZulu-Natal	Economic Development & Tourism	91.67	82.19
Mpumalanga	Office of the Premier	91.52	82.38
Free State	Health	91.24	85.23
North West	Office of the Premier	90.52	79.94
Eastern Cape	Safety & Liaison	89.22	81.67
Gauteng	Community Safety	88.22	79.48
Northern Cape	Safety & Liaison	87.93	83.11
Most consistent	Trade & Industry (national)	92.53	84.18

During the Awards ceremony, 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 four 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.

Position	Name of Department	Percentage	Position in last year's competition
1	Sport & Recreation (national)	95.55	16
2	Local Government (Western Cape)	95.26	19
3	Provincial Administration (Western Cape)	93.97	-
4	National Treasury (national)	93.10	11
5	Economic Development & Tourism (Western Cape)	93.10	10
6	Trade & Industry (national)	92.53	4
7	Education (national)	92.39	22
8	Public Service & Administration (national)	92.24	17
9	Office of the Premier (Limpopo)	92.24	7
10	Economic Development & Tourism (KwaZulu-Natal)	91.67	118
11	Office of the Premier (Mpumalanga)	91.52	20
12	Health (Free State)	91.24	1
13	Environmental Affairs & Tourism (national)	91.09	2
14	Agriculture (Free State)	90.66	27
15	Office of the Premier (North West)	90.52	61
16	Transport & Public Works (Western Cape)	90.37	15
17	Housing (Western Cape)	90.37	42
18	Agriculture (national)	90.09	37
19	Health (Western Cape)	90.09	3
20	Justice & Constitutional Development (national)	89.37	18

- The overall average score recorded by all departments improved for the fourth year in succession to 82.83% (2003: 80.49%; 2002: 75%; 2001: 70%).
- The score of 95.55% achieved by the winning department (Sport & Recreation (national)) is the highest score that any department has ever scored in the four years of the competition.
- A record total of 19 departments scored above 90% this year. In the first year of the Awards 3 departments scored above 90% and in the second year only one department achieved this level. In last year's competition 11 departments scored above 90%.
- The “Top 20” list shows that the competition was stiff – the lowest percentage in the Top 20 is above 89% (2003: 88%; 2002: 83%; 2001: 79%).
- The “Top 20” list also shows that some departments recorded admirable improvements over the previous year. For example: the Department of Economic Development & Tourism (KwaZulu-Natal) moved from 118 to number 10; the Office of the Premier in North West from 61 to 15 and the winner, Sport & Recreation from number 16 to top spot.
- Only 9 departments (2003: 8; 2002: 14; 2001: 27) did not qualify as their audit reports contained a disclaimer. This is the first year that no adverse audit opinions are given.

- Arguably the best indication of sustained overall improvement in the adherence to public sector reporting standards is the fact that 134 departments scored above 70%. Only two departments did not achieve this psychologically important target (they scored 69.97 and 69.11 respectively). In the first year of the Award only 47 departments exceeded this target (in the second year 91 departments and in last year's competition 122 departments scored above 70%).
- The prestige of achieving the most consistent high performance award over three years goes to the Department of Trade & Industry. This is the second time that this Department has won this category (most consistent).

It was also pointed out that departmental reports generally contain more information than the annual financial statements of listed companies. The main reason for this is that in terms of the *Public Finance Management Act* (PFMA) performance information is now also provided in public sector reports. Compared to the standard format of private sector audit reports, the audit reports by the Auditor-General also provide a much more detailed account of the audit findings.

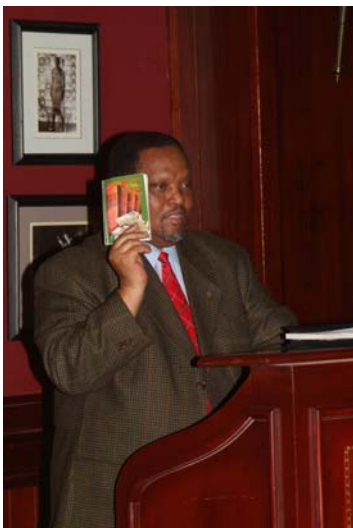
The *Public Finance Management Act* also requires full details to be disclosed (in the annual reports) of all unwanted expenditure (unauthorised, irregular, fruitless and wasteful expenditure). This complete openness and transparency may be embarrassing for government departments, especially as it provides a lot of ammunition for the media. However, it should be seen as a motivator to improve performance in the future.

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.

Whilst private sector annual financial statements are focusing almost exclusively on figures (that are mostly highly technical and difficult to understand), government departments have moved the focus to providing readers of annual financial statements with measurable objectives, outcomes and reasons for non achievement (this is done in easily understandable English).

Communicating meaningful and understandable information is all about being accountable. And the public sector has provided the private sector with a good example as shown by this year's Annual Public Sector Reporting Awards.

The SAIGA Reporting Awards are now firmly established and have become a highly visible instrument to monitor public sector accountability and transparency.



The Minister of the winning department, Sport and Recreation, Rev Makhenkesi Stofile points out that the Public Finance Management Act is the driving force behind the increased accountability in the public sector and the transparency seen in annual reports.



The Southern African Institute  
of Government Auditors



**Address by Prof Dieter Gloeck, Executive President, Southern African Institute of Government Auditors (SAIGA)**

**At the event of handing over the framed certificates to the winners of this year's SAIGA Annual Public Sector Reporting Awards: the Department of Sport & Recreation**

**27 September 2005: Sheraton Hotel, Pretoria**

Today's event would not have been possible if some other process had not taken place much earlier. I find it therefore important to firstly establish why we are gathered here today before going into any other detail.

The SAIGA Annual Public Sector Reporting Awards would never have materialised if it was not for the quiet revolution that was started by the promulgation of the *Public Finance Management Act* (or more commonly referred to as the PFMA).

There is a saying that dynamite or explosive things come in small packages which is certain applicable to the PFMA. Although it easily fits into my shirt pocket, this little book has achieved the turn-around of the big ship called the public sector.

I have personally presented many workshops on the PFMA – an endeavour that has not only brought me to many interesting places in our country's nine provinces, but also made me realise the full extent of the change that is taking place.

The PFMA has indeed achieved a total transformation of South Africa's public sector from an administration centered approach to an approach based on the advanced concept of performance management. Added to this, we are witnessing previously unknown levels of transparency in the public sector.

This complete openness and transparency may sometimes be embarrassing for government departments, especially as it provides a lot of ammunition for the media. None withstanding this, departments disclose full details in their annual reports of all unwanted expenditure (unauthorised, irregular and fruitless and wasteful expenditure). They publish their measurable objectives and have to indicate where objectives have not been achieved.

Having been involved as academic and researcher in both private and public sectors over the last 25 years, I do not hesitate to make the statement that the accountability arrangements in the public sector today are far ahead of those in the private sector, where legislation does not yet require companies to have audit committees, internal audit functions and where the publishing of information is still focusing heavily on figures which, given the technical complexities introduced by the latest accounting and reporting standards, are difficult to interpret by accounting experts, let alone the investing public or workers who have been given the opportunity to own shares in the companies they work for.

Such comparisons are not done with the intention of blemishing the private sector, but to allow us to fully appreciate the rate of public sector development and reform and to view the public sector achievements in the proper perspective.

It is specifically at the field of accountability and reporting in particular that SAIGA's Annual Public Sector Reporting Awards are directed.

Providing us with insight into the public sector (or "full sunshine" of government as the international community refers to) is definitely one of the great gifts that our new democracy has given South Africa's citizens.

Applying the PFMA requirements of transparency, relevancy, understandable accurate, timely and trustworthy financial and performance information, means actual empowerment of South Africa's citizens to participate in a free democracy.

In striving to deliver the above, the massive organisation called the state, needs leaders and examples.

This brings us to the main objective of the SAIGA Annual Public Sector Reporting Awards. Not only do the Awards aim to increase public awareness of the reforms that have taken place in the public sector, but the Awards also aim to reward excellence.

At a time, where our country stands to benefit from being afforded the privilege to host some of the world's greatest sporting events, I find it most appropriate and praiseworthy that the Department of Sport & Recreation has taken accountability to new levels.

It is a fact that this year's winning score is the highest score ever achieved in the four year history of the Awards. A percentage of 95.55% (or 665 out of 696 points) is a great achievement, no matter from which perspective you look at it.

If we take into account that the requirements set by National Treasury in respect of reporting and annual financial statements have steadily increased from year to year (our total rating points increased from 410 to 696), the achievement gains even more in stature.

The Department of Sport & Recreation can be justifiably proud of leading South Africa in the quest for better reporting, increased accountability and greater openness. In a global world where the notion of accountability has been re-rated to greater importance, our country, South Africa – supported by leaders such as the winning departments, not only plays in the first league, but can rate itself as being amongst the very best.

Minister Stofile, your department has achieved multiple accomplishments:

- Your department has prepared and published the winning annual report in the category of all national departments.
- As already mentioned your Department has achieved the highest ever recorded score by any department over a four year period.
- Thereby the Department of Sport & Recreation is also the overall winner of the 2004 Annual Public Sector Reporting Awards.
- But your achievement is not a single candle in the dark. If the results of the last three years are taken into account, the Department of Sport & Recreation lies in position number three on the list of most consistent departments.

Seen from a wider perspective, and even more encouraging is the fact that it is not only the Department of Sport & Recreation that is excelling, but the overall results are showing consistent and steady upward movement of the norms.

- The overall average score recorded by all departments improved for the fourth year in succession to 82.83% (2003: 80.49%; 2002: 75%; 2001: 70%).

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This clearly indicates that all departments are actively improving and successfully facing the challenges that greater accountability requirements pose. This factor bodes well for the future of our country.

Before handing over the Award certificates, please allow me to extend a few words of thanks:

- To the SAIGA Secretariat for the support provided
- To the members of the Awards committee for their technical expertise
- To SAIGA's EXCO and Council for the support and allocation of scarce funds to the Awards project (to keep the absolute necessary independence, all offers of sponsorship are turned down) and SAIGA fully funds the project
- Further thanks to the Office of the Auditor-General in assisting us to obtain all annual reports
- To the Accountant-General and the Auditor-General for their support of the project
- To the organisers behind today's function.
- Lastly, but most importantly: to the Minister and Deputy Minister for your presence. By being here personally, you have underscored and emphasized the importance of public accountability and I am sure that your presence has also motivated your Department's staff to further lead by example and keep striving for excellence.

Because nothing less than excellence is good enough for our country. I thank you.



(From left to right) The Accounting Officer of the winning department: Sport & Recreation South Africa, Prof Denver Hendricks, holds a gold framed certificate for the category best national department. Prof Dieter Gloeck, Executive President of SAIGA and Chairperson of the Awards Committee congratulates the Minister of Sport and Recreation, Rev Makhenkesi Stofile. The Deputy Minister, Mr Gert Oosthuizen, holds the platinum framed certificate for the department with the overall highest score.