



Benchmarking financial reporting in the public sector (2007)



Dieter Gloeck:
Chairperson of the SAIGA Reporting Awards Committee

Six 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 94.43% is the national Department of Education. Previous winners were - 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 2007 winners for the financial reporting year ended 31 March 2006 is:

Category(Province)	Winning Department (ranked from highest score downwards)	Score %	Average % for category
Overall winner	Education (national)	94.43	86.08
Western Cape	Agriculture	93.43	89.38
Eastern Cape	Safety and Liaison	92.29	84.86
Mpumalanga	Local Government & Housing	92.29	86.94
Free State	Treasury	91.00	86.51
KwaZulu-Natal	Royal Household	90.29	82.64
Gauteng	Sports, Arts, Culture & Recreation	89.29	83.08
Northern Cape	Housing & Local Government	89.29	85.80
North West	Office of the Premier	88.57	82.57
Limpopo	Office of the Premier	85.43	79.95
Most consistent	Education (national)	94.43	86.08

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 six 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.

Top 20

Position	Name of Department	Percentage	Category Province
1	Education	94.43	National
2	Agriculture	93.43	Western Cape
3	Provincial Treasury	93.14	Western Cape
4	Provincial Parliament	92.86	Western Cape
5	Transport and Public Works	92.57	Western Cape
6	Safety and Liaison	92.29	Eastern Cape
6	Local Government & Housing	92.29	Mpumalanga
8	Premier	92.14	Western Cape
9	Agriculture	92.00	National
10	Public Entities	91.86	National
11	Economic Development & Planning	91.71	Mpumalanga
12	Treasury	91.00	Free State
13	Public Service and Administration	90.57	National
13	SA Management Development Institute	90.57	National
15	Sport, Arts, Culture, Science & Technology	90.43	Free State
15	Health	90.43	Western Cape
17	Royal Household	90.29	KwaZulu-Natal
20	Arts and Culture	90.14	National
20	Government Communications	90.14	National
20	Environmental Affairs and Development Planning	90.14	Western Cape

- The overall average score recorded by all departments is 84.95%. This is the second highest average score in the history of the Awards, with the highest score recorded in last year's competition: 86.00% (Other previous scores were: 2005: 82.83%; 2004: 80.49%; 2003: 75%; 2002: 70%).
- It is the first time in the history of the Awards that one Department (Education) receives three of the 12 Awards. One for the highest national score, the highest most consistent score over the last three years and the overall highest score.
- A total of 21 departments scored above 90%. In the first year of the Awards only 3 departments scored above 90% and in the second year only one department. In 2004 11 departments scored above 90%; in 2005 19 and in last year's competition 25 departments scored above 90%.
- The "Top 20" list shows that the competition was stiff - the lowest percentage in the Top 20 is above 90% (2006: 90%; 2005: 89%; 2004: 88%; 2003: 83%; 2002: 79%). It now seems that the top departments are consolidating around the 90% mark which is a remarkable adherence percentage.
- This year 14 departments (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 3. The other provinces each had a single department disqualified and Mpumalanga was the only province with no disqualifications.

- Departments in the Western Cape recorded the highest average of 89.38. The province with the lowest score is Limpopo (79.95).
- Arguably the best indication of sustained overall improvement in the adherence to public sector reporting standards is the fact that apart from one department (Parliament with 68%), 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 and last year (2006) 142 departments scored above 70%).
- The prestige of achieving the most consistent high performance award over three years goes to the national Department of Education.

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. 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.

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 ensures that this information is publicly available. "The

departments do not necessarily incur more unwanted expenditure, but there is simply more information available about it." The PFMA requires that all unwanted expenditure (unauthorised, irregular and fruitless and wasteful expenditure), irrespective of whether or not it is a material amount or not, has to be disclosed, citing figures and reasons for its occurrence. Gloeck pointed out that the time has come that private sector companies were 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.

"Communicating meaningful and understandable information is all about being accountable". "And the public sector has provided the private sector with a good example" as Gloeck put it.

Gloeck further suggested that departmental reports should be more easily obtainable by members of the public. In this regard it would be constructive to publish the reports on the government website.

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 Executive President of SAIGA and Chairperson of the Awards Committee, Prof Dieter Gloeck, hands the winners' trophy to the Minister of Education, Ms Naledi Pandor. The Deputy Minister, Mr Enver Surty is watching proceedings

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 and trophies to the winner of this year's SAIGA Annual Public Sector Reporting Awards: the national Department of Education:

- Highest score: of all national departments
- Most consistent score over the last three years
- Overall highest score 2007 competition.

16 August 2007: Sol Plaatje House 123 Schoeman Street, PRETORIA

There is a wise saying that reminds us: "first things first". 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 another 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 a commendable turn-around of the big ship called the public sector.

I have personally presented more than 150 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 and accountability in the public sector.

This complete openness and transparency may sometimes be embarrassing for government departments, especially as the published information provides the media with a lot to write about. Taking into account the sensationalism that large parts of our society thrives upon, it is certainly understandable why a newspaper would rather publish facts about some misuse of funds in a government department than report on the achievements of the particular department. A journalist friend once told me: "Unless achievements are sport or learning related, they do not sell newspapers". None withstanding this, departments dis-

close 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 state 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. The Minister of Trade & Industry is commended for having prioritised the Companies Act reforms as a matter of national urgency.

The comparisons I have made 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, to increase credibility, provide a benchmark as far as

reporting practices is concerned and lastly the Awards also introduce competitiveness.

The Awards mould together the efforts of a number of role-players:

- The Southern African Institute of Government Auditors
- The Accountant-General
- The Auditor-General
- The Department of Auditing, University of Pretoria.

The project annually produces 12 Awards according to criteria identified by SAIGA's Technical Awards Committee.

Before focusing on this year's winning department, it seems appropriate to point out that through the PFMA and supporting legislation and regulations, which produce a more transparent and therefore more accountable public sector, we have had the same ultimate winner year after year: the South African public.

At a time, where our country's up surging economy is challenged by an overall skills shortage I find it most appropriate and praiseworthy that the Department of Education has taken accountability to new levels.

In true style of an educator, the Department of Education becomes the first department in the six year history of the Awards to obtain three Awards.

Comparing this to national matric results or averages achieved by our students at tertiary institutions the winning percentage of 94.43% is every learners dream. It is far beyond the limits of a distinction and 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 700), the achievement gains even more in stature.

The Department of Education can be justifiable 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.

Mr Hindle your department has achieved multiple accomplishments:

- Your department has prepared and published the winning annual report in the category of all national departments.

• The Department of Education is also the overall winner of the 2007 Annual Public Sector Reporting Awards.

• But your achievement is not a once-off achievement. Not only have you won the Award this year, but if the results of the last three years are consolidated, the Department of Education wins another sought after Award. It lies in position number one on the list of the most consistent departments in South Africa.

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

The statistics in the SAIGA news release support this statement and clearly indicate 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.

There is a time for everything. In previous years the receivers of the Awards have used the opportunity to explain the intricacies and efforts required to produce a high quality set of annual financial statements that meet the reporting standards. This is indeed a massive team effort. I am of the opinion that financial staff deserves more recognition in this regard. But be it as it may, the time for work has passed; the final product has been published and it is now time to boast and celebrate.

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 of Education (and other dignitaries) for your presence here today. By making time in your busy schedules for an event such as this and being here personally, you have underscored and emphasized the importance of public accountability and I am sure that your presence has also motivated the staff of the Department of Education to further lead by example and keep striving for excellence.

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

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Back row (standing) from left to right: Mr Khudu Bantseke (SAIGA Council member); Mr George Gorekwang (SAIGA Council member); Mr Lawrence Nevhutalu (SAIGA Council member); Mr Phillip Benadé (CFO: Department of Education); Mr Stefaan Sithole (Chairperson of the Department's Audit Committee); Prof Dieter Gloeck (Executive President - SAIGA and Chairperson of the Awards Committee), Mr Duncan Hindle (Accounting Officer - Department of Education)
Front row (seated) from left to right: Ms Yvonne Yapi ((SAIGA Council member), Ms Nadeli Pandor (Minister of Education); Mr Enver Surty (Deputy Minister of Education)

For more information on the Awards visit our website: www.saiga.co.za