

Internal Audit, Risk and Compliance Services

The Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) requires the accounting officer/ authority for a department, trading entity, public entity or constitutional institution to submit its annual report to the relevant treasury and executive authority within five months of the end of the financial year. This annual report must fairly present the state of affairs of the department, trading entity, public entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned.

The information relating to the performance against predetermined objectives is subject to audit by the Auditor-General in terms of Section 20(2)(c) of the Public Audit Act, 2004 (Act No. 25 of 2004).

The objective of an audit of performance information is to enable the auditor to conclude whether the reported performance against predetermined objectives is reliable, accurate and complete, in all material respects, based on predetermined criteria.

### **Key factors that could result in a qualified audit opinion on performance information**

- Lack of reporting on all the objectives, indicators and targets as per the approved strategic or annual performance plan.
- Reporting on objectives, indicators and targets in addition (not approved) to those as per the approved strategic or annual performance plan.
- Reasons for variances between planned and actual performance is not included.
- Logical link between objectives, indicators and targets do not exist.
- Objectives, indicators and targets not consistent between plan and annual performance report.
- Changes to planned objectives, indicators and targets are not disclosed.
- Lack of effective, efficient and transparent systems and internal control to provide sufficient, appropriate audit evidence to substantiate reported performance information.
- Sufficient audit evidence not provided to substantiate reported performance information.
- Evidence provided to substantiate reported performance information not valid, accurate or complete.
- Annual performance report was provided too late to conduct any audit work on reported information.



## How can KPMG help?

In order to aid our public sector clients in preparing for the Auditor-General's annual audit of predetermined objectives, KPMG provides the following range of services to our clients:

### Readiness assessments

We conduct readiness reviews to assess the progress made by the organisation in fairly presenting its business, its financial results, its performance against predetermined objectives and its financial position in its annual report as required by the PFMA.

### Evaluating compliance to Regulatory Frameworks

During August 2010 National Treasury issued the Framework for Strategic Plans and Annual Performance Plans. We accordingly assist management with the development of these plans to ensure compliance to the prescribed framework as well as PFMA and associated Treasury Regulations issued in this regard.

### Management assistance in developing "measurable" performance measures and indicators

We assist management with the development of their strategic performance measures, indicators and targets in order to ensure that these are Specific, Measurable, Attainable; Relevant and Time bound. We also perform peer reviews to evaluate the strategic plans and annual performance plans of our clients and report on the extent to which the objectives provide a clear link between the programmes output/s and the organisations' goals.

### Development of Policy and Procedure Manuals

We assist our clients with the development of the required policy and procedure manuals that provide clear system descriptions, document flow of information as well as examples of the prescribed documentation to staff from when the strategic planning process commences up to when the annual performance of the organisation is reported.

### Internal Audit assistance

We assist the Internal Audit Function of our clients with the development of step-by-step audit manuals to guide them in auditing the performance information of the organisation. We also perform peer reviews to evaluate and report on the approach and methodologies adopted by the Internal Audit Function to effectively audit the organisations' performance information.

### Training courses

We provide high-level awareness workshops and training courses, tailor made to address the requirements of management (as well as the Internal Audit Function) in understanding the concepts, procedures and working methodologies associated with the audit of predetermined objectives.

## Why choose KPMG?

We have the experience and proven track record to cut through complexity and assist you in obtaining an "unqualified" audit opinion on performance information.



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## Contact Us

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