



## ARTICLE

## The reporting of performance information by South African national government departments: An adequacy analysis

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**Abstract** Performance information is credible when it assists in accurately assessing departments' progress towards the achievement of their goals—the cornerstone of performance reporting. In South Africa it is a legislated requirement for government departments to report annually on the performance of the entity against predetermined objectives. The purpose of this paper is to perform a qualitative analysis of the reporting of performance against predetermined objectives by national government departments and to determine by comparison whether national government departments in South Africa have improved in the quality of the reporting of their performance information from the 2009/10 to the 2010/11 financial years. The objective of the audit of performance information by the AGSA is to determine whether the reported performance of a government department is useful, reliable and compliant to legislative and other official requirements. The results of this study clearly indicate that there are still major deficiencies in the reporting of performance information and that there was no material improvement from the 2009/10 to the 2010/11 financial years.

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### 1. Introduction

*“Industrial country democracies have shifted away from traditional forms of accountability towards accountability based on performance and the quality of services rendered by government”* (Peters, 2007). Public service organisations should be service delivery driven. The impact of the spending of public money should be measurable and the public

service should be accountable for its spending and performance. Performance information is often used to determine further spending and other public service interventions. The reliability of the performance information reported is thus of very high importance.

In South Africa it is a legislated requirement for government departments to report annually on the performance of the entity against predetermined objectives (AGSA, 2010: 1). However, reporting this non-financial information on service delivery performance still proves to be a challenge for many organs of state. The Applied Fiscal Research Centre (AFReC, 2010) at the University of Cape Town is of the opinion that government departments often provide the

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performance information reports very late in the service delivery process. It has also been determined that the information in the reports is often inaccurate and cannot be validated.

The South African government allowed its performance reporting process to evolve over the past decade (Engela & Ajam, 2010: V). It has been foreseen for some time that an independent opinion would be expressed whether the reported performance of a government department is a fair representation of the actual performance against the pre-determined objectives of the department. The Auditor-General (South Africa's Supreme Audit Institution) has been phasing in the expression of audit opinions based on Audits of Performance Information and it will ultimately lead to an opinion expressed on the audit report of a department, alongside the opinion on the financial statements. It was seen, in 2010, as an opportune time to perform an adequacy and compliance analysis of the 2009/10 audit reports on performance against predetermined objectives for South African national government departments (Erasmus & van der Nest, 2011).

The purpose of this paper is to perform a qualitative analysis of the reporting of performance against pre-determined objectives by national government departments and to determine by comparison whether national government departments in South Africa have improved in the quality of the reporting of their performance information from the 2009/10 to the 2010/11 financial years. The paper also identifies the specific areas where shortcomings have been identified.

## 2. The development of performance reporting

### 2.1. International development

The measurement and disclosure of performance have a documented history in European public administration and public management. In the 1930s Clarence Ridley and Herbert Simon (cited by Johnson, 2000: 6) studied efficiency by measuring municipal activities, and elaborated on the utilisation of performance reviews. In the United States of America, performance measurement has been a priority of public administration since the early twentieth century (Gianakis, 2002: 37). Heinrich (2004: 317) is of the opinion that although performance measurement as a management tool dates back to the 1800s, it is only in the last two decades that public sector performance management adopted an explicit focus on measuring outcomes.

Although there are differing views on when performance measurement and disclosure commenced, in fact, it is clear that performance measurement in whichever form has become a global phenomenon, as it promises professional public sector management. According to Terry, cited by Gianakis (2002: 36), the public sector performance measurement phenomenon is international in its scope and is the centrepiece of what has become known as the "new public management" (Moynihan, 2006; Moynihan, 2006: 77; Cortes, 2005: 2), or the "new public sector" (Brignall & Modell, 2000; Sanderson, 2001: 297).

The "new public management" endeavours to achieve performance measurement according to private business

principles for improved transparency and accountability of management, in the use of public resources (Alam & Nandan, 2005: 2; Berland & Dreveton, 2005: 4; Brusca & Montesinos, 2005: 2; Christiaens & Van Peteghem, 2005: 5; Rommel, 2005: 3). Performance measurement is defined by Kerssens-van Droggenen, cited by Roth (2002) as "...that part of the control process that has to do with the acquisition and analysis of information about the actual attainment of company objectives and plans (*read predetermined objectives*), and about factors that may influence plan realisation." Consequently, performance measurement assesses the accountability for the use of public resources (Schacter, 2002: 5). To assess accountability, service delivery has to be reviewed, but in order for service delivery to be reviewed, details need to be disclosed.

In recent times many international scholarly articles and government reports have been written on aspects of governmental performance reporting. Canada in particular has a well established system of performance reporting that states that performance reporting is closely linked to the responsibilities that are commonly associated with good governance (CCAF-FCVI, 2001: 6). A number of reports from Canada indicate a well researched and guided system of governmental performance reporting (CCAF-FCVI, 2007, 2008). In British Columbia (Canada), a report by The Office of the Auditor General of British Columbia (2008: 43-44) presents the first comprehensive survey of the quality of performance measures contained in the annual report. According to this the quality of performance measures in an annual report is a key determinant of the efficacy of that report. The findings of the report provide an encouraging picture of maturity of performance reporting in British Columbia, with performance measures consistently meeting the "SMART" criteria for good performance measures – Specific, Measurable, Attainable, Reliable and Time-bound.

In the United States of America the Government Performance and Results Act of 1993 requires that federal agencies identify how they will measure outcomes, set pre-determined objectives and produce annual performance reports (Ellig, 2007: 3). According to Ellig and Wray (2008: 64) their Congress required the first annual performance reports in 1999. Between 2002 and 2007 most agencies produced annual performance and accountability reports that combined performance and financial data. In the United Kingdom, McAdam and Saulters (2000) write that since 1968, there has been a consistent call for more effectual performance reporting, which will enable a meaningful assessment to be drawn up of an entity's overall performance.

It is clear that the abovementioned countries have a history in performance reporting and in some measure they have been successful. What emerges clearly from many papers is that numerous challenges arise during the implementation phase (GAO, 2000, 2002; CCAF-FCVI, 2006), and that performance reporting, even in countries with established systems, is subjected to continuous scrutiny with a view to improvement.

### 2.2. The development of the process in South Africa

One of the key priorities of the newly elected South African government of 1994 was to enhance access to and

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