

**NOTICE 646 OF 2007****DIRECTIVE: PERFORMANCE INFORMATION  
PUBLIC AUDIT ACT, 2004  
Act No. 25 of 2004**

Under the powers vested in me by sections 20(2)(c) and 28(1)(c) of the Public Audit Act, 2004 (Act No. 25 of 2004) (hereafter referred to as the PAA), I, Terence Mncedisi Nombembe, Auditor-General of the Republic of South Africa, hereby determine the following:

**Applicability**

1. This directive is applicable to all audits within the constitutional mandate of the Auditor-General as per sections 4(1) and 4(3) of the PAA, conducted by:
  - authorised auditors as defined by section 1 of the PAA, and
  - auditors in public practice where I have opted not to perform the audit in terms of section 4(3) of the PAA.

**Auditing of performance information**

2. The information related to the performance against predetermined objectives *is* subject to audit in terms of section 20(2)(c) or section 28(1)(c) of the PAA. Section 13 of the PAA requires me to determine the standards to be applied in performing such audits. I have adopted a phasing-in approach to compliance with sections 20 and 28 of the PAA until such time as the environment promotes a state of readiness to provide reasonable assurance in the form of an audit opinion or conclusion.
3. The 2006-07 stage of the phasing-in approach to the auditing of performance information constitutes the following:
  - Obtaining an understanding of the internal controls relating to performance information.
  - Documenting system descriptions for the systems relevant to reporting on performance information. The system descriptions should be verified by means of walkthrough tests.
  - Determining the stage of performance reporting by evaluating the following:
    - The existence of, and reporting against, predetermined objectives.
    - The existence of the following principles in the measurement objectives:
      - specific
      - measurable and
      - time bound.
    - The consistency of the predetermined objectives recorded in the strategic plan, budget, quarterly reports and annual report.
    - The format and presentation of the performance information in the annual report.
  - Comparing reported achievement of performance against objectives to the information sources and conducting limited substantive procedures on the information.
4. The performance information should be submitted for audit together with the annual financial statements within two months after the end of the financial year. The auditor appointed should ensure that the reported information is audited in accordance with the requirements listed above and ~~is~~ reported on as required by the PAA.

## Reporting on performance information

5. In terms of section 20(2)(c) or section 28(1)(c) of the **PAA**, an audit report must reflect an opinion or conclusion on the reported information relating to the performance of the auditee against predetermined objectives.

I have determined that, until further information is published in this respect, no separate opinion on performance against predetermined objectives should **be** included in the audit reports. Reporting in this regard will form part of the regularity audit process. Reporting will be in relation to material shortcomings in the process, systems and procedures of reporting against predetermined objectives that may come to the attention of the auditor during the audit and that may impact on the public interest. This reporting will **be** contained in the "other reporting responsibilities" section of the audit report as per the attached example.

Any queries related to this notice should be addressed to the following:

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Signed and approved:

T M Nombembe  
Auditor-General