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# LEGISLATIVE OVERSIGHT THROUGH ANNUAL REPORTS

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*Nols du Plessis*  
*National Treasury*  
*10 October 2006*

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# Overview of Presentation

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- The Constitution and oversight
- PFMA requirements for tabling of annual reports
- Proposed oversight process
- Roles of Portfolio Committees and SCOPA
- Other role-players in evaluation process
- Annual report oversight process
- Interrogating & evaluating annual reports
- Oversight of technical quality of annual reports
- Oversight of entities performance
- Conclusion

# The Constitution and Oversight

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- ❑ Section 55(2) says the National Assembly:

“must provide for mechanisms to ensure that all executive organs of state in the national sphere of government are accountable to it; and to maintain oversight of the exercise of national executive authority, including the implementation of legislation; and any organ of state.”

- ❑ Section 92(3)(b) requires that:

✓ “Members of Cabinet must provide Parliament with full and regular reports concerning matters under their control.”

# PFMA requirements for tabling of Annual Reports

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Section 22(1) of PFMA

activities of the Department

year to the Minister responsible for that Department as Annual Report on the

The Accounting Officer must submit within the month of the end of the financial

Section 20(1)(b) & 22(1)(b)

PFMA requirements for tabling

# PFMA requirements for tabling

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## Section 40(1)(d) & 55(1)(d)

- The Accounting Officer must submit within five months of the end of the financial year to the Minister responsible for that Department an Annual Report on the activities of the Department.

## Section 65(1) of PFMA

- ✓ – the Minister responsible for a department must table the annual report in the relevant legislature within one month after the Minister received the annual report.

## Section 65(2)(a) of PFMA


- a Minister who fails to table an annual report for an entity by 30 September (6 months after year end) must table a written explanation in the legislature setting out the reasons why the report was not tabled and indicating when the report will be tabled

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# Annual Reports: Closing the accountability loop

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- Departments produce Strategic Plans setting out performance measures and targets for the coming financial year
  - Through the Budget the executive indicates what funds are required to implement these Strategic Plans
  - The legislatures approve the Budget, and so appropriate funds for the implementation of the Strategic Plans
  - The Annual Reports indicate how the executive have used the appropriated funds to implement the Strategic Plans
  - The legislatures should exercise oversight of the Annual Reports to check whether the executive has performed acceptably and used the appropriated funds for the intended purposes
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# Proposed oversight process

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Closing the accountability loop  
Annual Reports:



# Proposed Oversight Process

Annual Report Tabling Processes	Annual Report Oversight Process		Timeline
	Public Accounts Committee process	Portfolio Committee process	
Timely tabling process			
<b>Day of Delivery</b>			30 September
<b>Late tabling process</b> Tabling of a weekly update of outstanding Annual Reports Announcement of completion of tabling process	Referral to Public Accounts Committee	Referral to Portfolio Committees	
	Review of AG's <i>General Report</i>	<b>Preparation Phase</b>	First two weeks in October
	<b>Preparation Phase</b>	<b>Joint Workshops</b> (provincial concurrent functions)	Third week in October
		<b>Hearings Phase</b>	Last week in October
		<b>Report Writing Phase</b>	First week in November
	<b>Ongoing Oversight Processes</b>	Tabling of Oversight Reports	Second week of November
		Recommendations for the preparation of the Finance Bill	<b>Follow-up Phase</b>

# Roles of Portfolio Committees and SCOPA



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# Role of the Public Accounts Committee

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- ❑ Specialised role of 'protector of the public purse'
- ❑ Focus on the following:
  - (i) The General Report of the Auditor General
  - (ii) Financial probity (e.g. fraud)
  - (iii) Compliance with the PFMA and its associated Treasury Regulations
  - (iv) The interrogation of over-expenditure (relative to appropriations), and other instances of unauthorised expenditure
  - (v) The interrogation of fruitless and wasteful expenditure
  - (vi) The functioning of internal control and risk management systems
  - (vii) Supply chain management and procurement, particularly large tenders, large capital projects and Public Private Partnership transactions
  - (viii) The disposal of significant state assets, and any major financial or related losses suffered by government
  - (ix) Corporate governance of departments and public entities

# Role of Portfolio Committees

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- ❑ **Close accountability loop by exercising oversight of service delivery**
- ❑ **Focus on the following:**
  - (i) The technical quality of the annual reports
  - (ii) Whether reports cover all performance targets set out in strategic/corporate plans;
  - (iii) The quality of performance information
  - (iv) The economy, efficiency and effectiveness of service delivery as measured by the performance indicators or by the AG in a performance audit, or by way of other information
  - (v) Implementation of the entity's service delivery improvement plan;
  - (vi) Evaluating management's explanations why service delivery was not in line with targets set in the strategic plans and budgets;
  - (vii) Investigating under or over expenditure, the impact on service delivery and the measures taken to comply with the *Budget*

# Links between Committees

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- Committees need to share information to improve the overall effectiveness of oversight
- Portfolio committees in the various clusters should consider holding joint hearings
- The Public Accounts Committee should provide information to other committees on key issues raised in the *AG's General Report*
- Portfolio committees may consider appointing rapporteurs to brief the Public Accounts Committee on important issues it has identified in its oversight process

# Other role-players in Evaluation Process

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Linkage between Committees

# Input by other role-players (1)

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## Auditor-General

- Auditing of annual financial statements
- Auditing of performance information
- Performance audits of selected entities

## National Treasury

- Annually prepares a *Guide to the technical requirements for annual reports'*
- In process to develop a framework for non financial information
- Treasury do prepare a consolidated report for Cabinet on audit outcomes

## Constitutional institutions

- Provide inputs to the oversight hearings dealing with issues within their mandate

## **Input by other role-players (2)**

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### **Committee researchers**

- Be familiar with the challenges, policies and other developments
- Review strategic plans, budgets, in-year reports and previous annual reports
- Monitor developments in their area of focus on an ongoing basis
- Talk to the relevant treasury, auditors and other stakeholders

### **Stakeholders and the public**

- Request subject experts to evaluate the performance of entities