



AUDITOR - GENERAL
SOUTH AFRICA

Leigh Roberts
Project Director: Sustainability
SAICA
7 Zulberg Close
Bruma Lake, 2198

By email to: ircomments@saica.co.za, leighr@saica.co.za

4 May 2011

Dear Leigh

Comment on the *Framework for integrated reporting and the integrated report* Discussion Paper

The Auditor-General of South Africa has taken advantage of the opportunity to comment on the *Framework for integrated reporting and the integrated report* Discussion Paper (DP). Please refer to the appendix to this letter for the AGSA's commentary.

I trust that the comments will be of use to the Integrated Reporting Committee.

Yours sincerely

Shelmadene Petzer
Senior Manager: Audit Research and Development

Tel: +27(0)12 422 9654
Fax: +27(0)12 422 9822
Email: shelmadene@agsa.co.za

Appendix: AGSA commentary on the *Framework for integrated reporting and the integrated report Discussion Paper*

No.	Discussion Paper reference	Comment
1.	1. Introduction	<p>a. The concepts, principles and elements discussed in the <i>Framework for integrated reporting and the integrated report DP</i> apply equally to public sector entities. It is recommended that the DP be revised to also reflect the operating characteristics of public sector entities.</p> <p>b. Throughout the DP reference is made to social issues. In the public sector social issues are paramount as they correspond to service delivery. As part of the revision of the DP to incorporate public sector perspectives, service delivery should be emphasised throughout.</p>
2.	2.2. Principles informing the selection of the report content	<p>a. Consideration may be given to including the principle of “cost vs. benefit”. Reporting imposes costs and the benefits of the information in the integrated report to the users should justify the costs of compiling and reporting such information. Application of the cost-benefit principle is often a matter of judgment and involves assessing whether the benefits of reporting information are likely to justify the costs incurred to provide and use the information. When making this assessment, it is necessary to consider whether one or more of the other principles might be sacrificed to some degree to reduce cost.</p> <p>b. Page 9 contains a heading of “Relevance and materiality”, with a sub-heading of “Materiality”. However, no sub-heading is included for “Relevance”. It is suggested that a sub-heading of “Relevance” be included before the paragraph starting with “Relevance has to do with ...”. This will ensure that the relevance principle is identified as separate and different from the materiality principle and will emphasise the importance thereof.</p> <p>c. It is suggested that “reliability” rather than “faithful representation” should be used to describe the qualitative characteristic that is satisfied when the depiction of an economic or other phenomenon is complete, neutral, and free from material error. This will ensure consistency with the acceptability criteria set out in the International Standards on Auditing (ISAs).</p>
3.	3. Suggested elements to be addressed in the integrated report	<p>a. With reference to comment 1.b above, the various elements for inclusion in the integrated report should emphasise service delivery issues. Governments and other public sector entities raise resources from taxpayers, donors, lenders and other resource providers for use in the provision of services to citizens and other service recipients. These entities are accountable for their management and use of resources to those that provide them with resources, and to those that depend on them to use those resources to deliver necessary services. Those that provide the resources and receive, or expect to receive, the services will also require information as input for decision-making purposes. The integrated report should provide service delivery information in respect of both the current and future reporting periods, in order to:</p> <ul style="list-style-type: none"> • assess what has been done with government funds to give effect to the public sector entity’s mandate • assess whether service delivery objectives have been achieved • assess whether resources are being used efficiently, effectively and as intended to achieve the service delivery objectives • determine the costs of service delivery, the amounts and sources of cost recovery and whether the necessary resources were acquired economically • justify the use of the financial resources raised
4.	3.3. Understanding the operating context	<p>a. The extent to which an organization is able to create and sustain value is also impacted by the legislative environment within which it operates. It may therefore be appropriate to require the integrated report to contextualise the laws and regulations applicable to the organisation, which directly or indirectly have a significant impact on its operations.</p>
5.	3.5. Account of the organisation’s performance	<p>a. In the public sector organisations are accountable to constituents for their use of the resources raised from them, or raised or provided on their behalf. The approved budget reflects the financial aspects of an organisation’s plans for the forthcoming period, and establishes the authority for expenditure of public monies. Information that assists users in assessing the organisation’s compliance with the approved budget is necessary for the discharge of the organisation’s accountability to its constituents and will inform decision making. Accordingly, it may be appropriate to report on the compliance with the budget in the integrated report.</p> <p>b. With reference to comment 4 above, a description should be provided of the organisation’s compliance or non-compliance with the applicable laws and regulations.</p>