

**An investigation of the efficacy of the Office of the Auditor-
General in ensuring public financial accountability in the
Gauteng Province.**

BY

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Declaration

I the undersigned, Mildred T. Khumalo hereby declare that this dissertation is my original work and that it has not been submitted, and will not be presented to any other university for a similar or any other degree award.

.....
Signature

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I wish to express my heartfelt gratitude to the following people who were very instrumental in the completion of this project:

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Dedications

I dedicate this project to my Lord and Saviour Jesus Christ. His wisdom, strength, inspiration and love are invaluable.

“Trust in the Lord with all your heart, and lean not on your own understanding. In all your ways acknowledge Him, and He will direct your paths.”

Abstract

Increasing accountability is a key element in a wide variety of governance reforms, from national level, public sector restructuring, to anti corruption campaigns and to centralise service delivery at local levels. (Van Wyk, 2002:311). Financial accountability has a major effect on performance issues, and these two combined have implications on democratic accountability.

It is obviously a fact that when public officials become accountable, this will have a positive effect on service delivery. The introduction of the Public Finance Management Act (PFMA) 1999 (Act 1 of 1999) as amended by Act 29 of 1999 adopts an approach to financial management, which emphasises the need for accountability of results by focusing on output and responsibility rather than the rule driven approach of the previous Exchequer Acts. One quickly realises that the PFMA aims to regulate financial management at both National and Provincial levels of government. It directs attention at revenue, expenditure, assets and liabilities and aims to see that these are managed efficiently and effectively.

Public finance accountability is increasingly becoming important in the public sector. One means of effecting accountability is through auditing. For this reason the Office of the Auditor -General through the Constitution of the Republic of South Africa 1996 (Act 108 of 1996 section 216 (1)) was established to facilitate effective accountability through auditing.

The Office of the Auditor -General's role is by no means minor, for it plays a major role in curbing corruption and acts as a 'watchdog' of the nation over public funds. Amidst high mismanagement and misuse of public resources, as well as corruption, especially in developing countries, the major question one asks is how effective the Auditor -General can be in ensuring effective public financial management and accountability within state departments so as to improve service delivery.

Table of Contents

Declaration.....	ii
Acknowledgements	iii
Dedications	iv
Abstract	v
Table of Contents	vi
Abbreviations.....	x
List of Tables	xi

CHAPTER ONE

INTRODUCTION

1.1	Introduction	1
1.2	Background to the Problem.....	3
1.3.	The Statement of the Problem	6
1.4.	Objectives of the study.....	6
1.5.	Hypothesis.....	7
1.6.	Rationale for the study	7
1.7.	Assumptions	8
1.8.	Limitations	8
1.9.	Definition of Terms	8
1.10.	Chapter Outline.....	10

CHAPTER TWO

LITERATURE REVIEW

2.1	Introduction	12
2.2	Legislative Framework	13
2.2.1	<i>Constitution of the Republic of South Africa 1996</i>	13
2.2.2	<i>Public Audit Act 2004 (Act 25 of 2004)</i>	14

2.2.3	<i>Auditor General Act 1995 (Act 12 of 1995)</i>	14
2.2.4	<i>The Public Finance Management Act 1999 (Act 1 of 1999) (PFMA)</i>	14
2.3	Role of auditing in public finance management	15
2.3.1	<i>Aiding Financial Management</i>	15
2.3.2	<i>Support good governance</i>	15
2.3.3	<i>Accountability</i>	16
2.3.4	<i>Acting as a ‘Watchdog’</i>	17
2.4	Promoting sound public finance management through PFMA	17
2.5	Accountability in the Public Sector	19
2.5.1	<i>The need for Accountability</i>	19
2.5.2	<i>Heads of Department/ Accounting Officers</i>	20
2.6	Research on the accountability of Government departments	21
2.7	Gauteng Provincial Government	22
2.8	Financial Misconduct	24
2.9	The Auditor General South Africa (AGSA)	25
2.9.1	<i>The role of AGSA in Accountability Process</i>	26
2.9.2	<i>AGSA’s Independence</i>	28
2.10.	Critique on the Auditor –General	28
2.10.1	<i>AG’s reports less informative</i>	28
2.10.2	<i>AG’s reports not broadly distributed</i>	29
2.10.3	<i>Consistent qualified audit reports</i>	30
2.10.4	<i>Lack of performance management</i>	30
2.11	Auditor-General’s Reports	31
2.11.1	<i>General reports</i>	32
2.12	Follow-up to the Auditor General’s Reports	32
2.12.1	<i>Need for Expenditure management</i>	34
2.13	Conclusion	36
 CHAPTER 3		
RESEARCH METHODOLOGY		
3.1	Introduction	38
3.2	Research Design	38
3.2.1	<i>Qualitative method</i>	38
3.3	Population	39

3.4	Sampling Method	39
3.5	Methods of Data Collection	41
3.5.1	<i>In –depth Interviews</i>	41
3.5.2	<i>Structured interview</i>	42
3.5.2.1	<i>Questionnaire to the AGSA</i>	42
3.5.2.2	<i>Questionnaire to the sampled Government Departments</i>	43
3.6	Profile of the Respondents	44
3.7	Analysis of Data	45
3.8	Strengths and Limitations of the Study	46
3.9	Ethical considerations	47
3.10	Accessing the Departments	47
3.11	Conclusion	47

CHAPTER 4

RESEARCH FINDINGS AND RESULTS

4.1	Introduction	49
4.2	Conceptualising the effectiveness of the Auditor -General	49
4.2.1	<i>AGSA’s Independence</i>	50
4.2.2	<i>AGSA as a ‘watchdog’</i>	50
4.3	Understanding the Audit Process and Procedures	51
4.3.1	<i>Implementation of the AGSA’s recommendation</i>	52
4.3.2	<i>Auditing Departments timeously</i>	55
4.3.3	<i>Submission of financial statements to the AGSA</i>	57
4.3.4	<i>Audit opinion</i>	58
4.3.4.1	<i>Modified and unmodified reports</i>	59
4.4	Public funds accountability	62
4.4.1	<i>Trends in year end spending</i>	64
4.4.2	<i>Disclosure of financial interest</i>	64
4.5	Performance of the Auditor-General	65
4.5.1	<i>Stakeholder satisfaction</i>	66
4.5.2	<i>Quality control</i>	67
4.5.3	<i>Evaluation of timeliness</i>	69
4.5.4	<i>AGSA’s Employees</i>	70
4.5.5	<i>Continuous improvement of Audit products</i>	71
4.6	Challenges encountered with the AGSA	72
4.6.1	<i>Lack of understanding of government processes</i>	72

4.6.2	<i>Lack of experienced people</i>	73
4.6.3	<i>High staff turnover</i>	74
4.6.4	<i>Constant changing of audit teams</i>	74
4.6.5	<i>Pressure from AGSA</i>	75
4.7	Conclusion	76
CHAPTER 5		
CONCLUSION AND RECOMMENDATIONS OF THE STUDY		
5.1	Introduction	78
5.2	Summary of major findings	78
5.3	Conclusion of the study	83
5.4	Recommendations	84
6	BIBLIOGRAPHY	88

Abbreviations

AG	Auditor -General
AGSA	Auditor –General South Africa
CA	Chartered Accountant
GSSC	Gauteng Shared Service Center
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
MQF	Minimum Qualification Framework
PAC	Public Accounts Committee
PFMA	Public Finance Management Act
PSAM	Public Service Accountability Monitor
SAIIA	South African Institute of International Affairs
SCOPA	Standing Committee on Public Accounts.

List of Tables

	Page
Table 2.1 Worst Performing Provinces	23
Table 3.1 Top Eleven Gauteng Government Departments	40
Table 4.1 Trends in Unqualified Reports	60
Table 4.2 Audit Opinions for the previous three years	61
Table 4.3 Assessment of Performance	65
Table 4.4 Three year comparison of incidence rate per stage of audit	68
Table 4.5 Delays due to exceeding PFMA deadlines by the AG	69

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Public sector finance forms an integral part of the society and impacts on all social, economic, and political dimensions of a country. The state generally assumes responsibility for the welfare, health and prosperity of its citizens. This objective is achieved by providing effective service delivery to the electorate (Visser & Erasmus, 2002: 3).

One of the foundations of representative democracy is that the legislature as custodians of public money, be held accountable by the electorate. The legislature has to ensure that mechanisms and procedures are in place to facilitate public accountability. Effective public financial accountability in South Africa, as within any modern democracy, is dependent on the success with which the elected representatives in Parliament enforce accountability on those who have a responsibility of handling public funds.

For this reason, frequent auditing of the executive and the bureaucracy is an indispensable mechanism for achieving transparency on how public funds have been used and what value was obtained from the use of such funds (Barberton, 2000: 4). There are, however two types of government auditors, the Internal auditor who is employed by the government department and the External auditor who is the Auditor -General and is appointed by Parliament. Emphasis on this research will be placed on the Office of the Auditor –General South Africa (AGSA) for it plays a major role in auditing and reporting on the accounts, financial statements and financial management of all national and provincial state departments and administrations, all municipalities and any other institution or accounting entity required by national or provincial legislation to be audited by

the Auditor-General (Constitution of the Republic of South Africa, 1996 (Act 108 of 1996 section 216 (1))).

The Public Finance Management Act, 1999 (Act 1 of 1999) affords the Auditor - General powers and duties to enforce accountability on accounting officers. The PFMA is regarded as a tool that promotes the objective of good financial management in order to maximise service delivery through the efficient and effective use of limited resources. The PFMA extends the Auditor -General's mandate not only to monitoring and reporting on the accounting for funds used, but also to the efficiency and effectiveness with which such funds are used as well as adherence to prescribed rules and procedures.

The cost to the country's economy of weak financial management in the public sector can be huge, whilst the benefits of sound financial management and reporting can be immense. Good financial reporting underpins good financial management and it makes it easier to effectively manage government expenditure, to set fiscal performance targets, and to measure and improve the efficiency of producing public goods and services. As such, the Public Finance Management Act 1999, attaches great significance to auditing as a function of service quality, transparency, accountability and development effectiveness.

Therefore the auditing function plays a very significant role in public financial management as it promotes transparency through independent auditing and its reporting responsibilities to the Parliament, and ensures that instances of non compliance are reported to the public so that corrective action can be taken. This entrenches public confidence in the auditing profession and ensures that the fundamental values of the society are maintained (Kusi, 2004: 1).

The background to the problem will be discussed next.

1.2 Background to the Problem.

This section discusses the background to the research problem as a way or means of conceptualising the research statement. Firstly it is important to note how and why the Office of the Auditor -General South Africa was established and for what purposes. It is also vital to have an understanding of how it operates in relation to effecting accountability.

The mission of the Office of the Auditor -General is to be a leader in facilitating effective accountability through auditing on behalf of the taxpayer. Public confidence is fostered through the Auditor -General's reporting responsibilities to Parliament. By conducting world class, cost effective and technology advanced independent audits, AGSA strives to promote clean and transparent administration, the effective and efficient utilisation of resources and good governance (Nombembe: 2001).

The South African governmental audit system was originally based on the British model. The first legislation which set out the appointment of the Auditor – General, his condition of service and his powers was first passed in 1911, amended in 1916 and then remained unchanged until the new Exchequer and Audit Act 1956 (Act 32 of 1956) was passed. Control remained unchanged until the concept of performance auditing was incorporated into the Exchequer and Audit Act, 1975 (Act 66 of 1975).

Before 1999, the Auditor –General was still subject to several provisions in carrying out independent work which strengthened the misconception that the office formed a part of the executive institutions in the public sector. The report of the Joint Committee on Public Accounts stated as follows:

“In view of the many irregularities revealed by various commissions of inquiry in the recent past, it is clear that the frequency, range and professionalism of auditing should be increased.” (Annual report of the Auditor-General: 1990-91).

This view ended with the passing of the Auditor –General Act, passed on May 29, 1989 where the office of the Auditor –General was for the first time, established in a separate act and clearly administered separately from the Department of Finance. This act was important for strengthening the independence of the Auditor –General.

The Auditor –General Act and the Audit Arrangement Act are also aimed at effecting accountability and audit independence for the Auditor –General and his staff with the aid of appropriate checks and balances. Despite the constitutional changes in South Africa the key position of a single, independent Auditor – General is clearly defined in the new constitution of South Africa, 1993. As set out in the constitution, the Auditor –General has complete independence in the performance of his duties. He must disclose his findings to the public 14 days after reporting in an unbiased manner, on the accounts he examined.

Recently, the most radical legislative challenge of the Auditor –General lay in harnessing, for their purposes, the democratic separation of powers between the legislative, executive and judicial arms of government. For the audit office to fulfill its functional role as ‘watchdog’ of the legislature and the executive, the office could no longer operate under ministerial supervision, it had to become an independent institution that reported directly to Parliament (Audit Profile RSA:1996).

Independence was the ultimately move which, within a decade, transformed the audit office from just another civil service department to a State institution

supporting constitutional democracy – as outlined in chapter 9 of the Constitution of South Africa (Act 108 of 1996).

Of course, South Africa's political history cannot be isolated from these historical developments in the audit office. The then Deputy Auditor-General, Mr. Bertie Loots, wrote in 1992,

“The Unique statutory responsibilities of the Office, supported by the image of autonomy, objectivity and integrity which it has earned over the years, not only places AGSA in a position of trust vis-à-vis the general public but also carries special responsibilities in the New South Africa”.

(Annual report of the Auditor-General, 1990-91).

The current audit office is, therefore, in terms of legislation, a very different entity to what preceded it. It has currently the reputation of being the independent, taxpayers' watchdog for all South Africans.

Another phase of historical transformation then began in respect of the internal process that was to consolidate its mission, vision and establish the audit office as leaders in promoting effective accountability. That meant living corporate values and philosophy. A multi-faceted programme to build contemporary excellence into the audit office's services was embarked upon. The leadership of the audit office sought to build trust and confidence in their clients and began a process of organisational transformation under the auspices of a change management.

Amidst these changes the Auditor –General South Africa was becoming acutely aware of its positioning as an institution protecting democracy within South Africa and that it needed to explain this role to its external stakeholders. A heightened profile for media and communications was envisaged during the mid-1990s.

This strategic direction was linked to the timeous and professional publication of

the national accounts of government. These assist Members of Parliament (MPs) and the Parliamentary Standing Committee on Public Accounts to assess the progress being made in departmental accounting and financial management systems. The Votes, however, are still not always positively received in spite of the clinical nature of the reporting style (www.agsa.co.za).

In conclusion the audit office's primary role is to promote the principles of good governance through accountability and, in doing so, to enhance public sector good governance and effective service delivery. Given the role and the background of the Auditor General in ensuring public sector financial accountability, the research study investigates how effective the Office of the Auditor -General can be in ensuring public financial accountability of state departments so as to increase service delivery and ensure that funds are used for the purposes they are intended for.

Taking into account the background to the problem, the research statement will be discussed in the following section.

1.3. The Statement of the Problem

As proved in literature review, there is lack of public sector financial accountability within state departments which often leads to poor service delivery. However, institutions such as the Office of the Auditor- General are put in place in order to effect public financial accountability. The Question one therefore asks is how effective the Office of the Auditor- General is in ensuring public financial accountability of the state departments through the Public Finance Management Act of 1999 so as to enhance service delivery.

1.4. Objectives of the study

The objectives of the study are to:

- investigate the measures taken by the Auditor -General in enforcing accountability and to determine whether accounting officers are managing public funds effectively and efficiently; and
- ascertain the extent to which the AG's management letters and recommendations are taken seriously and if specific major changes are noted after the previous year's audit. This measures the willingness of the accounting officers to change and to ensure that services are provided to the community as well as the Auditor -General's capacity of being taken seriously by the auditees.

1.5. Hypothesis

- enhancing service delivery is dependant upon effective financial management and accountability;
- lack of effective financial management by Accounting Officers can result in poor service delivery; and
- the Office of the Auditor General should perform its duties effectively in order to enhance effective financial management and accountability.

1.6. Rationale for the study

Amidst high mismanagement and misuse of public funds as well as fraud, there is need to investigate whether public funds are being accounted for adequately. The Auditor -General being one of the major role players in ensuring public financial accountability, should be investigated to find out if the AGSA is being effective in performing its duties and also discover some loopholes if there are any and suggest remedial means to the situation.

The research is significant in that it touches the core issue of the public sector which is finances. Corruption and misappropriation of public resources impose great consequences to the nation. Instead of eradicating poverty, the government

might on the reverse fuel poverty, for example when finances provided for building houses are misappropriated, it might take a long time to reimburse the government the misused money and the problem of housing will remain unsolved. Instead there will be a greater demand for housing which will result in a high number of squatter camps. Thus efficient, effective and economic management of resources occurs as a result of proper structures that result in accountability and transparency.

1.7. Assumptions

- the researcher acknowledges other role players who are responsible for ensuring public sector financial accountability, for example the Parliament, the Standing Committee on Public Accounts and Portfolio Committees; however the purpose of this research is to investigate the effectiveness of the Auditor -General in particular; and
- all relevant respondents will be available at the time of the research and are willing to provide information required.

1.8. Limitations

The Office of the Auditor -General keeps information which can be highly confidential. The researcher not being part of the organisation is likely to face some resistance when carrying out field research.

Due to limited time and to a certain extent, lack of resources, the researcher may not be able to collect as much information as required; therefore eleven government departments will be sampled according to their budget allocations.

1.9. Definition of Terms

Efficacy

Efficacy means the capacity or power to produce a desired effect, it is the ability to achieve stated goals or objectives, judged in terms of both output and impact. Efficacy in this research would also mean the ability of the Auditor -General to provide an independent, fair, high quality report and perform all the functions as laid out in the PFMA.

Auditing

Auditing is the process of performing an audit. An audit is performed in reaction to an assignment given by a person or a group which has delegated certain responsibilities to others. The audit is performed by an independent third party (who is professionally competent to perform the assignment) on the results of an entity or an event, whose results have to be in conformity with an identified set of criteria. The objective of an audit is to gather audit evidence by performing a structured process and forming an opinion on the degree to which the relevant results compare to the stated set of criteria. Auditing specifically includes government auditing.

Accountability

The essence of accountability is answerability: being accountable means having the obligation to answer questions regarding decisions and or actions. This is the kind of accountability that goes beyond reporting of facts and figures, and asks for explanations and justifications: that is, it enquires not just what was done but why (Van Wyk, 2002: 294).

Accountability has the meaning intended in the Public Finance Management Act 1999 (as amended). Internal and External accountability will be discussed below:

Internal Accountability

Internal accountability is when subordinates are accountable to their superiors within a department. For example when the accounting officers are accountable to the Member of the Executive council (MEC) then there is internal

accountability. AGSA is also responsible for effecting internal accountability usually through systems audit and also performance audits.

External accountability

External accountability is when a department has to account to the legislature or when the MEC has to account to the community or the electorate on the department's performance and on the use of taxpayers' money. The AGSA has to report to the legislature on the performance of the department hence external accountability will be effected.

Financial Accountability

Financial accountability deals with the control and monitoring of the resources that fuel the administrative machinery of government. The focus is upon ensuring that resources are used for intended purposes according to proper and transparent procedures.

Public Finance

Public finance refers to the finances of the public sector. This suggests revenue gathering and expenditure activities of the government fiscal process (Visser & Erasmus, 2002: 5).

Government auditing

Government auditing means the functions performed by the Office of the Auditor-General in terms of the Constitution of the Republic of South Africa, 1996 and applicable statutes, specifically the Public Audit Act (Act 25 of 2004) as well as other legislation for example, the Auditor General Act 1995 (Act 12 of 1995) which requires the Office of the Auditor-General to perform an independent audit.

1.10. Chapter Outline

The research document will be organised in the following manner:

Chapter One

Chapter one is the introduction of the research proposal. It comprises the background, the problem statement, purpose and objectives of the study, hypothesis, rationale of the study, assumptions, limitations, and the definition of terms.

Chapter Two

Chapter two provides a theoretical platform from which to answer the research question. It comprises the organisation of literature in relation to the problem, presentation of literature, summary of literature and highlights of aspects to be used in the study.

Chapter Three

Chapter three is the research methodology which outlines and justifies the research design that has been selected as the most appropriate to answer the research question, organisation of methodology to address purpose and objectives, methodological considerations, research design, population and sample, data collection, strengths and limitations of the study, ethical considerations, data verification and data summary and analysis.

Chapter Four

Chapter four is the research findings and discussions. This is the presentation and analysis of findings. The findings will be linked to the literature and some conclusions will be drawn.

Chapter Five

Chapter five provides a conclusion that ties all the major findings and the literature together and some recommendations to the government are made.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

As South Africa prepared to enter the 21st century, the mood was very different from that in the first five years of democracy. The best way to describe the mindset shift in the late 1990s was the growing maturity in the people's attitudes towards the business of making democracy work.

One of the cornerstones of democracy is external accountability, and one of the pillars of accountability is how swiftly government reports back to citizens, through Parliament, on how it has spent their taxes. The shorter the time lapse between the closing of the government's financial year and the reporting process, the greater the credibility of its claims to being accountable. By contrast, accountability delayed is accountability denied.

Prior to 1999, the time lapse in accounting to Parliament was far too long. National and provincial government departments typically took up to 10 months after their financial year-end to submit their financial statements to the Auditor-General, and some even longer. As a result, no matter how diligently the Auditor-General worked to complete its part of the process, it was often 12 months after the end of the previous financial year that the first departmental report would actually reach Parliament.

That era ended in 1999, when Parliament passed the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA), introducing sweeping changes to financial management and disclosure requirements of government departments. Although other laws have since been passed to strengthen financial management in other areas of the public sector, the PFMA was a crucial

platform for the Office of the Auditor-General's work over the past seven years. With empowering legislation such as the PFMA, the question now is whether the Auditor –General is successful in promoting internal and external accountability, and thus strengthening democracy, to a level previously unattainable in the public auditing environment (Special Report, 1999-2006).

Legislative framework in relation to the subject matter will be discussed below.

2.2 Legislative Framework

Since the advent of democracy in 1994, South Africa has taken many positive steps to transform state structures, laws and processes to improve public finance management. Parliament listed the following laws that relate to increasing transparency amongst others:

- The Constitution of 1996 particularly chapter 13;
- Public Finance Management (Act 1 of 1999) (PFMA);
- Municipal Finance Management (Act 56 of 2003) (MFMA);
- Promotion of Access to Information Act (Act 2 of 2000); and
- Protected Disclosure Act (Act 26 of 2000).

These reforms sought directly to improve the efficiency of allocations and use of funds both internally and externally, to improve public policy, funding choices and enable accountability. Legislation and other controlling instruments related to financial management are explained below:

2.2.1 Constitution of the Republic of South Africa 1996

Section 216(1) of the Constitution of the Republic of South Africa, 1996 requires national legislation to establish a national treasury and prescribe measures to ensure transparency and expenditure control in each sphere of government, by introducing:

- generally recognised accounting practice;

- uniform expenditure classifications; and
- uniform treasury norms and standards.

2.2.2 Public Audit Act 2004 (Act 25 of 2004)

The Public Audit Act 2004 was established to:

- give effect to the provisions of the Constitution establishing and assigning functions to an Auditor-General;
- provide for the auditing of institutions in the public sector;
- provide for accountability arrangements of the Auditor-General to repeal certain obsolete legislation; and
- provide for matters connected therewith.

2.2.3 Auditor General Act 1995 (Act 12 of 1995)

The Act establishes the requirement for the appointment of the Auditor -General and outlines his or her functions, duties and powers. The Office of the Auditor -General in effect audits and investigates all accounts of the public entities and reports back to Parliament on the findings.

2.2.4 The Public Finance Management Act 1999 (Act 1 of 1999) (PFMA)

Section 62 of the PFMA states the duties and powers of the Auditor -General.

The Auditor -General may:

- investigate any public entity or audit the financial statements of any public entity if the Auditor -General is not appointed as auditor and the Auditor -General considers it to be in the public interest or upon the receipt of a complaint; and
- recover the cost of an investigation or audit from the public entity.

2.3 Role of auditing in public finance management

This section discusses the role of auditing in public finance management where the following points are discussed:

- Aiding financial management.
- Support good governance.
- Acting as a 'watchdog'.
- Internal and External Accountability.

2.3.1 Aiding Financial Management

Modern day public auditors perform a variety of audits aimed at satisfying different financial management goals. Financial audits assess the accuracy and fairness of both the accounting procedures utilised by a government agency and the financial statements reported by the agency. Compliance audits assess whether funds were used for the purposes for which they were appropriated and in compliance with relevant laws and regulations. Performance audits analyse cost-effectiveness (economy), operational efficiency, and the general effectiveness of government programs in achieving their objectives. There has been a trend in recent years among auditors towards increasing the number of performance audits as these audits are seen as revealing more about the effectiveness of government operations. However, a comprehensive audit framework requires that all three types of audits (financial, compliance, and performance) be combined to provide a complete overview of public financial management (www.internationalbudget.org).

2.3.2 Support good governance

Good governance is classified as being participatory, transparent, accountable, effective, compliant with the rule of law, and responsive to the needs of the people. An effective auditor can play an important role in ensuring that some of these key attributes of good governance are maintained by the government. By auditing public finances, auditors do not only demand accountability of the

government but in turn add credibility to the government's public financial policies and practices. By making their audit findings available to the public, auditors provide a critical window on transparency in public finance management and assess whether government agencies have complied with national and/or local laws, regulations, and their annual budgets (www.internationalbudget.org).

Auditing is an integral part of an institutional framework supporting good governance and the realisation of a country's welfare measures and poverty eradication goals. Social welfare programs and other targeted poverty eradication programs in developing countries are characterised by their access to limited resources. To achieve their goals, therefore, these programs depend greatly on the efficient and effective utilisation of these limited resources. Within this framework, the role of the public auditor in monitoring the utilisation of program resources is critical. A vigilant auditor can contribute greatly to the achievement of social development programs by limiting corruption and strengthening the accountability of responsible agencies (www.internationalbudget.org).

2.3.3 Accountability

As defined in the first chapter, both internal and external accountability are the essence of answerability. The mission of the Office of the Auditor -General is to be a leader in facilitating effective internal and external accountability through auditing on behalf of the taxpayer, and also ensuring that the accounting officers are held accountable on the use of public funds. Public confidence is fostered through the Auditor -General's reporting responsibilities to Parliament. By conducting world class, cost effective and technology advanced independent audits, the AGSA strives to promote clean and transparent administration, the effective and efficient utilisation of resources and good governance (Nombembe: 2001).

Furthermore, in the discussions around the role of the Auditor-General held in parliament, AGSA indicated that accountability should be output, outcomes and results-based and not inputs-based as has traditionally been the case. Most African countries are grappling with public finance management and are learning from the PFMA. Both the PFMA and the MFMA are extremely ambitious and potentially effective financial management structures.

2.3.4 Acting as a 'Watchdog'

The Auditor -General acts as a 'watchdog' on behalf of the government. A 'watchdog' is a guardian, a defender against theft or illegal waste and practices. The AGSA therefore, recommends corrective action where non-compliance is reported or where departments require help. If an accounting officer is found guilty of willful or gross negligence, he or she can face a fine or imprisonment for a period not exceeding five years.

2.4 Promoting sound public finance management through PFMA

The PFMA put in place a legal framework for modern public financial management and has been at the centre of government's efforts to enhance public financial management and accountability. Throughout the PFMA and accompanying Treasury Guidelines, individuals are made responsible for the flow of funds and/or establishing systems. Checks and balances have been instituted to ensure that individuals undertake their responsibilities. For example, the payroll is divided into pay points, where the legitimacy of payments needs to be certified monthly by an individual who is not the same person making the payments.

The PFMA designates heads of departments and constitutional institutions and boards of public entities as accounting officers or accounting authorities and gives them the responsibility for the effective, efficient, economical and transparent use of resources in accordance with the Appropriations Act. In doing

so, the PFMA requires them to produce monthly and annual financial reports and ensure effective, efficient and transparent systems of financial and risk management, internal control and procurement. If accounting officers do not comply with these requirements, they are guilty of financial misconduct and can have disciplinary and criminal proceedings instituted against them, depending on the nature of the offence.

Furthermore, the PFMA compels ministers to fulfill their statutory responsibilities within the limits of their voted amount in the Appropriations Act, and requires them to consider the monthly reports submitted to them by their accounting officers. It also sets out a framework to clarify accountability when a political directive could result in unauthorised expenditure.

In order to ensure effective public expenditure management by government departments, the PFMA sets out the general requirement that accounting officers maintain effective, efficient and transparent systems of financial and risk management and take steps to safeguard departmental assets. In addition, the PFMA and public service regulations both oblige MECs to ensure that their departmental personnel are governed by efficient, effective and economical human resource management procedures. This requires effective performance management systems to govern the employment of all officials. Finally, the PFMA requires that accounting officers of departments ensure that they establish cost-effective procurement and provisioning systems (SAIIA, 2006:101).

In a report on the Joint Ad Hoc Committee on Economic Governance, Summary of the Auditor-General's Submission, 2005, it was noted that the challenge in the African continent broadly is the lack of a public finance management framework. However, South Africa's specific challenge relates to the level of commitment and political will to comply with the existing legislative framework. Good financial management processes are the key driver to accountability.

2.5 Accountability in the Public Sector

The literature consulted previously emphasised the obligation of executive institutions to account to the legislature for their performance in managing the responsibilities and resources entrusted to them. This need for accountability is discussed below and the following points are addressed:

- What should government be accountable for?
- Institutional arrangements for accountability.
- Annual reports as an accountability mechanism.

2.5.1 The need for Accountability

When the citizens put government into office, they entrust government with the responsibility of governing and managing public resources. This in actual fact constitutes a contract of external accountability between citizens and government. Citizens therefore have the right to know what government intends to achieve and what it has actually accomplished.

Good performance information from government will assist citizens, managers in the government service and legislatures to assess government performance in the following ways:

- Citizens can assess the impact government has had on their lives, what has been achieved with their tax money, whether their money and limited resources have been spent wisely, and whether their money has been used in a way that gives them the best value. Information on government performance can also assist citizens in holding government accountable for the way in which it has carried out its mandate.
- Managers in government will be able to determine how they are doing - where they are succeeding, and where they are not succeeding; what is working and what is not, and how limited resources can be used in the most relevant, economic and effective manner.

- Good budget information empowers the legislature to make an informed choice and to assess priorities and trade-offs between options within the framework of the level of expenditure that can be afforded. The annual report, on the other hand, is the mechanism by which a legislature can assess government's performance by comparing what it intends to achieve with what it actually achieves, and can influence the way programmes are managed through improved public awareness. (<http://www.psc.gov.za/docs/reports/1999/mechanism.html>).

2.5.2 Heads of Department/ Accounting Officers

In terms of section 7(3) (b) of the Public Service Act, 1994 (Procl 103 of 1994) a head of department is responsible for the efficient management and administration of his or her department, including the effective utilisation and training of staff, the maintenance of discipline, the promotion of sound labour relations and the proper use and care of state property, and he or she must perform such functions as may be prescribed.

In terms of section 38(1) (b) of the Public Finance Management Act 1999, the accounting officer who is normally the head of the department is responsible for the effective, efficient, economical and transparent use of the resources of the department.

Section 40(1) of the Public Finance Management Act provides that the accounting officer must -

- prepare financial statements for each financial year in accordance with generally recognised accounting practice; and
- submit an annual report on the activities of the department during that financial year.

Section 40(3)(a) of the same Act provides that the annual report and audited financial statements referred to in subsection 40(1)(d) must-

- fairly present the state of affairs in the department, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned (PSC Report :1999).

2.6 Research on the accountability of Government departments

The Constitution of South Africa 1996 requires the Auditor-General to audit and report annually on the accounts, financial statements and financial management of all government departments. These reports must then be submitted to the relevant provincial legislature for consideration. A key function of the Auditor-General is to ensure that government departments are properly managed and that their resources “are procured economically and utilised efficiently and effectively.” The provincial portfolio committees must then scrutinise the contents of the annual reports and investigate queries raised. The legislature and its committees must exercise oversight of executive authorities in the province and their corresponding government departments. In carrying out this function, a provincial legislature or any of its committees may require a person or department to appear before it to explain irregularities.

Since 1996, the Eastern Cape Auditor-General had raised the same issues indicating weak financial management in some departments, the Public Service Accountability Monitor (PSAM) found. These issues related to poor asset management, a lack of effective personnel controls, the absence or ineffectiveness of internal auditing, and inadequate controls over transfer payments. The reviewed departments displayed an inability and/or an unwillingness to address problems raised by the Auditor-General and recommendations made by their portfolio committees.

For example between 2000 and 2004 the Auditor-General issued audit disclaimer opinions for 74.5 % of the combined budget allocated to the Eastern Cape Departments of Housing, Education, Health and Social Development. This

effectively means that these departments could not adequately account for R58.6 billion out of a total of R78.5 billion spent during this period; and in 2002 the Auditor-General pointed out that not a single Eastern Cape Standing Committee on Public Accounts (Scopa) resolution had been implemented in the seven financial years between 1995 and 2002 (General Report of the AGSA, 1997-8, section 6).

2.7 Gauteng Provincial Government

This research will be mainly investigating the Gauteng provincial government departments thus a previous research on the province will be of importance and will add value to the research.

The Gauteng provincial strategic priorities which have been agreed upon by the Gauteng Executive Council and are aimed at reducing the unemployment and poverty rate are,

- Fighting poverty and building a safe, secure and sustainable communities;
- enabling faster economic growth and job creation;
- developing a healthy skilled and productive people;
- building an effective caring government; and
- deepening and promoting constitutional rights.

The Auditor –General saw the need of having a General report on the audit outcomes of the Gauteng provincial government. The purpose of this report is to facilitate effective accountability while also enabling the Gauteng provincial departments to identify those aspects that need additional attention in their internal accountability process.

In a General Report of the Auditor –General on provincial outcomes 2004/05 it was noted that only 12 % of all government departments have clean audit

opinions. This figure shrinks to 4 % at provincial level. Nombembe, the new Auditor –General told the Johannesburg Press Club that,

“These trends (of having qualified reports) have an impact of diminishing confidence the public has in administration of accounts.” (Mail & Guardian 2007).

Nombembe said a shortage of skills and resources has been identified as the main route for qualified audits for most departments. An extensive training drive or a re-examination of recruitment was urgently needed to reverse the current situation. The Auditor –General called for better focus on coordination of skills development. Skills development is essential in ensuring stability of business processes. He also stated that,

“Departments cannot afford to have incompetent people acting in top positions, we need to train people to do the job to make sure that even if individuals come and go, work is done properly.” (Mail & Guardian, 2007).

Other problems included the inability of government departments to perform business processes and the lack of leadership abilities. Furthermore, guidance was lacking on the coordination of governance matters.

Judging from the number of qualified reports received, Gauteng province happens to be part of the bottom four worst performing provinces in South Africa. The table below shows the bottom four provincial departments starting with the least performing province in 2004.

Table 2.1
Worst performing provinces

<i>Ranking</i>	<i>Province</i>	<i>% of qualified reports issued</i>	<i>Number of qualifications issued</i>
1	<i>Eastern Cape</i>	69.2%	59
2	<i>KwaZulu -Natal</i>	68.8%	50
3	<i>Free State</i>	50.0%	77
4	<i>Gauteng</i>	46.2%	44

(General Report of the Auditor –General on provincial audit outcomes for 2004-05)

The Auditor –General also pointed out that departments were showing trends of under spending, overspending or spending on unauthorised budgets.

2.8 Financial Misconduct

Despite the government’s efforts to root out corruption within the public service, the picture remains discouraging, as the most prevalent transgressions reported to the Public Service Commission (PSC) are fraud and theft. Not only does this impact on service delivery, it also costs the government a lot of money. Financial misconduct by any employee results in material and financial detriment to the State. In the 2002/2003 financial year, the cost of financial misconduct was indicated at about 44% of the reported cases and amounted to over R331 million. In 2003/2004 the cost of misconduct stood at 60% of the cases and amounted to over R20 million. The PSC noted that the former figure was “exceptionally high” and ascribed it to a case reported by the Department of Public Works, Roads and Transport in Mpumalanga, and one case reported by the Department of Social Development in the North West Province. The amounts were in both cases recovered according to the PSC. In order to get a comprehensive picture of the impact of financial transgressions, the PSC recommended that National Treasury

should consider amending regulations to include the cost of misconduct, as well as an indication of the amount recovered in the list of information that should be reported on (SAIIA, 2006:104).

2.9 The Auditor General South Africa (AGSA)

The Auditor-General of South Africa (AGSA) is the supreme institution empowered to audit and report on the accounts and financial management of all spheres of government and other statutory and non-statutory bodies. The office of AGSA is constitutionally guaranteed as a Chapter Nine institution. S/he is appointed by the National Assembly, and must submit audit reports to the relevant national or provincial legislature and all reports must be made public. Under the Public Finance Management Act 1999, he/she must report to parliament on the accountability of public entities.

Although the office does not have prosecutorial powers and serves only to uncover and disclose problems, the office is a vital source of information for parliament and the public. If it does not perform its duties adequately or publicise them broadly, there is no other source of information on the state of government accounts – save the media and what government chooses to say about itself.

Furthermore, in the discussions around the role of the Auditor-General held in parliament it was noted that AGSA is subjected to the Internal Auditing Standards and receives an independent review from the Public Accounts and Auditors' Board, as well as several peer reviews that check compliance and report on it, and also conducts quality control measures. The standards are technicality driven, and annual stakeholder satisfaction surveys are also conducted. South Africa has also subjected itself to a peer review mechanism by leading auditors all over the world. This is done reciprocally so as to allow for learning opportunities. The improvement that is now taking place is not enough to take South Africa to the next level at this point in time. It requires a lot of input from

the National Treasury, but also the right caliber of people to help the AGSA. The adoption of a number of standards is being delayed due to lack of capacity, and National Treasury is holding back on these, precisely because of this vicious cycle of lack of capacity (www.agsa.co.za).

2.9.1 The role of AGSA in Accountability Process

The purpose of the AG is to support constitutional democracy by playing a fundamental role in the accountability process. Essentially, accountability requires the executive authority to provide appropriate information in order to report to its stakeholders in a satisfactory manner. The auditors then add credibility to this information offered by the executive. If an audited entity does not report to its stakeholders, the AG may issue reports directly to them.

In addition to the AG, there are other significant role players in the accountability process. These are the standard-setting bodies that set the reporting requirements with which the executive has to comply. In the South African context obvious examples would be the National Treasury and the Accounting Standards Board. These reporting requirements need to be clearly defined in order to ensure that the required reporting on the performance of an audited entity is clear and makes sense to its stakeholders. The oversight bodies have traditionally focused their reporting requirements on the financial performance of the entity. This involves providing accurate and detailed financial statements on the use of resources by an entity. It does not include, however, an assessment as to whether the resources utilised have achieved the objectives of the organisation in terms of service delivery. Such an assessment is known as performance management and is a new focus area nationally and internationally.

The PFMA requires entities to report on financial and performance information. However, as mentioned above, the guidelines provided by oversight bodies to date have concentrated almost exclusively on financial statements. As a result, resources are predominantly focused on providing an opinion on the financial

statements, and not on service delivery. In fact, over 90% of audit income received is allocated to the auditing of financial statements. By concentrating on the auditing of financial statements, an expectation gap results between the product the AG delivers and the product the stakeholders require, since their focus is on service delivery. This gap in expectation will continue, unless the financial statements submitted by audited entities contain adequate information on performance measured against predetermined objectives.

The AG does strive to add further credibility to the performance of the entities audited through performance auditing and auditing of financial management, in addition to providing an audit opinion on financial statements. However, as things stand, performance audits are conducted on an ad hoc basis and do not provide a regular, annual means of assurance to stakeholders.

Research indicates that many Auditors-General in developed countries spend a considerably higher proportion of resources on auditing performance, than is the case locally. In terms of the outputs delivered by the AG, the need for a shift in the scope of audits was identified. However, extended auditing of performance management information does not supersede the existing audit process. If audited entities do not have systems in place that can be relied upon for the purpose of compiling financial statements, then the likelihood exists that the management information required to measure aspects such as service delivery will be equally suspect.

Therefore, at this stage, the reporting on these issues will merely serve to inform the public that the information provided by an entity cannot be relied upon. As an entity progresses in the quality of information provided by its systems, the resources required to audit the financial statements should become less, thereby enabling auditors to audit the broader aspects of an entity's performance (Activity Report of AG, 2004/05: 18).

2.9.2 AGSA's Independence

Auditor independence is the cornerstone upon which the audit profession has been built and, indeed discharges its duty to its clients and the market at large. The key characteristic of this independence is the state of mind of the auditor, this must include integrity, strength of character to stand up for what is right and freedom from any undue influence. These character attributes must not only exist in an auditor but must be seen to exist- independence is as important in fact as it is in perception (Hourquebie: 2003).

The independence and accountability of the AGSA is a critical factor in determining the credibility and effectiveness of this institution. The concept of an independent AGSA should have several principles, including the absence of government interference. The extent of independence of AGs critically affects their credibility. Many AGs in Africa are not wholly independent, but report to, and are funded by the Ministry of Finance, which compromises their effectiveness. South Africa however, does not experience this shortcoming. Although independence implies different meanings to different African countries, it generally refers to the extent to which institutions can act autonomously, in terms of their own control over their processes and resources, as well as human, material and resource availability. (Report on the Joint Ad Hoc Committee on Economic Governance, Summary of the Auditor-General's Submission, 2005: 39).

2.10. Critique on the Auditor –General

The following discussion is a critique on the AG.

2.10.1 AG's reports less informative

According to SAIIA (2006: 190) Auditor-General's office produces reports in a timely way on all national departments, provincial governments and municipalities. However, the Auditor-General's office has several crucial

weaknesses. While the office performs its duties in a far more timely way in comparison to the AG's in other African countries, its reports are extremely superficial and contain very little detailed information when compared to the work produced by much more poorly funded Auditors -General in Ghana, Kenya, Malawi and Mauritius. While other Auditors -General make detailed public reports running to hundreds of pages listing specific information about tenders awarded outside of the legal rules, money gone missing and payments unauthorised, the South African AGSA provides only minimal information that gives no indication of who is culpable or how the error in question occurred.

For example, the AGSA's report on the accounts of the Department of Provincial and Local Government 2002/03 noted only that "Fifteen payments (R4.8 million) were made in error to local authorities. No further explanation is offered over this large sum of missing funds. The AGSA's office is founded on the idea that public information is a critical antidote to unaccountable individuals and institutions. However, without detailed information the public and parliament cannot fulfill their roles in pressuring for accountability.

2.10.2 AG's reports not broadly distributed

The AGSA no longer produces a single consolidated report on issues in public finance. Instead AGSA issues a brief report on each provincial, local and national entity. Those bodies are supposed to include the AGSA's reports along with their financial statements in an annual report that should be tabled in the relevant parliament, legislature or municipal council. However, many such entities file their reports late or not at all and a substantial number do not make the information readily available to the public. As a result, the AGSA's work is substantially reduced in its value and power to assist with accountability. According to the AGSA, the office cannot provide audit reports directly to the public, but citizens must go directly to each individual entity. There are a total of 27 national departments, 111 provincial entities, 284 municipal governments and many state-owned enterprises that produce accounts subject to AGSA review. The AGSA

also conducts a variety of special investigations and, where appropriate, passes information on to the relevant investigative/prosecutorial body. However, these reports are not available on the AGSA's website. To force the media and parliament to look for every one of these documents separately is inefficient and contrary to the spirit behind having an Auditor-General (SAIIA, 2006:191).

2.10.3 Consistent qualified audit reports

Home Affairs, Public Works, and Water Affairs and Forestry all received qualified reports for the four years from 2000 up to 2004, while Correctional Services and Statistics South Africa had qualified reports for three consecutive financial years 2000-2003. Qualified audit reports are those where auditors lack sufficient information. In 2003/04, eleven departments received a qualification, up from eight in the two previous financial years, which "suggests that the implementation of policies and procedures by management to satisfy the requirements of the Public Finance Management Act is proving difficult." (Fakie, 2003:5).

In the Eastern Cape, for example, the recommendations made by the Auditor-General were seldom implemented; particular departments such as Education have received audit disclaimers year on year for the same problems, such as the failure to submit documentation. The Auditor-General noted in reports that his queries have been raised repeatedly (since 1995 in some instances), yet no progress appears to have been made to address them by departments.

2.10.4 Lack of performance management

President Mbeki has tried to impose delivery targets on all departments at a political level, but there is no management system to track whether spending patterns are geared to achieve these targets. The AGSA concentrated on auditing financial statements with only *ad hoc* performance audits, and noted that the financial statements received are not linked to progress against departmental targets.

‘The challenge that we face by concentrating on our auditing of financial statements is the expectation gap between the product my office delivers and the product the stakeholders require, since their focus is on service delivery. This gap in expectation will continue unless the financial statements submitted by audited entities contain information on performance measured against predetermined objectives.’ (Fakie, 2004).

There are fundamental deficiencies in the reporting on performance information in the annual reports. This includes poor linkage to budget commitments, lack of measurable objectives and lack of explanation of deviations from planned targets and outputs. Much work is required in the development of reporting in this area, if effective accountability around service delivery is to be achieved.

2.11 Auditor-General’s Reports

The purpose of the Auditor –General’s report is to facilitate public accountability by bringing to the attention of Parliament findings of various government structures. In these reports, the AGSA highlights problems and expresses an opinion on the financial statements and compliance with the relevant laws and regulations applicable to financial matters.

The AG reports are grouped in the following categories:

- Activity reports.
- Annual reports.
- General reports.
- Special reports.
- Quarterly reports.
- Specialized reports.

One of these reports which has just been introduced that is the General report will be discussed below.

2.11.1 General reports

A good example of a report is the evolution of the general report. This is a consolidated report that provides a comparative analysis of government departments, so that their progress against that of their peers can be tracked and assessments can be made as to whether or not they are improving. Three key improvements have been made to the general report. First of all, it is more user-friendly, with summaries of the financial statements and compliance audits for easy reference. Secondly, it has been extended into three different reports, one on the outcomes of the audits of national departments a second report on provincial audit outcomes, and a third on local government. These are important accountability tools and are in demand among stakeholders.

2.12 Follow-up to the Auditor -General's Reports

“Accountability Lacking in Eastern Cape” proclaimed a June 18, 2004, headline in Grocott’s Mail, South Africa’s oldest surviving independent newspaper. This provocative finding headed an article quoting researchers from the Public Service Accountability Monitor (PSAM) on the poor monitoring of public service delivery agencies in the Eastern Cape Province. The article noted that PSAM had long argued for the need for effective oversight of public agencies, which was “woefully lacking” and cited a statement made in 2002 by the Auditor-General (the SAI in South Africa) noting that,

“Not a single one of the Standing Committee on Public Accounts recommendations had ever been implemented by any provincial department.”

Implementation of the AGSA’s recommendations seems to be a major problem in governments departments. . For example, in the report of the Auditor –General on accounts of local Government in the Northern Cape Province, 2003 the AGSA highlighted,

“The inability to timeously compile annual financial statements and the delay of audit reports remain a serious concern to this office. The detrimental effect this has on timeous and complete finalisation of audits and audit reports as well as a negative effect this has on public accountability is self evident.”

Thus delay in submitting financial statements can adversely affect public accountability.

PSAM was established as an independent research project at Rhodes University in 1999. It initially took on the task of tracking actions taken by the provincial administration in response to reported cases of corruption. A number of these cases had originally been identified in Auditor-General’s reports. PSAM collected this information in a database that was made available to the public on its website. The database shows that effective corrective action had been taken and there is information that citizens and civil society organisations could use to gauge the commitment of government agencies in combating corruption involving agency members.

Over time, PSAM began to shift its focus to the structural context of weak financial management that was responsible for many of these acts of corruption and maladministration. It began to systematically monitor the compliance of provincial administrative agencies with public finance regulations and administrative directives. This included creating a database of information on the coherence of strategic planning within agencies and their annual and audit reports. In particular, PSAM monitored whether recommendations to improve financial controls made to agencies by the Auditor-General and the legislature’s oversight committees were being implemented.

PSAM utilises a wide variety of means to obtain documents pertaining to financial management, maladministration and corruption including, when necessary, using freedom of information provisions. It publicises its findings on a regular basis, including by producing a weekly column (the “Accountability Monitor”) in a provincial newspaper. PSAM produces analysis that is geared toward public understanding and specifically designed to engender and support public involvement in governance processes. It endeavours to produce and distribute its analysis of public expenditure management in a manner timed to coincide with the budgeting and oversight cycle in order to influence budget and spending priorities and improve service delivery. (SAIIA, 2006:108).

PSAM has achieved encouraging results in the Eastern Cape Province in spite of working in a hostile political environment. Its research and advocacy efforts have contributed to the improvement of financial reporting standards in provincial government agencies, which in turn has led to a dramatic decrease in the number of audit disclaimers issued by the Auditor-General to these agencies since 1996.

PSAM documented that audit disclaimers were issued to 10 of the 13 major public agencies in the province from 1996 to 2000. However, while the Auditor - General’s office was reporting large scale audit disclaimers to the provincial legislature, little action had been taken by the oversight authority to rectify the situation. In response, PSAM began actively publicising the gravity of this state of affairs. PSAM staff members gave numerous radio and newspaper interviews in which they explained the meaning of audit disclaimers in non-technical language. (Ramkumar & Krafchik, 2006:13).

2.12.1 *Need for Expenditure management*

Public expenditure incurred by provincial government departments in South Africa is subject to strict regulation by the PFMA – supported by the National Treasury regulations and a range of implementation guidelines – and the Division

of Revenue Act (Dora), which is passed annually. The accounting officer (generally the HOD) within any government department is responsible for “the effective, efficient, economical and transparent use of resources” and is required to take appropriate steps to prevent fruitless and wasteful expenditure.

The PFMA states that before transferring any funds to an entity within or outside government an accounting officer “must obtain a written assurance from the entity that that entity implements effective, efficient and transparent financial management and internal controls systems.” The Dora also states that all conditional grants can only be spent in a way consistent with their intended use. If provinces or municipalities under-spend or make improper use of conditional grants the transferring national department can either delay further payments, or withhold these if there is a serious or persistent material breach of the conditions to which the allocation is subject (SAIIA, 2006: 136).

In order to ensure effective public expenditure management by government departments, the PFMA sets out the general requirement that accounting officers maintain effective, efficient and transparent systems of financial and risk management and take steps to safeguard departmental assets. In addition, the PFMA and public service regulations both oblige MECs to ensure that their departmental personnel are governed by “efficient, effective and economical” human resource management procedures. This requires effective performance management systems to govern the employment of all officials. Finally, the PFMA requires that accounting officers of departments ensure that they establish cost-effective procurement and provisioning systems.

All of the departments reviewed by the PSAM routinely over- or under-spent their budgets and incurred fruitless and wasteful expenditure between 2000 and 2004. None of these departments were found to have established effective financial control mechanisms (including asset management systems, capital expenditure management systems, procurement systems, and controls over transfer

payments) by the Auditor-General, or efficient and economical human resource management systems (including performance management systems or personnel and leave record systems). (Gerrie du Preez,. 2000).

The PSAM found for example that between 2000 and 2004 the Eastern Cape Department of Housing and Local Government under-spent a cumulative total of R928 million (or 29% of the total budget) allocated for the construction of houses. In the period between 2002 and 2004 only 15 performance agreements were signed with members of the department's more than 1,000-strong staff. Between 2000 and 2004 the provincial Department of Education overspent its personnel budget by R1.1 billion (primarily due to its employment of an annual average of 13,000 staff additional to the fixed establishment). In addition, in this same period, despite an infrastructure backlog totaling R15.8 billion, the department spent only R19.7 million (or 37 %) of an available amount of R510 million on educational infrastructure (including the maintenance of school buildings) in the province (SAIIA, 2006:137).

2.13 Conclusion

Despite its critical role in enforcing accountability, the auditing function is beset by severe institutional and operational limitations. In some cases auditors are in institutions that do not provide adequate independence and freedom from executive interference. Even in cases in which auditors have sufficient auditing mandates they may lack additional investigative powers to enable them to follow-up on apparent violations and ensure the prosecution of relevant agencies or individuals. Similarly, auditors in many countries do not have adequate powers to decide what should be audited or how the audit findings should be presented.

In many developing countries, for example Zimbabwe, auditors may lack skilled staff to perform the tasks expected of a modern auditor, such as detecting fraud using information technology. Financial constraints on auditors often mean that

they lack adequate infrastructure such as office space, computers, and vehicles for transport, which further hampers the effective conduct of their work.

Auditors report their findings to legislatures and particularly the Public Accounts Committee (PAC) within legislatures. Due to time constraints, the PAC is able to consider only some of the audit reports and audit findings and poor coordination may prevent the PAC from taking up the most critical findings. The audit reports in these cases are then shelved and no action is taken against agencies or individuals that have broken the law or committed fraud.

An area of great concern is the lack of ability to benchmark or compare the current financial statements of one entity to those of another in the public sector. Despite a significant volume of detail in financial statements of departments, no key ratios and/or benchmarks can be used to evaluate the effectiveness of financial management. This is in stark contrast to the private sector. In the private sector the financial statements are also used for analysing ratios that can be used across the industry or over time. General reports do not analyse any ratios in the financial statements of departments (General Report, 2004-2005: 2).

The key attributes of good governance are accountability and transparency, which are achieved through timely submission of financial statements and audit reports. Receiving the financial statements after the set deadline not only impacts on the ability of the AGSA office to perform its function in this regard, but could impact on the ability of the departments to perform within the accountability framework (Cape Town Provincial Report, 2006: 4).

Chapter three deals with the research methodology, where the researcher justifies the methods used to carry out the research by providing details of how the investigation will be performed.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

The previous chapter focused mainly on reviewing the literature on public sector accountability. This study was primarily undertaken to determine the efficacy of the Auditor -General South Africa (AGSA) in ensuring public financial accountability in the Gauteng Province. This chapter provides an exposition of the research methodology that was employed in the quest to answer the research question. It provides a detailed explanation that was used in the research in terms of sampling methods, the method of data collection and analysis. It also provides a justification of the methods used, and possible limitations of the research.

3.2 Research Design

In order to answer the research question and thus arrive at the goal of the research, a qualitative research method will be used. The qualitative method of inquiry allows the researcher to understand the respondents in terms of their view of the AGSA and its effectiveness. According to Henning (2004:5) the qualitative method of inquiry allows one to understand the respondents in terms of their definition of the world.

3.2.1 Qualitative method

Babbie and Mouton (1998: 289) define a qualitative interview as 'essentially a conversation in which the interviewer establishes a general direction for the conversation and pursues specific topics raised by the respondent.' Interviews are credible as a method of collecting information because, they not only provide data, but also contextual information that may be useful especially in this research. Babbie and Mouton (1998: 289) emphasise that an interview 'allows

the object of study to speak for him/ herself rather than to provide respondents with a battery of our own predetermined hypothesis based questions.’ The researcher used the semi structured, open-ended interviews and a few closed questions. Wisker (2001: 168) gives credence to this method when she observes that semi structured interviews manages to address the need for comparable responses and the need for the interview to be developed by the conversation between the interviewer and the interviewee. Taking into consideration the strengths of semi-structured interviews, the researcher realised that they would be most suitable for the research. They allowed the respondents to speak for themselves and allowed the conversation to flow freely. The respondents were thus able to bring up important issues that the researcher was not aware of. The disadvantage of interviews is that they are time consuming and that the vast amount of data collected may make ordering and interpretation difficult. The researcher, however, allocated enough time to data analysis in order to avert this problem.

3.3 Population

The population can be defined as the total number of cases with a given characteristic or a set of characteristics from which a sample is drawn. In this case, it refers to the total number of government departments which are to provide the researcher with the information required. There are 13 government departments in the Gauteng Province and of the 13, top eleven departments were selected to represent the population. In an effort to provide an unbiased view of the AGSA, the researcher selected departments which have the highest budget allocations in order to determine whether the AGSA is generally efficient and effective in ensuring public accountability. The sampling method used will be discussed below.

3.4 Sampling Method

The concept of sampling refers to the selection of a particular section of the population upon which one carries out the research (Wisker, 2001: 138). Non

probability quota sampling was used to select government departments. The researcher first identified the strata and their proportions as they are represented in the population. The selection of the government departments was done according to their budget allocations. The departments with the highest budget allocations for example Housing and Transport Department were selected among the eleven. This gave a fair and realistic view of the population. The respondents were representing the following departments which are listed below:

Table 3.1
Top Eleven Gauteng Government Departments

Total Gauteng Budget is R34.6 Billion	
Department	Budget
Education	12282000000
Health	10400000000
Transport & Public Works	6200000000
Housing	2000000000
Social Development	982000000
Labour	242000000
Community Safety	220000000
Sports, Recreation, Arts, & Culture	221000000
Economic Development	572000000
Local Government	160300000
Gauteng Legislature	129000000
Total Budget of the sample	<u>33408300000</u>
Total budget of Gauteng	34600000000
Percentage of the sample	97%

<http://www.gpg.gov.za/docs/nz/2006/nz0221a.html>

These eleven departments or votes are part of the 13 total votes in Gauteng. They are the biggest in the Gauteng Province and they make up 97% of the total budget. These departments are the major ones which make up the provincial government of Gauteng. Therefore this sampling technique would represent 97% of the population.

3.5 Methods of Data Collection

The following discussion is on the method of data collection which the researcher used to obtain information namely:

- In depth interviews.
- Structured interviews.

3.5.1 *In –depth Interviews*

An in-depth interview is a dialogue between a skilled interviewer and an interviewee. Its goal is to elicit rich, detailed material that can be used in analysis (Lofland & Lofland, 1995: 15). Such interviews are best conducted face to face, although in some situations telephone interviewing can be successful.

In-depth interviews are characterised by extensive probing and open-ended questions. Typically, the project evaluator prepares an interview guide that includes a list of questions or issues that are to be explored and suggested probes for following up on key topics. The guide helps the interviewer pace the interview and makes interviewing more systematic and comprehensive.

The data can be recorded in a wide variety of ways including stenography, audio recording, video recording or written notes. The interviewer used audio recording and written notes in order to capture everything the respondent was saying. There was a standard questionnaire which was administered to all respondents, so as to compare the information gathered in order to arrive at a reasonable

conclusion. The purpose of the interview was to probe the ideas of the interviewees about the phenomenon of interest.

3.5.2 Structured interview

There are structured and unstructured kinds of interviews. Unstructured interviewing involves direct interaction between the researcher and a respondent or group. It differs from traditional structured interviewing in several important ways. Firstly, although the researcher may have some initial guiding questions or core concepts to ask about, there is no formal structured instrument or protocol. Secondly, the interviewer is free to move the conversation in any direction of interest that may come up (William, 2006:8).

Therefore the researcher used a structured questionnaire so as to guide respondents on the kind of information they were expected to give. The researcher held interviews with both the auditor and the auditee since both views were required. Thus there was an in-depth interview administered to the Auditor -General or a representative in the Johannesburg Audit Office. Another in depth interview which comprises the same questions was carried out in eleven different government departments in Johannesburg, Gauteng Province. From these in -depth interviews, the researcher was able to draw conclusions. The profile of these respondents will be discussed later in this chapter.

The following questionnaires were used as a guideline of questions to be asked:

3.5.2.1 Questionnaire to the Auditor General South Africa

1. What measures are you taking to ensure that there is public financial accountability?
2. In your opinion, do you believe that accounting officers are generally

accountable for state resources? If Yes/No explain why.

3. During the course of your audit what general picture do you have of accounting officers? Are they sceptical, helpful or unavailable?
4. What suggestions would you make for accounting officers to be more accountable?
5. Do you make follow-ups on the previous year's audit to make sure suggestions you have made have been implemented?
6. Are your recommendations taken seriously to the extent that you do not keep recommending the same thing? If no what could be the reasons?
7. Are there any major changes noted after the previous year's audit? If not what are the reasons?
8. Is there willingness on the part of accounting officers to implement what the AGSA recommends to them?
9. Do you believe you have the capacity to be taken seriously? Do the constitutional powers you have concur with the reality?
10. What would you require for you to be more competent, effective and efficient in order to achieve your goals?

3.5.2.2 Questionnaire to the sampled Government Departments

1. Do you believe AGSA is effective in ensuring public financial accountability? Explain.

2. Do you implement AGSA's recommendations after each audit? If not why?
3. How do you view the AGSA, Is it a watchdog or witch-hunt?
4. Do auditors come on time? Are audits carried out on time i.e. immediately after the year-end?
5. Do you submit your financial statements on time? If not what are the reasons?
6. Have you been qualified after 1999? (Period after the implementation of the PFMA.) If yes what were the reasons?
7. Do you take the AGSA's recommendations seriously? Do the recommendations make sense?
8. Do you believe that public funds are properly accounted for? If not what are the reasons?
9. What problems do you encounter with AGSA?
10. In your view how could AGSA ensure efficiency and effectiveness in the performance of the audit function?

3.6 Profile of the Respondents

Interviews were administered to eleven government departments' head offices in Gauteng. An official from the Auditor -General South Africa was interviewed. The numbers of sampled government departments were eleven; however two departments were housed under one finance department that is the Department

of Transport and the Department of Public Works and Roads. Community Safety department falls under Gauteng Shared Service Center (GSSC) therefore an interview was carried out in that department. The following is the profile of the respondents:

Department	Respondent	Sex	Staff Position
Auditor General	Elaine Brass	Female	Senior Manager
Health	P Jordaan	Male	Assistant Director
Education	Dineo Mofokeng	Female	Accounts Clerk
Transport	Manenji Manenji	Male	Deputy Director Finance
Social Development	F. Phahlamohlaka	Male	Assistant Director
Community Safety	Kgadi Phahlane	Female	Compliance Specialist
Housing	Annastacia Bodibe	Female	Deputy Director Finance
Sports, Arts & Culture	Nomawethu Nata	Female	Deputy Director Finance
Economic Development	Luvuyo Mboniswa	Male	Acting Director
Local Government	Rona Nel	Female	Acting Deputy Director
Gauteng Legislature	Vanda Elsee	Female	Accountant
Labour	M. Radebe	Female	Assistant Director

The credibility of these respondents will be discussed under the heading 'Strengths and limitations of the study.' The researcher could not get the academic qualifications as well as the age of the respondents as most respondents considered it to be too personal information. However, given the rank of the officers who were interviewed, the researcher is of the opinion that they were well qualified to answer any questions relating to the study being investigated.

3.7 Analysis of Data

Neuman (2003: 447) defines data analysis as a 'search for patterns in data-recurrent behaviours, objects or body of knowledge.' In analysing the data that

was collected, the researcher coded the data. Coding is important in qualitative research because it enables the researcher to organise raw data into conceptual categories and creates themes and concepts which will then be useful in analysing data.

All of the interviews done were recorded on tape except for one interview where the respondent refused to be taped and the researcher had to take notes manually as the respondent spoke. Therefore the data analysis process was based on conversation analysis. The analysis also involved making connections between responses from the Auditor- General and officials from different government departments and relating them to the reviewed literature.

3.8 Strengths and Limitations of the Study

Before presenting and analysing the results of the study, it is important to note the strengths and limitations of the study. The research might have been theoretically deeper if there was a comparison to the Auditor -General in another country. For instance the researcher had some experience with the Auditor - General Zimbabwe and believes that the Auditor -General Zimbabwe could have a lot to learn from the Auditor -General South Africa.

However, this study had more strengths which consequently override the limitations. The fact that the researcher could interview all of the government departments sampled which are of great importance in the management of public funds and altogether takes up over 97% of Gauteng budget is a great value to the research. All interviews were carried out in the respective department's headquarters where departments are in constant contact with the AGSA. Therefore the information they provided was very useful and of great value to the research. The interviewer also had the privilege of interviewing top government officials who had all the knowledge of the subject matter such that there was no need to be referred to anyone else.

3.9 Ethical considerations.

The researcher got the impression that most respondents were willing to be interviewed. However some respondents were reluctant but the researcher assured the respondents that information will be used for academic purposes only. In the next chapter, during the discussion of data analysis, the researcher took care not to mention the names of the respondents, but the department from which they are from for ethical reasons.

3.10 Accessing the Departments

Accessing Gauteng government departments can be a hassle because of thorough search and security measures in place. Since the researcher was looking for high ranking officials, access to them was a bit difficult. There were instances where the researcher had to approach a department five times before access was granted. However the good reception that the researcher received at most government departments is worth mentioning as most officials were helpful and willing to provide all the information needed. This shows how most government departments are open to scrutiny even from outsiders.

3.11 Conclusion

This research is of a qualitative nature and used qualitative methods to gather data and analyse it. Effectiveness and efficiency cannot be measured and thus it could be best understood from the view of the respondents. It was therefore appropriate to use the qualitative method of inquiry.

In-depths methods of inquiry were used as the researcher would probe into the subject matter in order to get as much information as possible. A standard questionnaire was used in all government departments for comparison of

information gathered so as to arrive at an objective conclusion. The departments which the researcher approached are the core of the Gauteng Provincial Government and in statistics they comprise of 97% of all Gauteng Government departments.

The profile of the respondents was in such a manner that they were of great assistance to the researcher. The researcher would approach the government departments and request to interview the highest ranking officials. In cases where the most senior official was unavailable, the researcher would request to interview the officer second in command. The respondents, being in constant contact with the AGSA were the right people who could give a better view of whether the AGSA is efficient in ensuing public sector accountability or not.

Generally respondents were willing to be interviewed which made the researcher's task much easier and faster. The researcher will therefore not mention the names of the respondents during presentation of results for ethical considerations. The following chapter therefore presents research findings that seek to answer the research questions of the study.

CHAPTER 4

RESEARCH FINDINGS AND RESULTS

4.1 Introduction

The previous chapter discussed the methods the researcher used to carry out the research. This chapter discusses the research findings obtained from the fieldwork in order to answer the research question whether or not the AGSA is effective in ensuring public sector accountability. In order to answer the research question, the researcher categorised responses into the following headings:

- Conceptualising the effectiveness of the AGSA in ensuring public sector accountability.
- Understanding the Audit Process.
- Public funds accountability.
- Performance of the AGSA.
- Challenges government departments encounter with the AGSA.

4.2 Conceptualising the effectiveness of the Auditor -General

The researcher first and foremost conceptualises the problem statement. Conceptualising the effectiveness of the AG in ensuring public sector accountability in this research refers to the ability of the researcher to provide an impression or perception of the AG when executing his duties. One has to understand how AGSA operates when carrying out audits in government departments. Effectiveness is a difficult notion to measure or quantify, thus in seeking to answer the research question, the researcher had to determine the qualities the AG should possess in order to be effective. The researcher had to ensure that the AG knows and understands tasks and therefore is able to perform efficiently and effectively. The researcher interviewed respondents from various government departments on whether they believed AGSA is effective in

ensuring public sector accountability. The researcher also had to interview a representative of the AGSA on whether they are effective in ensuring public sector accountability. Audit reports and other information were provided to the researcher by AGSA which were also essential throughout the research. The following discussion seeks to answer the research question through research findings:

4.2.1 AGSA's Independence

As discussed in the literature review, the independence and accountability of the AGSA is a critical factor in determining the credibility and effectiveness of this institution. Research findings revealed that officials believe that AG acts autonomously, in terms of their control over their resources and processes.

An official from the Department of Economic Development stated that,

“Auditors do not have pre-conceived ideas of departments, but they approach their audit according to what we give them and from there they give their results.”

Officials from government departments linked effectiveness of the AGSA to the ability of AGSA to be independent. Interviewees emphasised the importance of being independent. The question was straight forward and comprehensible such that all respondents agreed to the fact that AGSA is very independent.

4.2.2 AGSA as a 'watchdog'

The research revealed that most respondents regarded AGSA as a 'watchdog.' The researcher defined a 'watchdog' as a person who facilitates effective accountability while also assisting the government departments to identify those aspects that need attention in their internal accountability process.

An official from the Department of Labour indicated that,

“The AGSA is a ‘watchdog’ in the sense that he has been given a task to ensure compliance and he does just that...”

Another official from Local Government shared the same sentiments by saying,

“It is a support service....you need to put control measures in everything. Auditors are there to ensure that departments are doing the right things and carrying out the right processes.”

When asked whether they believed that the AGSA is effective in ensuring public sector accountability, an official from the Department of Sports, Recreation, Arts and Culture pointed out that:

“The Auditor -General is effective because they make sure that in terms of the legislation, processes and procedures are put in place to ensure compliance with the legislative requirements.”

A respondent from Housing Department even commended AGSA by saying that,

“If you look at their reports, they are specialists and experts in their field. They might even be better than auditors from the private sector.”

All respondents clearly understood the role of the AGSA and therefore started off on the same page with the researcher and thus could easily answer the question of his effectiveness.

4.3 Understanding the Audit Process and Procedures

The researcher identified audit procedures that are fundamental in effecting accountability. Understanding the audit process and procedures is vital in

investigating AGSA's effectiveness in ensuring public sector accountability. The following processes are vital in ensuring accountability, therefore, the researcher had to interview respondents on whether these processes and procedures were being affected or not:

- Implementation of AGSA's recommendations.
- Auditing departments timeously.
- Timely submission of financial statements to the AGSA.
- Audit opinions.

Each of the above process will be discussed below and research findings will be discussed in relation to each process.

4.3.1 Implementation of the AGSA's recommendation

As discussed in literature review, implementation of the Auditor –General's recommendation is very essential as it is a measure of the AG's effectiveness. If AGSA's recommendations are taken seriously and put into practice yearly, then there will be a reduction of audit findings which reflects positively on the Auditor – General. The researcher investigated whether Gauteng Government departments were implementing AGSA's recommendations.

Some government departments indicated that they implement the Auditor - General's recommendations after each audit. Some also indicated that AGSA's recommendations make sense. An official from the Department of Education stated that,

“Yes, we implement the Auditor –General's recommendations because they (AGSA) come up with recommendations that add value to the way the institutions are being run.”

Another official from Social Development shared the same view by stating that,

“His recommendations make sense because it will be something we will have spoken about. They are not working independently, if they have queries they come back to us.”

There were also instances where the respondents indicated that they do not always implement the AG’s recommendations. When asked whether they implement AGSA’s recommendations, an official from the Labour Department stated that,

“Not very often, he sometimes repeats the same recommendationbut in some cases he does not repeat his recommendations to us because sometimes we comply with the recommendations.”

When asked whether the recommendations made sense, the same officer said,

“They do make sense but there are a few instances whereby we have to go back to them and say but this particular query is not clear enough. Can you please clear it up?”

An official from Economic Development who had to come up with an excuse of not implementing the AG’s recommendations pointed out that,

“Yes they (AGSA) keep on recommending the same things but over and above that they recommend new things as well. If things have not been resolved, they will bring them up again. The principle is that we want to implement them although we are understaffed in the unit.”

Other respondents said they implement AGSA’s recommendations under certain circumstances. An official from Housing department affirmed that,

“We do agree on whatever they have realised as a qualification. We take some of the recommendations seriously but some of them are impractical and difficult to implement. If they recommend once, the following year it becomes a matter of emphasis because it seems like you are not taking them seriously. It also depends on whether we are able to implement the recommendations or not. What we cannot implement, we explain the following year that this is how far we have gone with your recommendations but beyond that we cannot implement because of such and such technicalities.”

An official from Transport Department shared the same response by giving a condition around the implementation of AGSA’s recommendations by stating that,

“It depends, if the things that he (AGSA) has recommended are things that could be resolved the way he recommended, then we will comply and implement the recommendations.”

However an official from Health Department was more radical when asked if the Auditor -General’s recommendations make sense and stated that,

“To be honest with you, many times these auditors do not know what we are doing they are doing things that are inappropriate and writing statements that are inappropriate.”

The researcher had to interview a respondent representing the Office of the Auditor –General on whether their recommendations were taken seriously and she responded by saying that,

“In general, yes, the recommendations are taken seriously. There are certain departments that don’t appear to improve, the main reason being high turnover among the Chief Financial Officers.”

By and large, there was a mixture of feelings regarding the implementation of AGSA’S recommendations some respondents said they definitely implement the AG’s recommendations; others were of the view that they do not make sense, while others said they implement AGSA’s recommendations only when they are able to.

Research on the reports of the AG in various departments’ shows that there was a significant increase in matters highlighted during the previous financial year. This does not reflect very well on the AG and the government departments.

In an article by Peter de Ionno (2007: 17) Themba Godi Scopa’s chairperson said few of the departments react positively or constructively when they have their shortcomings pointed out to them. He pointed out that,

“When we call officials to appear before us, instead of them accepting that there is a problem that needs to be addressed, they will spend two hours trying to convince us that there is no problem. There is a problem of denial.”

A research on the timeliness of audits will be discussed next.

4.3.2 Auditing Departments timeously

The researcher’s experience of auditing government departments in Zimbabwe gave the researcher ideas on problematic areas to look into. In most cases auditors were four to five years in arrears and this compromised the effectiveness of the Auditor –General in that country. Usually, officials responsible for incorrect statements would have migrated, leaving no one

accountable. This motivated the researcher to investigate whether departments were being audited timeously.

Although there is no provision for auditing timeously in the Public Audit Act, 2004 or in the Public Financial Management Act, 1999, there is a provision for tabling Audit Reports timeously to parliament which will be discussed later under the heading 'Performance of the AGSA'.

The researcher believes that auditing government departments timeously is of great value. In the investigation the researcher noted the following advantages of auditing government departments timeously:

- Matters are resolved promptly.
- It is easy to make follow –ups.
- Officials responsible for constructing the financial statements will still be available.
- Financial officers take more care in handling public funds.

Respondents indicated that they were audited timeously. At the time of the research the previous year's audits were being carried out in most government departments. In cases where there were delays one official from Economic department pointed out that,

“It's not always the case (that audits are done timeously); because I think departments contribute to the delay. Their (AGSA) auditing on time depends on whether we give them the necessary documents they require on time which is not always the case because most of our documents are kept centrally at Gauteng Shared Service Center (GSSC).”

An official from the Department of Transport and Public Works echoed the same opinion when asked whether departments are audited timeously by saying,

“Not necessarily, remember for them to execute anything depends on whether on their side the resources they have will enable them to execute their tasks. Like in any environment deadlines are not always met. The question will be what could be the reasons.”

The above quote is an issue that the researcher further investigates, that is, the reasons that causes late execution of audits. The researcher directly blames it on the late submission of financial statements. Timely submission of financial statements is a crucial ingredient in effecting public sector accountability and will be discussed next.

4.3.3 Submission of financial statements to the AGSA

In terms of section 40(1) (c) (i) of the PFMA, accounting officers must, within two months after the end of the financial year, submit financial statements for auditing by the AG. The AG sometimes, due to disclosure requirements and/or audit adjustments, requires the financial statements to be reworked by the entity concerned, in which case the statements are re-submitted for auditing at a later stage. Although the results in the Activity Report for the Auditor- General for the financial year 2004/05 show a significant improvement in meeting the submission deadline from 2003-04 to 2004-05, this must be evaluated in the context of the fact that re-submissions occurred in 29% of the cases in respect of national and provincial departments and 12% of the cases in respect of listed public entities. Resubmissions were accepted to enable departments and public entities to comply with the PFMA and new accounting standards. However, this practice has been discontinued and in future no re-submission of financial statements will be accepted.

In the General Report of the Auditor – General to the Gauteng Provincial Legislation for 2005/2006, the Auditor General, S. A Fakie pointed out that,

“The key attributes of good governance are accountability and transparency, which are achieved through the timely submission of accurate financial statements and audit reports. Non adherence to this not only impacts on the ability of the AGSA to perform its function in this regard, but could impact on the departments’ ability to perform within the accountability framework.....Overall there is room for improvement with regard to the submission of financial statements and financial management capacity and thereby compliance with the PFMA.”

Although all departments interviewed indicated that they submit their financial statements to AGSA on time, a general report of the Auditor –General indicated instances where financial statements submitted for audit were incomplete, inaccurate or unreliable. As a result, certain accounting officers and their Chief Financial Officers (CFO’s) made late alterations and adjustments. This observation is a reflection that,

- an established methodology for the preparation of financial statements did not exist;
- the PFMA deadlines were met but with little regard for quality of the submission, and
- skills and knowledge in aspects of financial statements preparation and review were inadequate.

The researcher noted disparities between what the official said and what the audit reports said in relation to submission of financial statements. The researcher will have to rely on information provided by the Auditor –General.

4.3.4 Audit opinion

The output of an audit is simply the expression of an opinion on the financial statements of an entity. According to the Public Audit Act, 2004 section 28 (1), the report of an auditor must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is subject to the audit, but must reflect at least an opinion or conclusion on,

- whether the financial statements of the auditee fairly present, in all material aspects, the financial position at a specific date and results of its operations and cash flow for the period which ended on that date in accordance with the applicable financial framework and legislation;
- the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters; and
- the reported information relating to the performance of the auditee against predetermined objectives.

4.3.4.1 Modified and unmodified reports

An unmodified

An unmodified report is a 'clean' report

A modified report

A modified report is not a 'clean' report and includes one of the possible audit opinions discussed below.

An audit opinion may be qualified if the auditor considers that the financial statements do not present a fair view and the information may mislead the reader. These qualifications include issuing the following:

Adverse opinion that is when the auditor is not in agreement that the financial statements reflect a fair presentation,

Qualified report which refers to the exception of matters highlighted, it is a fair presentation, or

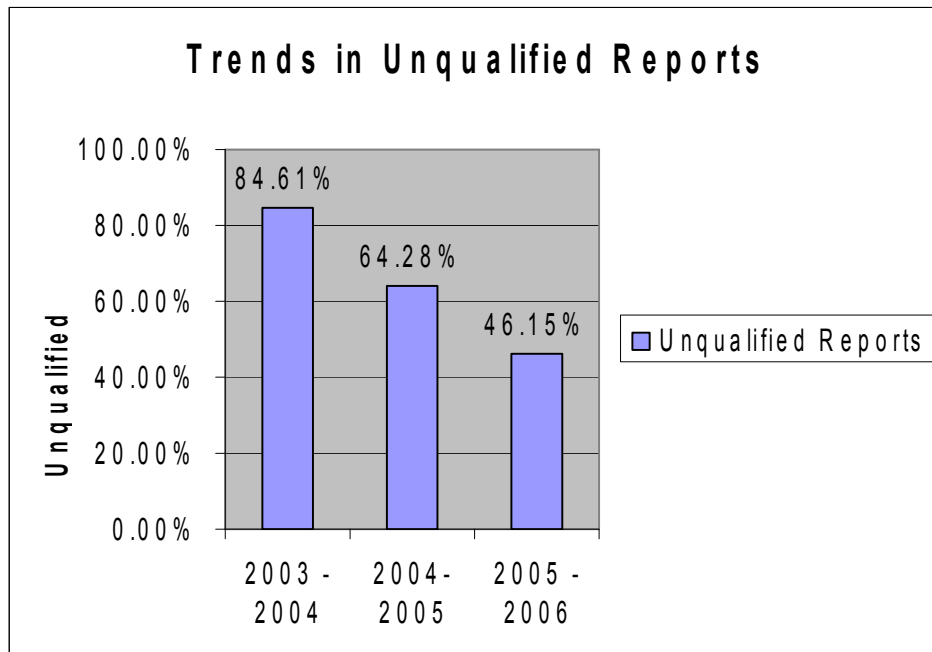
A disclaimer of opinion that is when the scope of audit work required to form an opinion has been limited in some way.

The researcher approached departments and asked whether they have been qualified after 1999 which is the period after the implementation of the PFMA. Most respondents denied any knowledge of their qualifications by saying they are new on the job and they do not know much about the previous qualification. However the AGSA provided the researcher with this information. The table

below shows a comparison of the most recent trends in unqualified reports during three succeeding financial years 2003/04, 2004/05 and 2005/06.

Table 4.1

Trends in Unqualified Reports



(General report of the Auditor –General to the Gauteng provincial legislature, 2005/06: 3)

The above table shows a trend in unqualified reports of Gauteng provincial government departments. There is a decrease in the percentage of unqualified reports compared to the previous financial year which reflects negatively on government departments.

The table below shows the audit opinions for the financial year 2005-06. This was compiled by the researcher during the course of the audit.

Table 4.2

Audit Opinions for the previous three years

Department	Audit Opinion	Audit Opinion	Audit Opinion
	2005/06	2005/04	2004/03
<i>Office of the premier</i>	<i>Unqualified</i>	<i>Unqualified</i>	<i>Unqualified</i>
<i>Finance & Economic Affairs</i>	<i>Unqualified</i>	<i>Unqualified</i>	<i>Qualified</i>
<i>Health</i>	<i>Qualified</i>	<i>Qualified</i>	<i>Qualified</i>
<i>Education</i>	<i>Unqualified</i>	<i>Unqualified</i>	<i>Unqualified</i>
<i>Provincial Legislature</i>	<i>Unqualified</i>	<i>Unqualified</i>	<i>Unqualified</i>
<i>Social Development</i>	<i>Qualified</i>	<i>Qualified</i>	<i>Unqualified</i>
<i>Housing</i>	<i>Qualified</i>	<i>Qualified</i>	<i>Unqualified</i>
<i>Local Government</i>	<i>Unqualified</i>	<i>Unqualified</i>	<i>Unqualified</i>
<i>Transport & Road Works</i>	<i>Qualified</i>	<i>Qualified</i>	<i>Qualified</i>
<i>Community Safety</i>	<i>Qualified</i>	<i>Qualified</i>	<i>Unqualified</i>
<i>Agriculture</i>	<i>Qualified</i>	<i>Qualified</i>	<i>Unqualified</i>
<i>Sports, Recreation, Arts & Culture</i>	<i>Unqualified</i>	<i>Unqualified</i>	<i>Unqualified</i>
<i>GSSC</i>	<i>Qualified</i>	<i>Qualified</i>	<i>Qualified</i>

(General Report of the Auditor –General for the provincial audit outcomes for 2004/05)

(General Report of the Auditor – General on the Gauteng Provincial Legislature on the audit outcomes for the year ended 31 March 2005.)

While there is a decrease in the number of unqualified reports, the real worry is the prevalence of repeat offenders receiving adverse reports year after year, such as those received by the Departments of Health, Housing and Social Development, as shown in the table above. These departments are critical intersects in the battle to improve service delivery to the poor. There are also departments which should be applauded for continuously receiving unqualified reports such as the Departments of Finance and Economic Affairs, Education, Sports, Recreation, Arts & Culture and the Office of the Premier.

4.4 Public funds accountability

The researcher sought to investigate proper public finance accountability by inquiring if departments believed public funds were being properly accounted for. This question sought to probe into the use of public funds and try to determine how the departments felt about the handling of public money.

The researcher perceived that most respondents were very sceptical about the question and some were on the defensive and some would question why the researcher needed that information. Some respondents felt that they would be victimised or be judged in a certain way if they were to give their opinion. In most cases the interviewer would encourage the respondents to open up so as to get more information. But generally the researcher felt that she did not get enough information to form an opinion.

One such case of scepticism was when a respondent from Economic Development said,

“To some extent yes, that’s my belief, to some extent, maybe I am not at liberty to tell you why. You are a researcher and I don’t even know what you are going to do with the information and you are recording. Ok I will say yes they are accountable, to be on the safe side.”

The fact that the researcher was interviewing high ranking officials also contributed to lack of true information as some respondents were very protective of their departments in order to portray a good image.

However reports from the Auditor General clearly show how departments’ spend public funds. Below is a list the researcher compiled of instances of public funds mismanagement. All of these instances were picked up by the Auditor –General during the course of his audit and are recorded in the General report of the Auditor –General to the Gauteng provincial Legislature on the audit outcomes for the year ended 31 March 2005:

- Lack of policy framework.
- No stocktaking.
- No disclosure of financial interest.
- No asset registers.
- Overspending.
- Under spending.
- Lack of proof of how money was utilised.
- Unauthorised expenditure.
- Irregular expenditure.
- Fruitless and wasteful expenditure.

Two of the above problems are discussed below namely, trends in year end spending and lack of disclosure of financial interest.

4.4.1 Trends in year end spending

The trend of the increase in spending towards the end of the financial year has been identified over the years. This rise in spending cannot be easily quantified. This escalation in spending was caused by,

- the reluctance of departments to record under spending; and
- the lack of capacity to execute projects and hence expenditure as scheduled.

It is therefore vital that the rush to spend money is balanced against the tendency to incur wasteful expenditure or to spend money in contravention of the disciplines around supply chain management.

4.4.2 Disclosure of financial interest

During the last quarter of 2004 the Specialised Audit Services in business conducted the preliminary planning for a transversal investigation pertaining to the declaration of interest by government employees. The audit was performed in all Gauteng provincial departments. The audit identified non compliance with the requirements of the Public Service Act, 1994 (Procl 103 of 1994) and Public Service Regulations, 2001. Furthermore, control weaknesses were identified.

There were 174 employees who did not disclose their financial interests, one personnel file could not be submitted for audit and 7 089 written confirmations could not be submitted for audit. It was noted that 178 employees traded with various spheres of government, 34 spouses of employees traded with various spheres of government and 68 cases were found where approval was not given by an executive authority for the performance of remunerative work outside the public service.

These and other cases show that there is, to a certain extent, lack of proper public sector accountability within state departments. It is the role of the Auditor – General to ensure that such misuse of public funds and public office does not occur.

4.5 Performance of the Auditor-General

The assessment of the performance of the AG is based on a criterion that has been developed over the last few years. According to the Activity Report of the Auditor –General for the Financial Year (2004-05: 6), the criterion examine the following aspects:

Table 4.3

Assessment of Performance

<i>Performance aspect</i>	<i>Criteria applied</i>
<i>Stakeholder satisfaction</i>	<i>Feedback from Standing Committee on Public Accounts and Provincial Public Accounts Committees</i>
<i>Quality</i>	<i>Results of the quality control evaluation by the Public Accountants' and Auditors' Board</i>
<i>Timeliness</i>	<i>Meeting of the Public Finance Management Act deadlines for departments and public entities</i>
<i>People</i>	<p><i>To establish and sustain an environment where the behavior of staff demonstrates:</i></p> <ul style="list-style-type: none"> • <i>Commitment</i> • <i>Effective leadership</i> • <i>Enthusiastic acceptance of responsibility</i>

	<ul style="list-style-type: none"> • <i>High levels of motivation</i>
<i>Audit Product</i>	<i>Ongoing product innovation to facilitate the enhancement of public accountability</i>

Each of the above performance aspect will be discussed below:

4.5.1 Stakeholder satisfaction

The satisfaction of the AG's key stakeholders namely the Standing Committee on Public Accounts (SCOPA) and the Provincial Public Accounts Committees (PAC) is crucial in determining the effectiveness of the AG in ensuring public sector accountability. Stakeholder satisfaction was measured by means of a survey conducted by an independent company. Stakeholder results of Public Accounts Committees indicate an 85% satisfaction on Gauteng government departments' public accounts.

The questions asked in the survey related to the assessment of the audit reports and communication between the Public Accounts Committees and the AG. The results overallly present a very positive image of the AG's standing amongst the committees. However there are several areas which still require improvement. Some of these issues are summarised below:

- Communication channels could be improved.
- Difficulty in understanding the technical language in audit reports.
- Image of the AG is not enhanced through the audit reports.
- Audit reports do not reflect progress with previous committee resolutions.
- The AG does not reflect the new South Africa in terms of the way they do their reporting.

Although these issues are taken seriously and require concerted efforts on the part of the AG, it should be noted that the overall results were satisfactory (Annual Report of AG 2004/05: 42).

4.5.2 Quality control

The internal quality control process is one of the key measures in the AG to establish whether audits are conducted in terms of International Auditing Standards and whether there is improvement in quality from one review period to the next. The credibility of this process is enhanced by the annual quality review process performed by the Public Accountants' and Auditors' Board (PAAB). PAAB is the regulatory body for registered accountants and auditors performing attesting functions. PAAB also reviews the quality of audits of all private auditing firms on a rotational basis to determine whether audits are conducted in terms of International Auditing Standards.

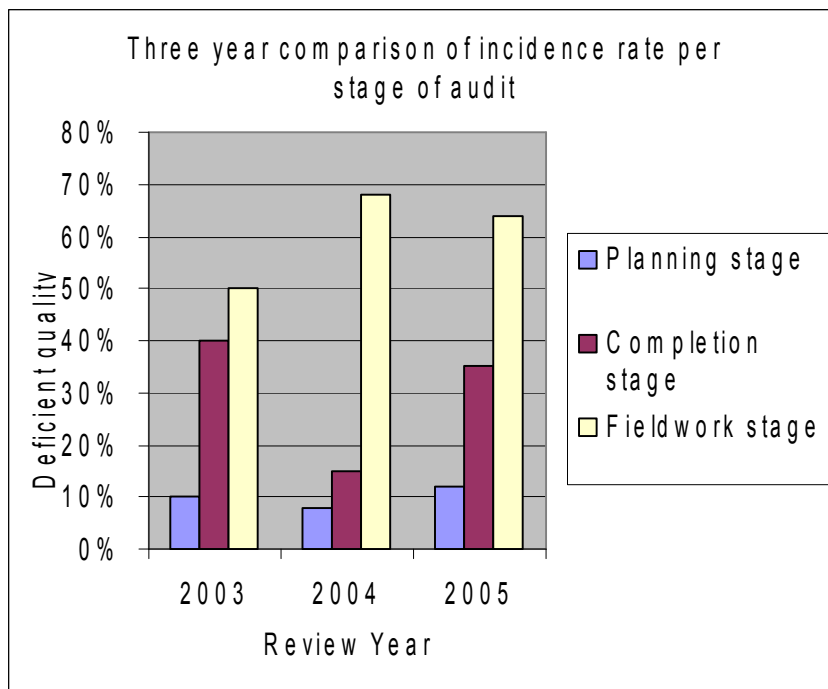
The AG has been able to implement certain measures to improve the quality of audits and align its quality framework with international practices, which include the following:

- A quality control strategy to facilitate the implementation of the new international standards on quality control was introduced eleven months before the implementation date.
- The first review reports on compliance with the quality control strategy were finalised and reviewed by a central assessment committee chaired by the Auditor-General on 03 May 2005.
- Action to further improve quality of audits was activated on 23 May 2005.
- Additional resources have been assigned to perform pre-issuance reviews prior to the signing of key audit reports.
- The audit approach designed by the AG to manage the adherence to auditing standards has been incorporated in the electronic working paper system and is updated annually.

Over the last three years the AG has put effective strategies in place to improve significantly the quality of the audits it performs. The table below shows the findings from the quality control processes. The vertical axis represents findings where the quality of the audit could still improve.

Table 4.4

Three year comparison of incidence rate per stage of audit



(Activity Report of the Auditor –General for the financial year 2004-05: 8).

The completion stage of the audit process showed some deterioration in that the number of findings increased from 24% to 34% during 2004-05, while the fieldwork stage of the audit process improved during 2004-05 and the number of findings decreased from 64% in the prior year to 54%.

Quality is always a matter of concern to the AG. The target of the AG on quality was a 70% achievement of 'excellent' quality control. However, according to the results as determined by the Quality Assurance Assessment Committee, AGSA managed to score only a 32% achievement. The AG has implemented an

enhanced quality control process to address quality management more holistically, including initiatives such as quality control intervention workshops throughout the organisation and the implementation of pre-issuance reviews on audit reports. It is envisaged that these measures will ensure that the quality of their audits is improved even further.

4.5.3 Evaluation of timeliness

A particular matter of concern during the 2004-05 audits of departments and listed public entities has been the deterioration in the timeous submission of audit reports of departments and public entities by the AG, in line with the requirements of the PFMA.

Table 4.5

Delays due to exceeding of PFMA deadlines by the Auditor-General

<i>Type of entity</i>	<i>2004-05 PFMA deadlines met</i>	<i>2003-04 PFMA deadlines met</i>
<i>National and provincial departments</i>	79%	99%
<i>Listed public entities</i>	92%	99%

(Activity Report of the Auditor –General for the financial year 2004-05: 12).

The table above shows the overall change from 2003-04 to 2004-05. There was an overall deterioration in compliance by the AG in respect of departments and public entities. This will cause late tabling of Auditor –General’s reports to Parliament. In addition the points below provide a summary of reasons for delays by the AG in meeting PFMA deadlines for departments:

- Late submission of audit evidence by auditee.

- Obtaining greater assurance on audit opinion.
- Pre-issuance reviews by the AG.

With reference to the points above the main reason for the deterioration in compliance with the PFMA deadlines by the AG is the late submission of audit evidence by the departments. The late submission of evidence is not a good practice and could also be regarded as a contravention of section 40(1) (a) of the PFMA which requires accounting officers to keep full and proper records of their entities. Often this evidence is supplied at a very late stage of the audit to reduce the severity of audit findings. In line with auditing standards AGSA is obliged to consider such information before issuing audit report. Initiatives to overcome this problem are an integral part of discussion in a forum started with the National and Provincial Treasuries. The pre-issuance reviews performed by the AG are required by the new international standard on quality control that has been implemented for the first time during the 2004-05 audit cycle. Such reviews represent a trade-off between timeliness and quality and should improve the quality of the audits.

4.5.4 AGSA's Employees

Employees form an integral part within an organisation and as such job satisfaction is of great importance. For AGSA to achieve its objectives and goals, the staff should be in a position to perform their duties efficiently and effectively. The goal of the AGSA is to establish and sustain an environment where the behavior of staff demonstrates the following:

- Commitment.
- Effective leadership.
- Enthusiastic acceptance of responsibility.
- High levels of motivation.

In the financial year 2004-05, AGSA's target was to have more than 50% staff satisfaction, the result showed a 69% satisfaction level. The results of staff

surveys for the past three years have tracked success in creating an environment where staff are happy and motivated. In this regard, staff motivation, continuous learning and employment equity are critical ingredients for the sustainable success of the office of the AG (Auditor –General Annual Report 2004-05).

4.5.5 *Continuous improvement of Audit products*

Audit product refers to the ongoing product innovation to facilitate the enhancement of public accountability, this includes continuous improvement of audit reports and other reporting tools.

In terms of section 188 of the Constitution of South Africa and section 28(1) (b) of PAA, the Auditor –General has a mandate to report on among others the financial management of the specified entities. The audit reports which are used by the auditees and their oversight bodies continue to be important tools that facilitate effective accountability in the management of public sector resources. To ensure that these reports remain relevant to stakeholders and that their mandate in terms of the Public Audit Act (PAA) is fulfilled, the Auditor –General invests resources in product renovation, which refers to constant improvements in audit reports and financial management.

Given the understanding that officials in the public sector are fundamentally responsible for the efficient management and control of resources, including the stewardship of public money, a model was required to assess the public sector readiness and the maturity of their business processes in this regard. In support of this, the Auditor- General developed and implemented a financial management capability model against which the financial management maturity of auditees is measured. This model has six levels of financial management against which an entity is measured.

In order to evaluate the success of this model, the AGSA had a target of a minimum of 65% acceptance by its stakeholders; the result was 35% acceptance by auditees (government departments) and 85% acceptance by Public Accounts Committee. Although Public Accounts Committee accepted this model, much has to be done to improve acceptance levels by the governments departments. (Auditor –General Annual Report 2004-05: 43).

4.6 Challenges encountered with the AGSA

The researcher investigated challenges or problems that government departments experience with the AGSA. Respondents affirmed that they were facing problems which the researcher grouped according to their headings as follows:

- Lack of understanding of government processes.
- Lack of experienced people.
- High staff turnover.
- Constant changing of audit teams.
- Pressure from AGSA.

4.6.1 Lack of understanding of government processes

Many respondents indicated that auditors lack a general understanding of government processes. An official from the Department of Social Development pointed out that,

“They should come here with a general understanding of the government process. Before sending them out, auditors should be given a bit of training on the government processes. They should send auditors with a bit of an insight of what is happening.”

Another official from the Department of Health passionately stated that,

“To be honest with you, many times these people (auditors) do not know what we are doing. They are doing things that are inappropriate and they are asking questions that are inappropriate.”

These and other respondents acknowledged the need for auditors to be knowledgeable of the government processes in order to avoid asking questions that could be regarded as ‘obvious’.

4.6.2 Lack of experienced people

Respondents also raised a challenge of experienced people within AGSA. Most officials were of the view that AGSA has inexperienced people. An official from the Department of Transport and Public Works said that,

“They (AGSA) should get more skilled people, which is not their problem only, but it is a national government problem. There is also a shortage of skilled manpower in our departments.”

An official from the Department of Health shared the same sentiments by stating that,

“We are short staffed we do not have time, we are doing more than one person’s job, each one of us. They send audit staff which are inexperienced, who know nothing about our work. Now you have to teach the auditor how to audit and your job is not to audit. Why don’t they train the auditors before they come?”

Another official from Local Government Department who was a bit softer in her sentiments indicated that,

“I think they are doing very well, but they need more experienced people.”

4.6.3 High staff turnover

The shortage of experienced staff in the office of the Auditor –General can be attributed to high staff turnover. According to the Auditor –General’s Annual Report 2004-05 (2005: 34), during the period 2004/05 financial year, staff turnover was 16% which is higher than the expected 12% experienced in the industry. This trend was mainly due to the following specific tendencies:

- Permanent staff without Minimum Qualification Framework (MQF) qualification, historically functioning as auditors in roles that are equivalent to those of trainee accountants, leaving the organisation.
- Instances of trainee accountants cancelling their contracts mid-stream to join the public sector as internal auditors, particularly in provinces where there is a general shortage of skills.
- A high turnover of chartered accountants (CA’s) particularly at management level.

The high turnover of chartered accountants can be attributed to a highly competitive market with high compensation level. The effect of this high turnover was partly offset by the newly qualified CA’s produced by the office. Generally the new opportunities open to CA’s and the intense competition between firms saw the compensation at this level rising far beyond the expected market growth. This prompted the office to reconsider and adjust its compensation parameters which went a long way to meeting the minimum expectations of the CA’s in the office, thus containing the turnover at acceptable levels (Annual Report, 2004/05: 34).

4.6.4 Constant changing of audit teams

There is constant change of audit teams within AGSA. An official from the Department of Sports, Recreation, Arts and Culture indicated that,

“They change the teams each year for each department. I think they should keep the team for at least two to three years within the same

department. Because what happens is when the new auditors come you will need to explain everything when those things were even addressed in the last financial year.”

An official from Housing department echoed the same view by stating that,

“Sometimes they bring in a new team that does not understand the business of your department. So you have to start afresh, explaining and it takes time for them to understand. For you to take them through the process of our business.. it becomes a difficult task for us.”

However while most officials were complaining about having new teams all the time, one official from the Department of Labour raised an interesting point by stating that,

“I don’t mind new teams. I prefer to explain the procedures to different people than to have the same people because at the end of the day, I don’t think I will be audited properly. A relationship might start which will affect independence.”

4.6.5 Pressure from AGSA

There was a general feeling amongst the respondents that the AGSA puts pressure on them when requesting for documents. Some felt that their deadlines can be affected by auditors as they demand too much from them. An official from the Department of Labour showed some disappointment by stating that,

“The only frustration is that sometimes when they want documents; they put unnecessary pressure on us. I do agree that they should be assisted but mind you we also have some work to do and deadlines to meet as well.”

Another official from the Department of Economic Development also stated that,

“The problem that I encounter is that they should have things in their files rather than keep asking for something they should be keeping as part of their documents. Another problem I have is when different people from the Auditor- General are asking for the same thing.”

An official from the Department of Sports, Recreation, Arts and Culture reiterates the above sentiments by saying that,

“Sometimes you find that they requested this information and come again later and request another report which according to the system we use can be extracted from the same report. Other information requested you find is a duplication of the same information. Maybe we do not understand their processes, I don’t know.”

4.7 Conclusion

The findings above were categorised into four sections which made it easier for the researcher to interpret. In the first section the researcher conceptualised the research problem by investigating how the respondents viewed the Auditor – General in terms of independence and as a ‘watchdog’. Seemingly most respondents understood the role of the AG and as such they started off on the same note with the researcher.

The second category sought to investigate whether the audit processes that are fundamental in effecting public sector accountability were being effected. Processes such as implementing the AG’s recommendations are vital in ensuring accountability. This is also a measure of whether the AG is being taken seriously

or not. Auditing departments timeously is important in ensuring accountability. The researcher investigated whether departments were being audited timeously. Meeting the deadlines of submission of financial statements timeously plays an important role in the accountability processes and as such the researcher had to investigate if government departments were submitting their financial statements on time.

Thirdly, in the presentation of the research findings the researcher had to investigate whether public funds were being properly accounted for. There were cases of public finance mismanagement such as the trends of overspending towards the end of the year, lack of disclosure of financial interest among others. The performance of the AGSA had to be measured in terms of stakeholder satisfaction, quality of audits, timeliness in tabling audit reports, AG's staff and continuous improvement of the audit product.

Lastly, the researcher had to investigate the challenges or problems government departments encounter with the Auditor –General. Problems such as lack of experienced workforce, high staff turnover, constant change of audit teams and constant pressure government departments get from AGSA.

All the findings discussed above made a great contribution in seeking to answer the research question of how effective the AG is in ensuring public sector accountability in Gauteng provincial government departments. Generally the researcher got information which added value to the research and therefore can draw conclusions. The next chapter discusses the summary of findings and provides recommendations and conclusion of the study.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS OF THE STUDY

5.1 Introduction

The preceding chapter gave an exposition of the findings of the study. The researcher sought to answer the question of AGSA's effectiveness in ensuring public sector accountability. The findings sought to provide a platform from which the researcher had to draw a conclusion and give recommendations. This chapter provides a summary of the research findings, recommendations and proceeds to draw some conclusions.

Qualitative methods were used to gather information from almost all the government departments in Gauteng as well as the Office of the Auditor – General in Gauteng. Qualitative data analysis was used to evaluate all the information that was gathered in order to arrive at a conclusion that the research sought to address.

5.2 Summary of major findings.

The research revealed that generally, the Auditor –General's recommendations are taken seriously. Although most government departments implement the Auditor -General's recommendations, there was a mixture of feelings regarding the implementation of AGSA'S recommendations. Some respondents said they definitely implement the AG's recommendations; a few were of the view that they do not make sense, while others said they implement AGSA's recommendations only when they are able to. In general there is room for improvement as was highlighted by the representative of the Auditor –General. The implementation of the Auditor –General's recommendations is proof that the AG is being taken seriously and that the powers the Auditor –General has concur with reality.

A chairman of Scopa pointed out that few of the departments react positively or constructively when they have their shortcomings pointed out to them. He pointed out that when officials are called to appear before auditors, instead of them accepting that there is a problem that needs to be addressed, they will spend two hours trying to convince auditors that there is no problem. There is a problem of denial.

The researcher scrutinised the reports from the Auditor -General which showed a distinction between matters reported for the first time and matters reported in both current and previous years. Out of the eleven sampled departments, eight departments constantly had the same recommendations made to them by the Auditor –General. Although there were many reasons as to why those recommendations were not being effected, it is important for departments to ensure that they implement all the Auditor –general’s recommendations.

Carrying out audits on time is an important factor in effecting public sector financial accountability. The research revealed that generally audit tasks are carried out on time. In instances where the audits were not performed on time, the reasons were attributed to the late submission of financial statements by the government department to the Auditor -General, and in most cases the Auditor – General was not at fault.

Late submission of financial statements is a major impediment in ensuring public sector accountability. Gauteng government department are not doing very well in submitting financial statements to the Auditor General on time. This will affect AG’s effectiveness and efficiency. A lot still needs to be done to ensure that there is no loophole which impedes the Auditor -General to carry out his duties efficiently and effectively.

Late submission of financial statements by the departments leads to late tabling of reports by the AG to Parliament. There was an overall deterioration in compliance with the requirements of PFMA by the AG in respect of departments and public entities. Thus departments should promptly comply with the PFMA requirements so that the AG does not work under pressure in meeting his own deadlines.

Findings reveal that there is a general feeling that auditors are not well qualified to perform their audit tasks. It is a major predicament when auditees feel that auditors are under qualified. The researcher believes that it compromises the effectiveness of the Auditor –General when auditees feel that audit staff is not competent enough to carry out their task. The researcher’s analysis is that this might affect AGSA’s ability to be taken seriously.

The researcher noted that most government officials were not impressed by the fact that AGSA has employees who do not understand government processes and therefore it becomes the job of the auditee to explain how things are done in departments. Auditees consider this as burdensome since they have their own duties to perform.

The researcher found out that there has been a high turnover of qualified staff from the Auditor –General. This trend was mainly due to permanent staff without MQF qualification, historically functioning as auditors in roles that are equivalent to those of trainee accountants, leaving the organisation. Another reason of high staff turnover was caused by instances of trainee accountants cancelling their contract mid-stream to join the public sector as internal auditors, particularly in provinces where there is a general shortage of skills and finally there is a high turnover of chartered accountants (CA’s) particularly at manager level.

The study has shown that most government departments are not pleased with constant change of audit teams. They believe that constant change of audit

teams affects their work as departments as well as that of AGSA staff since they take time to understand the business of the departments. However whilst most officials were complaining about having new teams all the time, one official from the Department of Labour raised an interesting point by noting that changing audit teams is of great importance as it does not interfere with independence. This is proper in the sense that auditors do not start a relationship through acquaintance that might compromise independence.

Investigations on public funds accountability on the part of government officials showed that there is misuse of public funds and the AG is doing well in curbing it. Misuse of public funds took many forms such as under spending, over spending, irregular, fruitless, wasteful and unauthorized expenditure as well as lack of disclosure of financial interest. There seems to be repetition of the same problems in many departments especially year after year and departments do not appear to learn from their mistakes.

Quality is always a matter of concern to the AG. The target of the AG on quality was a 70% achievement of 'excellent' quality control. However, according to the results as determined by the Quality Assurance Assessment Committee, the AGSA managed to score only a 32% achievement. The AG has implemented an enhanced quality control process to address quality management more holistically, including initiatives such as quality control intervention workshops throughout the organisation and the implementation of pre-issuance reviews on audit reports. It is envisaged that these measures will ensure that the quality of their audits is improved even further.

Audit reports are the output of an audit and as such should be of quality and be effective in ensuring accountability. The auditing process should also be of a high quality that is the planning stage, the completion stage and the fieldwork stage. The research results showed that the completion stage of the audit process showed some deterioration in that the number of findings increased from

24% to 34% during 2004-05, while the fieldwork stage of the audit process improved during 2004-05 and the number of findings decreased from 64% in the prior year to 54%. A reduction in audit findings is a measure of AG's effectiveness. If the number of audit findings increase it becomes a matter of concern to the AG.

Whilst there is a decrease in the number of departments receiving unqualified reports, the real worry is the prevalence of repeat offenders receiving adverse reports year after year, such as those received by the Departments of Health, Housing and Social Development. These departments are critical intersects in the battle to improve service delivery to the poor.

In the public sector, financial management is basically about the efficient management and control of resources in such a manner that an entity can effectively achieve its goals. To ensure that audit reports remain relevant, the Auditor –General developed a financial management capability model against which the financial management maturity of auditees is measured. This model however had a very low acceptance level by the auditees. This calls for AGSA to facilitate constant application of this model to the government departments since it was highly accepted by the Public Accounts Committee.

Auditor –General's employees are a vital instrument in effecting accountability and as such their satisfaction levels should be high. Research showed that AGSA's target was to have more than 50% staff satisfaction, the result showed a 69% satisfaction level, which is slightly higher than the expected level. The results of staff surveys for the past three years have tracked their success in creating an environment where staff is happy and motivated.

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5.3 Conclusion of the study

The aim of the research was to explore the effectiveness of the AG in ensuring public sector accountability. A lot of research findings were discussed which made a vast contribution to the body of knowledge concerning AGSA's efficacy and areas that need attention.

The research has shown that to a greater extent the AG is effective in ensuring public sector accountability. An important factor contributing to the success of the AG is his ability to be independent, to act as a 'watchdog' and to conduct audits timeously. The zeal of the AG in effecting accountability is also to be commended as well as his passion for improving quality of audits through better planning, execution of audits and reporting skills.

The researcher has noted that the auditees however are generally contributing to the ineffectiveness of the AG by submitting financial statements late and also not taking the Auditor –General's recommendations seriously. The inability to timeously compile annual financial statements and the delay of audit reports remain a serious concern to AG's office. The detrimental effect this has on timeous and complete finalisation of audits and audit reports as well as a negative effect this has on public accountability is self evident.

While the Auditor General is doing a great job in pointing out public funds mismanagement in reports, there seems to be repetition of the same mistakes year after year. Thus strict disciplinary and accountability measures should be put in place so that officials do not continuously mismanage public funds. The AG does not work alone in ensuring accountability and therefore the accounting officers should play their part otherwise it will defeat the whole purpose of auditing and AGSA will automatically be turned into a witch-hunt instead of a watchdog.

One should be careful not to over generalise, while it is important to commend the AGSA for carrying out its mission in an effective and effective manner, some areas also need improvement especially with regard to the staff. A qualified workforce is a strong foundation on which any organisation should build on. For AGSA to be more effective it should be able to attract employees who are competent and well qualified. In order to achieve this goal, there is need for the Auditor -General to provide incentives that attract and retain a qualified workforce.

5.4 Recommendations

Recommendations were made by both the researcher and the respondents especially on areas where AGSA needs improvement. In regard to the challenge of inexperienced people within AGSA, government departments recommended that auditors should be trained before being deployed to the field. Through the experience the researcher had in auditing in government departments, the researcher recommends that induction training should be provided to new auditors on the fundamentals of carrying out audits.

The researcher also recommends that audit teams should not purely consist of new members but should comprise of both new and old members who have experience on the job. The old members will therefore provide on the job training in order to avoid inconveniencing auditees. This will reduce the workload on both the auditees and the auditors, that way, new auditors will also quickly adapt to a new environment.

In relation to late submission of financial statements, heavy penalties should be set on departments which submit late. Officials who are responsible for such misconduct should be reported directly to the Accounting Officers and face disciplinary measures. This should also be acknowledged on their appraisals at

the end of the year. Encouraging personal responsibility on government officials will therefore be an effective measure to ensuring accountability.

Due to the enormous pressure government departments have from the AG an official from the Department of Sports, Recreation, Arts and Culture recommended that the Auditor –General should issue a requisition because sometimes they claim not to have received the information and there is no proof of whether it was requested or not. Therefore requisition would acknowledge receipt of the information requested so that they do not continuously ask for the same documents. Thorough training of auditors is also vital in that auditors will not keep requesting for the same information.

To avoid high workload and pressure on both the auditors and auditees an official from Labour Department recommended that,

“Auditors should come more frequently rather than wait for the financial year to come to an end, maybe twice a year or so...the audit process will also be reduced.”

An official from the Department of Social Development supported the idea by saying that auditors should come twice a year while another official from the Legislature suggested that there should be two interim audits. The researcher also supports the idea as it will reduce the workload on both the auditor and the auditee. However due to lack of capacity, this recommendation is likely to take a long time before being implemented.

Employees of the Auditor –General are very crucial in effecting accountability and as such should be kept motivated. Although the Auditor –General seems to be pleased with the satisfaction levels, the researcher believes that a lot still has to be done to motivate the employees. There is a high demand for accountants and auditors and the private sector is leading in providing the best incentives

which attracts a highly competent workforce. The researcher recommends that effort must be made to raise employee satisfaction by providing the following:

- better remuneration practices;
- better administration of resources;
- reducing recruitment of under qualified and inexperienced personnel; and
- better working relations among staff.

The above points will also help curb the problem of high staff turnover at the Office of the Auditor –General. Employees stay where they feel happy and well compensated. Therefore the researcher recommends that the office of the AG should continuously consider its compensation parameters so as to retain and even attract a highly qualified and competent workforce.

Cases of public fund mismanagement were picked up during the course of audits. Reports of the Auditor –General reveal a lot of public fund mismanagement mainly in the form of unauthorized, irregular, fruitless and wasteful expenditure. In the light of these challenges the researcher recommends that strict disciplinary actions should be taken against officers who misuse public funds and public positions. There are instances where officials who misused public funds were let go without warning and continued their duties as usual. The researcher recommends that follow –ups should be done so as to ensure accountability as well as to instill a sense of responsibility within government officials.

While this research has added some valuable insights into the study of AG South Africa, the researcher wants to suggest another perspective in future, the study of AGSA in relation to other countries. The situation of other AG's in both developed and developing countries should be explored. Comparisons should be made with a view of learning important lessons good or bad from those who have achieved their independence first.

The researcher therefore concludes that although South Africa has to a greater extent, an AGSA which is effective and efficient in performing its duties and ensuring public sector financial accountability, more still needs to be done. Accountability is a process and not the end in itself hence constant improvement is imperative. With the high rate of growth the economy is experiencing, it is crucial that AGSA continuously develops itself to becoming the world class Auditor –General. Things, such as corruption and misuse and abuse of state resources affect the nation negatively and destroy what has taken the nation a long time to build. Therefore there is need to constantly ensure that the auditor is still achieving his goals and objectives in order to ensure public sector financial accountability.

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