

THE ROLE OF THE OFFICE OF THE AUDITOR-GENERAL IN SOUTH AFRICA

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Introduction

The basis for almost all the initiatives in South Africa regarding the fight against corruption, fraud and other instances of economic crime can be linked to the first founding provision in the Constitution of the Republic of South Africa. The first section of **The Constitution**, Act 108 of 1996, states that the country is one, sovereign democratic state founded on, amongst others, the following value:

“(d) Universal adult suffrage, a national common voters roll, regular elections and a multi-party system of democratic government, to ensure accountability, responsiveness and openness.”

The Constitution also makes provision for state institutions that strengthen constitutional democracy. One of these institutions is the Office of the Auditor-General (Office), which has a very distinctive role to play in the prevention, detection and investigation of economic crime. The role that the Office plays can be understood only if its mandate is properly understood.

Mandate

The Auditor-General’s mandate is entrenched in the Constitution and is further supported by another Act of Parliament, the **Auditor-General Act**.

According to chapter 9 of the Constitution, the Auditor-General is one of the six independent institutions that should strengthen constitutional democracy, be impartial and exercise its powers without fear, favour or prejudice. These powers include auditing and reporting publicly on the accounts, financial statements and financial management of most public sector institutions at national, provincial and local level.

Additional powers and functions

The additional powers and functions of the Auditor-General are described in sections 3 and 5 of the Auditor-General Act, No 12 of 1995. I would like to emphasise section 3(3), which states, amongst others, that:

“The Auditor-General may at his or her discretion determine the nature and extent of the audit to be carried out and request the details and the statements of account which he or she considers necessary....”

This section basically describes the primary mandate of the Auditor-General – which up to 1997 only included regularity auditing and performance auditing – and clearly also provides the Auditor-General with the authority to include Forensic Auditing as part of the Office’s functions.

Forensic Auditing was established in 1997, and was based on the increasing level and negative impact of economic crime on the public accountability process, which obliges the Office to report on such crime within the public sector. Forensic Auditing in the Office is seen as:

“an independent, cost-effective reviewing and reporting process carried out to facilitate the prevention, detection and investigation of economic crime (which includes fraud and corruption) in the public sector.”

This comprises mainly an objective assessment of the measures instituted by accounting officers and all relevant role players to prevent, detect and investigate economic crime, but it can also include crime investigations where deemed appropriate and necessary.

Forensic auditing

Forensic Auditing has a unique focus, which distinguishes it from regularity, performance and computer auditing, but the interdependence of the various disciplines is acknowledged. These audit disciplines, which form the functional audit components, have thus far been very instrumental in highlighting instances of possible economic crime.

The Office’s objective with Forensic Auditing

The objective of the Office of the Auditor-General with forensic auditing is to:

- Determine the nature and extent of the perpetration of economic crime and the adequacy and effectiveness of measures that should have either prevented or detected it;
- Facilitate the investigation of economic crime in general by providing support to the relevant investigating and/or prosecuting institutions (by handing over cases and providing accounting and auditing skills).

Proactive and reactive strategies have been developed to achieve this objective:

A - Proactive strategy

The proactive strategy is aimed at preventing economic crime by promoting an overall fraud awareness culture in the public sector through, inter alia, publications, presentations/workshops and participation in relevant national and international initiatives. This is done with the aim of promoting a culture of “zero” tolerance through interventions such as –

- Publishing relevant articles;

- Participating in workshops/seminars/conferences (which provides developmental learning and networking opportunities);
- Presentation of training programmes;
- Providing support to national/international initiatives;
- Making stakeholders aware of deficiencies in the measures instituted to prevent or detect economic crime.

The proactive and reactive strategies differ in that the reactive strategy focuses on those strategies implemented to detect and investigate economic crime, whilst the proactive strategy focuses on the prevention of economic crime:

Prevention

The most efficient and effective way to prevent economic crime is to know the circumstances surrounding it or the conditions that will enhance the possibility of it occurring. The approach we follow in this regard is based on the fact that the following aspects should minimise the risk of economic crime:

(i) Strong financial management systems

The Auditor-General Act authorises the Office to enquire into the efficiency and effectiveness of internal controls and financial management systems, and to report thereon.

Management is well informed that, should the measures and systems implemented by them not be adequate to ensure probity and reduce the risk of economic crime, they will be held accountable through the Office's reports to the relevant legislative bodies.

(ii) Effective internal controls

In determining the scope and extent of its audit, the Office, in terms of Generally Accepted Government Auditing Standards, is compelled to study and evaluate the reliability of internal controls, which could include:

- organisation of work;
- segregation of duties;
- physical security measures;
- authorisation and approval;
- arithmetical and accounting procedures;
- effective training of staff;

- supervision; and
- management

The fact that the Office, in its audit approach, conducts procedures to evaluate the effectiveness and reliability of the relevant institution's internal controls and to report thereon, serve as a very definite deterrent for potential perpetrators of economic crime.

(iii) Adequate public awareness (and acceptable standards of conduct)

The results of the Office's findings are made available to all the relevant legislative bodies at all government levels at least annually. These findings become public knowledge once the audit reports have been tabled and the general public has access to them. We have a disclosure policy entailing the issue of media releases on the findings of the audit to provide additional public awareness. This public disclosure of audit findings serves as another deterrent to committing economic crime.

B - Reactive strategy

The reactive strategy focuses on the investigation of allegations of economic crime. The submitted allegations are confirmed or refuted by collecting and submitting substantive evidence. The objective would be to investigate and report on the following:

- the nature and extent of the specific instance of economic crime;
- the suspects involved;
- deficiencies in the measures that should have prevented or detected the crime;
- recommending punitive steps and further actions in respect of:
 - criminal prosecution and/or
 - civil recovery and/or
 - disciplinary action
- progress made by the other institutions in investigating relevant cases.

Findings are then reported on through the normal audit process or, when applicable, are handed over to institutions with investigating and prosecuting powers.

Principles upon which the Office bases its strategies

The Office has developed several strategies to address economic crime, which are being implemented on the following principles/understandings:

- 1) Firstly, the Office as the external auditor of state institutions is not responsible for the prevention and detection of economic crime in the public sector, since this is the ultimate responsibility of management (Accounting Officers).
- 2) The second principle or understanding on which the Office bases its strategies is the acknowledgement of the roles played by other institutions in the prevention, detection and investigation of economic crime. Where possible, these institutions are supported by, *inter alia*, providing assistance and co-operation.

The assistance and co-operation between these role players is indeed to be taken up in a formal agreement soon.

Draft agreement between the anti-corruption entities

The main purpose is for the various stakeholders to co-ordinate the investigation of matters where there is a possibility of duplication or overlapping action. This in turn will optimally co-ordinate the work of the various parties.

The stakeholders are:

- i. The Public Service Commission;
- ii. The National Director of Public Prosecutions;
 - The Asset Seizure Unit;
 - The Special Investigating Directorate;
 - Investigating Directorate: Serious Economic Offences;
- iii. The South African Police Service;
 - The Anti-Corruption Unit;
 - Commercial Branch;
 - Fraud Unit;
- iv. The Heath Special Investigating Unit;
- v. The Public Protector;
- vi. The Office of the Auditor-General.

The main idea of the agreement will be to promote team work, a sharing of information, common assistance in actions, distribution of information on operations and, where practical, the creation of joint investigating teams. Sound relations with all relevant stakeholders potentially increase capacity and therefore prove most valuable.

- 3) A third principle or understanding on which the Office of the Auditor-General bases its strategies is that of playing an active role in supporting existing initiatives and programmes that aim to combat economic crime, e.g. the Cabinet's National Crime Prevention Strategy, the National Anti-Corruption Summit, etc.

The **National Anti-Corruption Summit**, held in April 1999, also emphasised the need for mutual support and working together with government to communicate a national integrity strategy.

Resolutions of the National Anti-Corruption Summit

During this summit it was commonly acknowledged that corruption:

- Adversely affects all sectors in society, especially the poor,
- Is corroding the national culture of democracy and good governance,
- Depletes all scarce resources that are needed to ensure equality and prosperity,
- Gives personal affluence priority above the pursuit of economic justice.

In terms of combating corruption, the following resolution, in brief, was taken to be implemented as the basis of a national strategy to fight corruption:

a) Combating corruption

- To critically review and revise legislation in place to combat corruption;
- To encourage and implement whistle-blowing mechanisms in all sectors;
- To support the speedy enactment of the **Open Democracy Bill** to foster greater transparency;
- To establish special courts to ensure effective investigation and prosecution;
- To establish Sectoral Coordinating Structures to effectively lead and manage the National Anti-Corruption Programme, especially in the Public Service;
- To establish, eventually, a National Coordinating Structure with the authority to effectively monitor and manage the National Anti-Corruption Programme.

b) Preventing corruption

- To publicise and support the blacklisting of businesses, organisations and individuals proven to be involved in corruption and unethical conduct;
- To establish a National Anti-Corruption Hotline for the reporting of corrupt practices. Sectoral and other hotlines are to be established to strengthen the National Hotline;
- To take disciplinary action against perpetrators;
- To monitor and report consistently and fairly on corruption at all levels of society.

c) Building integrity and raising awareness

- Promoting analysis and research to analyse the causes, effects and growth of corruption;
- Developing and enforcing Codes of Good Conduct and Disciplinary Codes throughout civil society (In this regard the Public Service regulations were amended on 10 June 1997 by the addition of a Code of Conduct for Public Servants. Public awareness of the code also increases the probability of detection and helps prevent fraud and corruption.)
- Working together to inspire society with a higher moral purpose and ethos that will not tolerate corruption;
- Promoting training and education in occupational ethics;
- Creating a sustained media campaign to highlight the causes of, and solutions to corruption, and communicating a national integrity strategy.

INCOSAI

The Office's strategy as I have set it out, is in line with recommendations that followed from discussions in Montevideo at **the International Congress of Supreme Audit Institutions (INCOSAI)** in November 1998. Some of the guidelines agreed upon were:

- Taking a more active role in evaluating the efficiency and effectiveness of financial and internal control systems;
- Focusing audit strategy more on areas prone to fraud and corruption;
- Developing high-risk indicators for fraud; and
- Closely cooperating and exchanging information with national and international bodies fighting corruption.

Conclusion

In part, the strength of corruption lies in the fact that there is no simple remedy therefor. Defences must therefore be strengthened to keep corruption to a minimum. Defences employed by the Office include the publishing of audit reports to increase public awareness, advising auditees on how to safeguard their accounting systems against unlawful manipulations, and promoting the establishment of efficient and effective internal controls.

These are common-sense defences based on sound and transparent management, sound bookkeeping, and on well-trained and highly motivated staff.

In closing I would like to say that an effective fraud detection programme will provide the opportunity for the public and for the civil servant to report fraud

and other suspicious, unethical or illegal behaviour anonymously and without fear of reprisal.

SAIs in this regard cannot shirk this immense responsibility toward auditees and the public at large, but must face the challenge head on. Only a combined effort can lead to any real success.

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