

FOLLOWING UP ON AUDIT REPORTS – HOW CAN PARLIAMENTARY OVERSIGHT ADD VALUE?

1. INTRODUCTION

An audit report is a written opinion of an auditor regarding an entity's financial statements. The audit report is written in a standard format as mandated by generally accepted auditing standards (GAAS). The opinion can take any of these forms; unqualified, qualified, adverse and disclaimer. The Auditor General (AG) in South Africa has concentrated correctly so with what we call regularity audits. The audits are on three issues, a. The Financial Statements are prepared correctly, b. The Performance Information (predetermined objectives) is reliable, and c. Compliance with the Laws. *In putting a focus on the importance of financial management the government together with the Auditor General introduced a concept of clean audit (unqualified audits with no findings) in 2009. This has become part of our vocabulary when talking about audits and has indeed helped the country moves forward faster in this area.*

In the recent past the Association of Public Accounts Committees (APAC), a national association which was established 20 years ago to drive best practices and benchmarking between the national and the nine provincial legislatures has also lobbied for the Auditor General to perform more performance (value for money) audits and these reports are now on the up. The establishment of APAC was visionary and its founding led to the founding of regional bodies e.g. the South Africa Development Cooperation Organisation of Public Accounts Committees (SADCOPAC) in 2003, EEAPAC in East Africa was to follow, WAAPAC in West Africa thereafter and AFROPAC the continental body in 2013.

The role of parliaments' public account committees (PACs) is to ensure legitimate spending of public funds, an audit report becomes an essential document for PACs to conduct their oversight role. This presentation looks at the PACs' oversight add value in following up on audit reports. The presentation focusses on three main activities of PACs which largely utilises the Annual Report (which includes the Public Hearings on the Audit Reports), the Resolution Tracking, and Oversight Visits.

2. COMMITTEE PUBLIC HEARINGS ON THE ANNUAL REPORTS

The real test of representative democracies as there are few direct democracies going around is the extent to which the government remains accountable to parliament. Parliament and committees have powers to summon the executive or any person to give evidence and report to them. The Auditor General functions are prescribed in Chapter 10 of the RSA constitution.

Its role is to audit the books of Departments and Entities of all the three spheres of government and to make recommendations that will ensure the findings do not recur. That's where the Public Accounts Committee (PACs) relationship with the AG is a special one in ensuring accountability. The committee convenes public hearings wherein they call departments to a hearings to answer and account for the findings of the Auditor General. In the process of the hearings we insists that both the Executive Authority (EA) (Ministers and MECs) who are accountable to Parliament/ Legislature and the Accounting Authority (Director General (DG) and Head of Departments (HOD)) who are answerable to us in terms of our law, the Public Finance Management Act (PFMA) attends and responds to questions posed to them by members of parliament. This process ensures that the executive account for the findings of the Auditor General.

The committee undergoes a thorough and elaborate process in the preparation for the hearings which includes the research analysis of how the departments have performed and committees briefing by the Auditor General after which questions are prepared and sent to the Executive which questions and response become subjects of the hearings.

At the end of the process the PAC makes a report with recommendations and tables the report to the house. In asserting the role of Parliament/ Legislatures in RSA the resolutions of the House are binding on the Executive and this has come to be accepted in all the Provincial Legislatures but is still to be the case with the National Parliament.

3. RESOLUTION TRACKING

Parliaments everywhere in the world have to deal with the challenges of their recommendations being implemented. This is both a political process as well as an administrative process. Making the resolutions of the House binding on the Executive was meant to close this gap.

The committee spends most of its time between the Annual Report processes in ensuring that the resolutions that were adopted by the house are being implemented. Our reports prescribes timeframes for reporting on the adopted resolution.

This has improved accountability particularly on resolutions that are carefully crafted not to change policy and thus put a burden on the budget. For the PAC the issue of Compliance with the laws which results on the Unauthorised, Irregular and Fruitless and Wasteful Expenditures have been our focus. The PFMA prescribes both a process of investigation and disciplinary action if these happen because of wilful action or neglect by officials and until our committees put a spotlight on this government was reluctant in following the spirit and the letter of the Law.

Our committees are ensuring that these happens as a matter of course and whether action is taken or not and why is reported to us but is subjecting on the mitigating factors of each case. The PAC's in particular have pushed for a robust resolution-tracking mechanism in our Legislative institutions and we are happy to see progress in that regard.

The relationship between the PAC and other Portfolio Committees (PC's) is also important as Departments account on regular basis to their Portfolio Committees rather than the PAC and this is the reason we involve the PC's in the briefings with the AG, in the Hearings and also our reports calls for accountability both to the PAC and to the relevant PC where this is necessary.

In a breakthrough APAC was able to lobby for the Scopa Resolutions to be part of the template of the national treasury on information submitted by Departments and Entities for the Annual Audits. The template is therefore reflected in the Annual Reports. We have been working on this being complied with as the compliance by Departments is at 80%. We are working on the AG to audit the implementation of Scopa Resolutions as part of its audit of the political assurance provided by the PAC. Our PAC's have called hearings on resolution tracking but the system is still being developed.

4. OVERSIGHT VISITS

Oversight visits enable the PACs to (1) gather evidence gathering, and (2) verify facts.

Evidence gathering: There are a number of instances when the Auditor General does not express an opinion on an issue because of lack of sufficient evidence provided by the departments. For example, when the department does not have sufficient evidence for the Auditor General to verify that the department has indeed performed a particular project, the Auditor General will make a finding that they could not be able to verify performance information provided by the department on that specific project. The PACs are therefore able to conduct oversight visit to verify whether or not the department has indeed completed the project and if performed whether there was any value for money achieved. As a result of these kinds of visits the PACs are able to uncover the truth not only in terms of whether or not the department carried out the task but also in terms of whether any value for money was achieved.

Verification of Facts: In some instances oversight visits are triggered by the evidence provided during the PACs hearings with the departments. For Example, the Standing Committee on Public Accounts (SCOPA) in the National Parliament on 21-23 July 2015 conducted oversight visits to the Department of Home Affairs in the Eastern Cape and KwaZulu-Natal provinces. This was as a result that during a hearing with SCOPA it transpired that most transactions which resulted in a negative audit opinion took place in regions rather than head office. As a result SCOPA was able to verify information provided by the departments.

The Auditor General has taken on board in a big way the function of verification of the facts of the information they receive during the audit process and our work and theirs has been mutually re-enforcing although independent.

The one area where great work and outcomes were achieved was on the performance reports of the Auditor General on Infrastructure Spending in Government which had a lot of oversight visits by the National PAC and all the Provincial PAC's and on the Use of Consultants which was a bit different and more information intense.

5. CONCLUSION

In the Westminster system which many members of the Commonwealth still follow is entrenching of a system of checks and balances. In the audit processes the Auditor Generals in the various constitutions are there to bring the technical expertise and to make recommendations. Parliaments/ Legislatures through the PACs are there to bring political will and to ensure that departments account for the findings of the Auditor General and the implementations of the recommendations.

The PAC's are the guardians of the public purse and have to ensure that every cents of the public funds is spent prudently.

There is no gainsaying that the PAC's will not achieve on this role alone. The Association of Public Accounts Committees in our case has urged the fostering of relationship with institutions that have the similar interests for example Chapter 9 and 10 institutions in the Constitution of RSA which includes, the Auditor General, the Public Service Commission and the Public Protector is crucial.

The relationship with other Portfolio Committees which I have alluded to, the Civil Society Organisations (CSO's) e.g. Corruption Watch and Transparency International to name but a few is critical.

Our committees are open to the public and therefore the inputs of the ordinary members of the public is key. It is only in exceptional cases where our PAC's hold hearings in camera. The PAC because of its nature of work attracts a lot of media attention and the media is one of the foremost institution in a vibrant democracy.

South Africa is at the infancy stage of establishing a the principle of oversight at the Municipal sphere of government and establishing similar committees which we call Municipal Public Accounts Committees (MPAC's) and this has presented both new opportunities and challenges. The PACs have taken the role of working with MPACs seriously and we see this important for their mentorship but has ensured the faster learning of the PAC's on their role including on the area of the Municipal Finance Management Act (MFMA).

REFERENCES

Best Practice Guide Document of APAC

Public Finance Management Act (PFMA)

Municipal Finance Management Act (MFMA)