

100 YEARS 100

OF LEGACY AND LEGENDS



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



100 YEARS
1911-2011



ACKNOWLEDGEMENTS

The first draft of this book was written after interviews with many of the role players in the history of the AG's office. Thanks to the thoroughness, dedication and human interest of the writer, the story took shape, aided by all the people who gave generously of their time and thought. A former employee of the AGSA provided the finishing touches to the manuscript based on further research, interviews and her experience in the organisation.

The guidance of an internal review panel and comments from external reviewers brought this manuscript to its current state.

The story of the AG's office was moulded by the inputs of countless people who eagerly shared their memories of years gone by, such as a nostalgic meeting of old friends and colleagues in the Eastern Cape and a lively gathering of 'alumni' in Pretoria. We honour and thank each and every one who made a contribution towards this record of legacy and legends.

OF LEGACY AND LEGENDS

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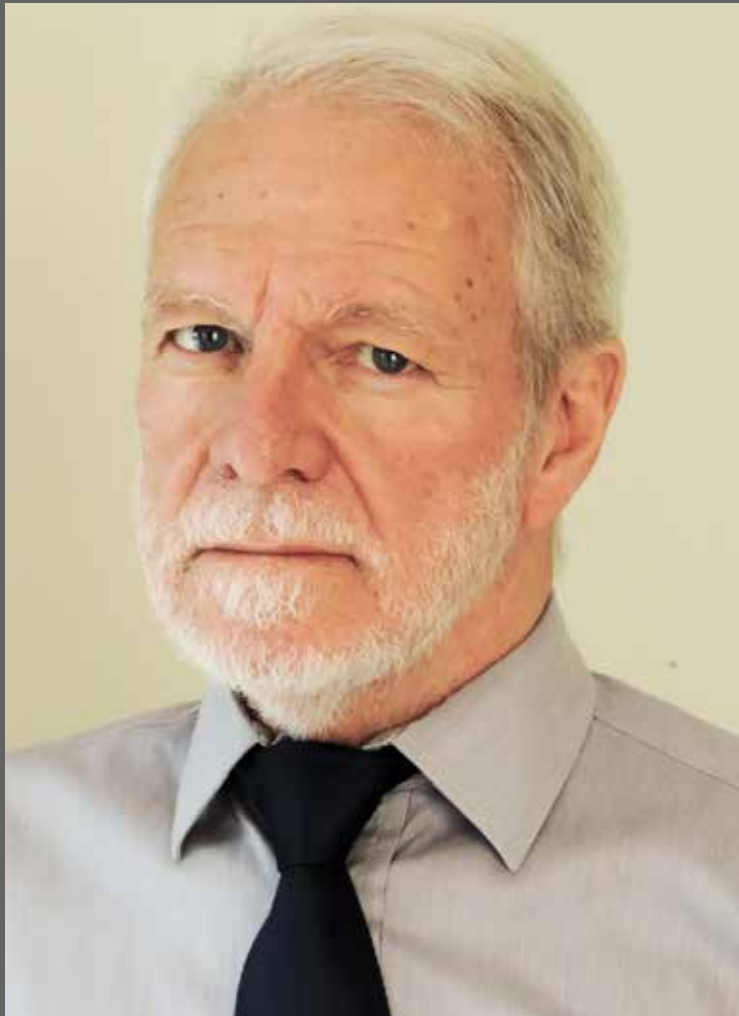
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THE AG'S 100 YEAR PUBLICATION

BY GAVIN WOODS (9 SEPTEMBER 2014)



PROF. GAVIN WOODS

This centennial review is essentially an historical account of the past 100 years of the Auditor-General in South Africa. While there were many accomplishments spread across these years which are worthy of acknowledgment, it would seem that the most noteworthy period, in terms of achievement, covers the last 25 odd years of the institution's existence. As such, it would be of interest to elevate this era from the narrative of this publication so as to highlight its particular significance, not only regarding the Auditor-General but also the entire realm of government in South Africa.

During the earlier decades, public sector auditing was in the main about dedicated auditors-general and their diligent staff unobtrusively checking on state expenditures and scrutinising book-keeping records in order to comment on the quality of simple financial reports such as the annual appropriation statement. This is not to downplay the endeavours of a long line of earlier Auditors-General who worked purposefully towards improving levels of auditing competence, optimising operational independence within the strictures of prevailing legislation and promoting a culture of probity within the public sector auditees. It is rather to illustrate where the institution has come from and why, during those years, the institution of the Auditor-General remained somewhat anonymous and incidental in relation to public finances in the mind of the general public.

While the introduction of the Auditor-General Act of 1989, and more particularly the amendments to that act in 1992, increased the Auditor-General's level of authority as well as independence, it was really the impact of the New Public Management school of thinking across the public sector world that both directly and indirectly led to the wide-reaching reforms undertaken by many supreme audit institutions over the past 20 years. The Office of the Auditor-General in South Africa became a leading proponent of these reforms.

History, however, very seldom turns on a single development and this is true of the road our Auditor-General has travelled. Fortuitously, it would seem, there had been developments within the institution immediately preceding the New Public Management reforms which inadvertently assisted with their successful implementation. In this part of the journey it is important to recognise the crucial roles played by Dr de Loor and Mr R P Wronsley, as former Auditors-General, and also by Prof. Bertie Loots, firstly as an advisor to the Auditor-General and then as Deputy Auditor-General. These enlightened individuals began

a transformation process which saw the introduction of a number of initiatives to professionalise the Office. This, in turn, produced a more receptive environment for the introduction of the dramatic reforms which were to follow.

The pre-reform scene was further set by the Auditor-General in the immediate post-apartheid period by his having gained international recognition for the South African Office and the audit standards it was maintaining. This exposure helped alert him to a range of reformist initiatives being adopted by leading supreme audit institutions in other parts of the world.

Shortly thereafter the first far-reaching change came about through the new Constitution which was enacted in 1996 and which required the Auditor-General to incorporate the pre-1994 Auditor-General offices of the former TBVC independent states into the South African office. This huge undertaking was, however, successfully completed under the watch of Auditor-General Henri Kluever. Thereafter the modernisation reforms began in earnest through the Public Finance Management Act of 1999 and the Municipal Finance Management Act of 2003. These acts, through a number of significant provisions, gave birth to a revolution within the South African public sector and, as a direct consequence, within the Office of the Auditor-General – the aftermath of which is still being felt today.

These acts demanded a momentous mind-shift for the entire institution as this not only gave real expression to the Constitution's requirement of greater independence for the Auditor-General but also meaningfully expanded the institution's operational mandate and accompanying responsibilities. The Auditor-General was now required to play a more pivotal role in the overall accountability arrangements at all three levels of government as well as meeting audit-related requirements of a number of other fundamental reforms such as higher accounting standards, accrual type accounting, enhanced corporate governance mechanisms and a measurable performance system for government departments and entities. The scope of the annual audit was further extended by the inclusion of balance sheet and performance information auditing.

The Auditor-General was also forced to respond to a provision in the two financial management acts which stipulated much tighter deadlines for the auditing of annual accounts of all government organisations. Considering the immensity of all these changes and the large number of audits it involved, the great success in meeting these challenges by Auditor-General Shauket Fakie and his deputy, Terence Nombembe, must be acknowledged.

To help achieve and then maintain these considerable increases in performance, the then Auditor-General crafted the Public Audit Act of 2004 and steered it through the legislative process in Parliament. This act, which replaced both the Auditor-General Act and the Audit Arrangements Act, enhanced the authority and powers of the institution and provided for a number of key changes to practices and procedures in order meet the operational demands brought about by the new reforms.

The exemplary way in which the institution of the Auditor-General has managed these difficult challenges has seen the Auditor-General elevated to an even more

central position in the public sector financial governance arena, resulting in the incumbent becoming a popular public figure due to the coverage the Office's work receives via the country's mainstream media. Today, the Auditor-General, as an institution, commands significant influence across all the organisations which make up government and has earned the respect and cooperation of both Parliament and the Executive regarding its independence - with the former being ever more reliant on its audit work as a means through which to exercise oversight of the latter. The Auditor-General has also gained further international recognition through the prominent role it has come to play in INTOSAI structures and activities and by having been awarded the audits of a number of United Nations-related organisations.

Thus, when we pause to acknowledge just how big the transformation obligations of the Auditor-General have been over the latter part of its history and just how successful it has been in meeting these obligations, we can understand why the country owes the institution a debt of gratitude. And it is when we learn in chapter 11 of this publication of the bold intention of Kimi Makwetu, the incumbent Auditor-General, to take these successes into the next 100 years that we can be confident that the transformation agenda will be ongoing and, as such, will raise the Auditor-General's effectiveness to even higher levels in the years ahead.

A TURNING POINT IN SOUTH AFRICA'S HISTORY

Walter Gurney stood before the nondescript building and felt the solemnity of the moment in his whole being. There was nothing momentous about the building, the day, the movement of people and traffic in the street. Yet it was a turning point in history, and he was part of it.

It was Monday, 12 May 1911, and for the first time in South Africa, an Auditor-General of the Union of South Africa walked into his offices to start a new era in the evolution of the country.

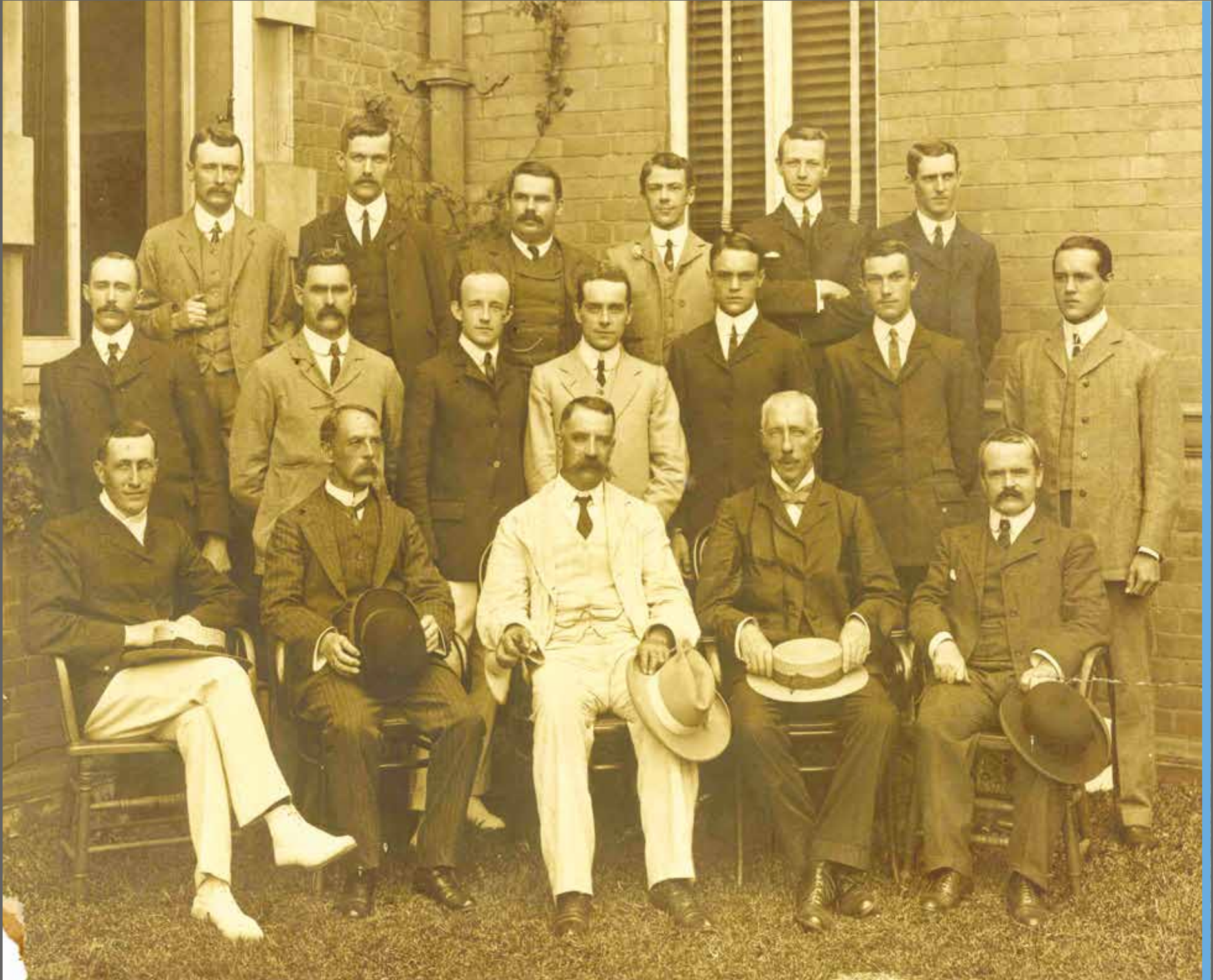
As he strode through the entrance, his small staff rose respectfully to greet him – expectant, excited, somewhat apprehensive, but proud to be part of a new organisation facing enormous demands – staff that he would salute in his first annual report, expressing his ‘appreciation of the loyal support of my able and energetic staff, without which the measure of success attained would have been impossible’.

Thus they laid the foundations of what would become a cherished legacy within the Auditor-General’s office: dedicated staff who take pride in their performance, aware of the significant contribution they are making towards democracy and the strengthening of principles of integrity and honesty that would affect the lives of every citizen. An office that had Terence Nombembe, in his 2011-12 consolidated general report as the Auditor-General of South Africa, thanking ‘... the audit teams from my office and the audit firms that assisted for their diligent efforts in providing useful and relevant information and insights that promote oversight and accountability in government’.

The road towards this moment, this first step in the creation and evolution of the office of the Auditor-General in South Africa, was built on the systems, customs and traditions of the Dutch and British colonial powers. Now, with the founding of the Union and its own Auditor-General’s office, it would enter a long period of stability as rules and regulations were laid down that would remain basically unchanged until the 1970s and ‘80s.

Then the journey would accelerate towards the independence of the office in 1993, after which the technical journey to professionalism would continue, culminating in an office that could hold its own in the international arena. The office was fortunate in its long line of leaders, who shared the

same vision of accountability and service to people and upheld the same values of integrity, transparency and independence. As the Auditor-General of South Africa (AGSA) looks at the past, it realises that it has learnt to transform itself, building a great organisation, ideally placed to support the young democracy of South Africa, through fulfilling its mandate. Looking to the future, the AGSA should apply this valuable experience and knowledge to become a change agent for government. Over the next 100 years, auditors should look far wider than financial information and help establish to what extent communities enjoy their rights as citizens. Improving the quality of life has to be at the forefront of auditors’ responsibilities.



THE HANDFUL OF STAFF IN 1911, WHICH GURNEY SALUTED IN HIS FIRST ANNUAL REPORTS AS LOYAL AND ENERGETIC, LAID THE FOUNDATION OF WHAT WOULD BECOME OUR CHERISHED LEGACY

A NEW ERA FOR A NEW COUNTRY

The dawn of the twentieth century arrived almost unnoticed in South Africa. The second Anglo-South African War was raging under Britain's scorched earth policy with systematic destruction of crops, slaughtering of livestock, burning of farms and homesteads, poisoning of wells and salting of fields. Tens of thousands of Boers and black farmworkers were herded into concentration camps where huge numbers died because of neglect, disease and starvation. No one was particularly inclined to celebrate the turn of the century.

The war was finally ended by the Treaty of Vereeniging in 1902 which brought the South African Republic and the Orange Free State under British rule as the Transvaal and the Orange River Colony, with the promise of limited self-government in the future – a promise fulfilled when the Union of South Africa was created in 1910. The South Africa Act of

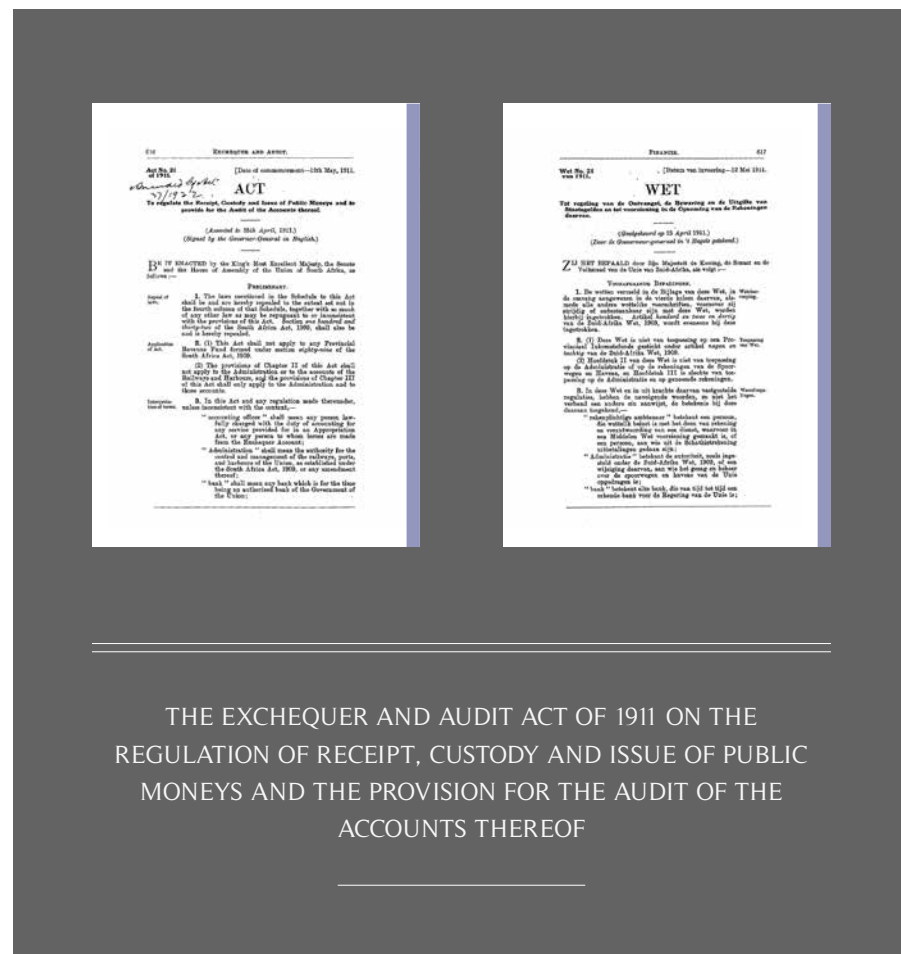
1909 proclaimed that the Union of South Africa would be established on 31 May 1910, uniting in one entity the British colonies of the Transvaal, Cape of Good Hope, Orange River and Natal.

The parliaments of those colonies were abolished and provincial councils were set up in their place. Following the traditional British democratic pattern, two houses of Parliament were created, a House of Assembly and Senate, whose members were elected mainly by the country's white population. Though self-governing, the Union was still subject to the British Crown which was represented by a governor-general. Effective power was exercised by the Prime Minister as Head of Government. The first prime minister, who headed a coalition of English- and Afrikaans-speaking people, was Louis Botha, a former Boer general.

Each of the colonies was characterised by strong feelings of independence and consequently there was considerable difference of opinion about where the capital should be. So a compromise was reached, with each province sharing in the 'capital fruits'. The administrative capital was based in Pretoria in the Transvaal. Cape Town in the Cape Province became the Seat of Parliament. Bloemfontein in the Orange Free State was home to the Appellate Division while Pietermaritzburg in Natal was given financial compensation.

Initially, Dutch and English were the official languages. In practice, however, Afrikaans replaced Dutch in 1926, when the Official Languages of the Union Act, 1925 (Act No. 8 of 1925) afforded equal status to both as official languages, although in legal terms the two languages co-existed until the Constitution of 1961 specifically replaced Dutch with Afrikaans.

The Cape Province was alone in espousing a non-racial franchise, permitting property-owning non-whites to vote, and there was a vague hope that this policy would somehow spread to the other provinces. Steps to implement this were actually taken when a delegation of white and black leaders visited Britain to protest against the exclusion of non-whites from the franchise, but Britain was focused on creating a unified country within its Empire which it could count on as an ally.



LOOKING BACK

THE AGSA OVER THE YEARS

1932

Pretoria staff of the Controller and Auditor-General
Taken at 469 Market Street, 26 August 1932



1946

R.P. Plewman
1946 - 1954

1935

H.P. Smit
Controller and Auditor-General
November 1935 - August 1946





T.J. Canty
Controller and Auditor-General
August 1954 - March 1957

1954

H.S. van der Walt
1957

1957

P.A. Kotzenberg
1968

1968

1955

F.G. van Heerden
Acting AG
1955

1962

I.T. Meyer
Controller and Auditor-General
December 1962 - January 1968



F.G. Barrie
1972 - 1978

1972



WG. Schickerling
Auditor-General
July 1978 - January 1982

1978



Dr J.H. de Loor
1985 - 1989

1985

1976

Provincial Audit Staff,
Natal Provincial Administration
30 June 1976



1984

A.P. Ellis
1984 - 1985



R.P. Wronsley
Auditor-General
September 1989 - December 1992

1989

1992

H. Kluever
Auditor-General
December 1992 - November 1999



1999

S. Fakie
Auditor-General
December 1999 - November 2006



Terence Nombembe
Auditor-General
December 2006 - November 2013

2006

2013

Thembekile Makwetu
Auditor-General
December 2013



J DE V ROOS AND HIS STANCE ON AUDITING

Apparently quite a florid character, J de V Roos had very definite opinions on money, its use and its role in life as revealed both in a treatise he developed on 'Thrift' for the use of teachers presenting civics courses, and in a surviving lecture he delivered to members of the Accountant Students' Society in 1926.

He was critical of the prevailing British view expounded by Lord Lindlay in his definition of a company auditor's function during the London and General Bank case, which stated that it was not an auditor's duty to give advice to shareholders or directors on actions to adopt.

He stated this approach was 'too narrow for the audit of the Government accounts by the Public Accounts Select Committee of the Union Parliament, a body of fifteen keen brains and with its quota of successful businessmen whose decisions tend to build up the principles of public finance for the Union and who encourage the Auditor to draw attention to all cases where departments have done bad business'.

He went on to explain to his listeners that when he visited Japan, the AG, Mr Nakakuma, described what were in effect the philosophy and principles of performance auditing as practised in his country. '... he had attached to his office a committee of eight technical men, engineers and others, and ... was encouraged by his Parliament to test public expenditure by results, and by reason of his technical advisers, could speak much more authoritatively on his country's accounts than I can in criticising the merits of Union public expenditures. In short, an efficiency audit is in operation in Japan.'

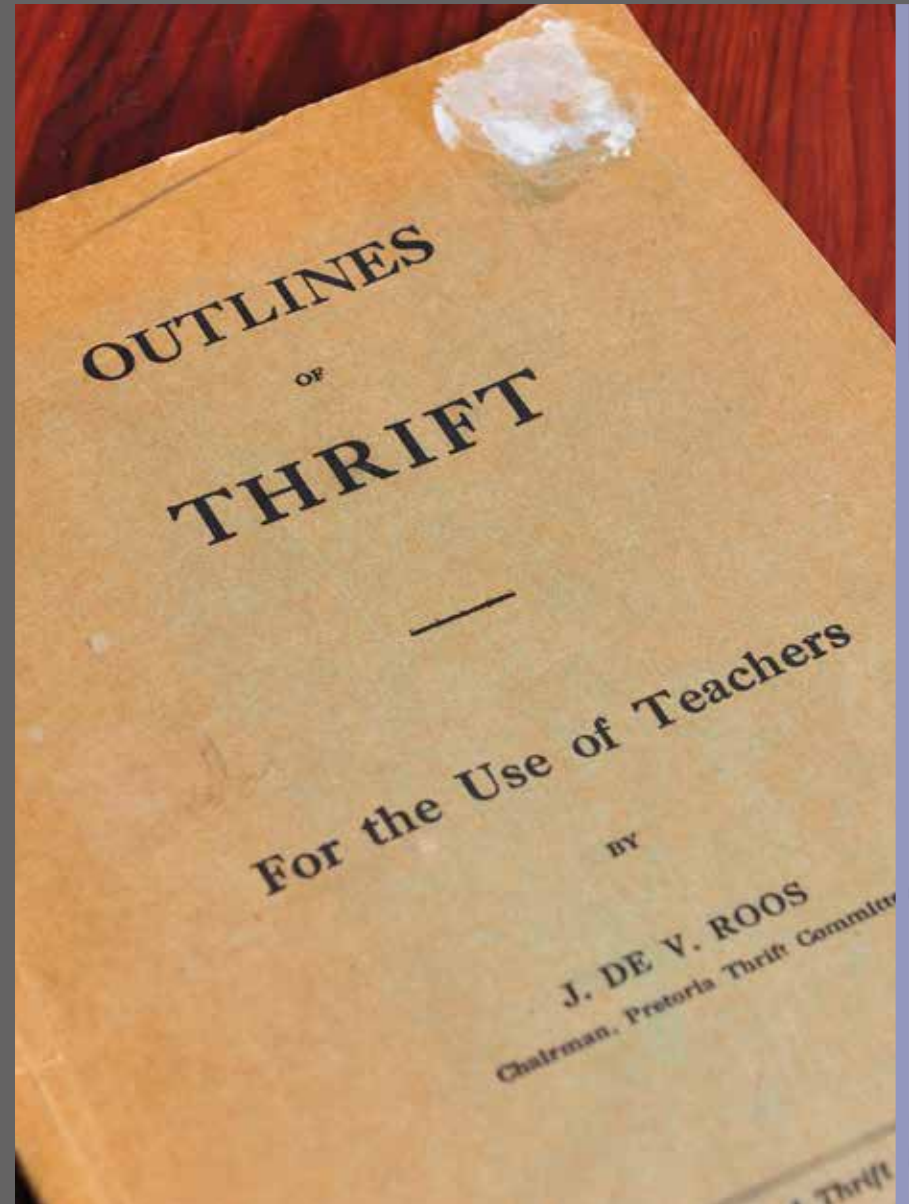
The United States, he continued, had followed suit, dealing with expenditure 'from the efficiency and economy aspects' – two tenets integral to performance auditing. In addition, the American Comptroller-General has wide-ranging powers to report to the President and recommend new laws with regard to accounting and public funds. More importantly, 'he appoints his own officers' and is 'practically made Paymaster-General, a Treasury function in South Africa'.

In other words, he enjoyed considerable independence, though Roos does point out that the British AG is independent of the Government and responsible to Parliament alone.

These same principles of independence were adopted by the Dutch in 1803, which created a Rekenkamer that was entirely independent of the Governor and Council and directly responsible to the Asiatic Council in

Holland which had to approve all payments and issues of stores. This body was considered vital in combating the many abuses that had sprung up in the Cape in almost all administrative branches. 'The Rekenkamer was entirely free and independent in dealing with accounts.'

Unfortunately, the system lasted only three years until the Cape Colony once more came under British rule and an AG replaced it.



COVER OF THE "THRIFT" BOOKLET DEVELOPED BY J DE V ROOS FOR TEACHERS IN CIVICS COURSES

LAYING DOWN THE LAW

The Exchequer and Audit Act of 1911 issued the regulations which were to guide auditing and accounting right up to the late 1970s before the gradual evolution of the accounting profession began to exert its influence.

Each provincial government had to keep account books and accounts 'for the whole of the receipts and payments of the said Government'. The Provincial Secretary was appointed the accounting officer and was responsible for all payments of the provincial government. Withdrawals from the provincial bank account could be made only by means of a cheque voucher signed by the accounting officer or an officer authorised by him and had to be countersigned by one other officer appointed by the Administrator.

Counting, checking, ticking and stamping these vouchers were duties which were the bane of the auditors' and accountants' lives for decades to come.

The act then proceeded to define what the auditor was required to do in examining the accounts. He had to 'compare the entries in the cash-book or account with the supporting vouchers and documents and the bank pass-book'. In doing so, he had to check that vouchers corresponded to receipts for payment and that the sums on both were the same. He had to make sure that all the calculations were accurate and had been authorised by the responsible officer and that all relevant regulations had been observed.

Every single item of expenditure had to be checked to ensure that it had either the Provincial Administrator's approval or that of the relevant provincial council or municipal council. Such authorisation was in most cases the subject of delegated authority in terms of relevant legislation or regulations. Strict parameters were laid down in provincial legislation for financial decision-making which provided guidelines for municipal officials applying expenditures. As the most senior municipal official, the Town Clerk was held responsible to the Provincial Administrator for the correct application of relevant provincial legislation and regulations.

The auditor was required to inspect all stores under the provincial government's control and do the stocktaking, and the office had the authority to examine 'all records, books, vouchers, documents, cash, securities or stores' and to 'cause search to be made in and extracts to be taken from any book, document or record in any public office'. No reference is made here to the auditor's authority to scrutinise 'secret accounts' or even whether in fact there was such a thing as a secret account.

This would become a significant bone of contention when Peter Wronsley was in office. He even threatened to take an angle-grinder to a particular department's safe to access its records when he was initially denied permission to examine them! Fortunately, wisdom eventually prevailed and Wronsley could leave his angle-grinder at home.

Audits included 'periodical as well as surprise examination of all books of account, vouchers, returns, statements, authorities or other documents in explanation or support of the transaction'.

In years to come, auditors would find that their 'surprise examinations' were frequently thwarted by vigilant magistrates or other officials who got wind of their arrival and hastily informed all relevant departments of the impending threat – because that was generally how the auditors were viewed at that time: threatening – and any incriminating evidence or irregularities were quickly rectified or made to 'disappear'.

THE CRUCIAL ROLE OF INDEPENDENCE

In the same article on the Auditor-General's mandate, mentioned above, F G Barrie explained that regulations required that from time to time the AG was to satisfy himself that the provincial auditors were fulfilling their duties and responsibilities in line with the law, and to report on the matter to the Minister of Finance and Parliament, but he was to do so without impacting on the independence of the provincial auditors.

The AG was also required to scrutinise the accounts of government entities or any public body that were delivered to him and report to Parliament annually on the results.

This section of the 1911 Exchequer and Audit Act concludes with Regulation 20 which instructs the AG to make a distinction between 'administration' and 'auditing' and then continues, 'When the accounts are handed to him he will have unlimited authority to conduct any investigation which he deems necessary.'²

As Barrie pointed out, this second injunction of the regulation awarded him considerable powers. These powers were reaffirmed in the Exchequer and Audit Act of 1956 and his mandate re-confirmed, 'Basically this was that the Auditor-General must review, scrutinise and audit the accounts of all accountable officials and all those to whom the receipt, safekeeping, payment or distribution of state funds, stamps, securities or provisions were entrusted. To fulfil his responsibilities he had access to all notices, books, provisions etc. in the possession of any person employed by an entity or institution whose accounts he was required to audit.'³

The AG was required to report to the Minister of Finance on his findings. However, his report on Railways and Harbours was made not to the Minister of Finance but to the Minister of Transport, and in the case of the Post Office, to the Minister of Posts and Telecommunications. These reports were then presented to both houses of Parliament within seven days.

Should the reports not be submitted within that time, Barrie explains, the AG was to submit copies of his reports to the President of the Senate and the Speaker of the Volksraad to be presented to those bodies, thus demonstrating irrefutably the independence of the AG.

Barrie goes on to stress that the AG was not a member of the public service, which was a common misconception, and quotes the Minister of Finance who pointed out during discussions of the 1911 Act that 'Under this Bill his position was made absolutely independent of any Government which may be in office at any time. He was an officer of Parliament ... he was as independent as any judge on the Bench'.

² Translation

³ Translation

The independence and impartiality of the AG were fiercely protected from the very beginning. The first instance of the AG's impartiality being impugned occurred during the tenure of the second appointee to this office, J de V Roos. It finds fascinating parallels with similar accusations of prejudice and partisanship levelled at both Henri Kluever and Shauket Fakie who were accused of submitting to political influence. The allegations were rigorously rejected by voices in both government and the opposition who fiercely defended the independence of the AG.

In his article 'Mandate of the Auditor-General' of 1977, F G Barrie described an incident that took place in 1927. At that time, ministers were not authorised to use state transport to and from their offices in Pretoria. In his report to Parliament, J de V Roos pointed out that W B Madeley, Minister of Posts and Telegraphs, cost the state 14 shillings a day for transport between his office and the Pretoria station.

Prime Minister Hertzog agreed that this was contrary to regulations but asked for indulgence since Madeley was having difficulty finding accommodation in Pretoria. Initially, J de V Roos agreed, but then discovered that both Madeley and his private secretary were using government transport from Pretoria to Boksburg North at a cost of £5 to £6 a day. The matter was taken to the Cabinet and at first Madeley agreed to repay £221 15/2 but he once again appealed to the Prime Minister who requested that he be relieved of the debt. At this point, Roos said that the report had already been signed and he couldn't do anything until Parliament had dealt with the issue.

A very heated discussion ensued in Parliament on 24 May 1928, with Madeley accusing the AG of 'partydigheid' – favouritism or

partisanship – claiming that he had been specially targeted by the AG because he was a Minister of the Labour Party and not of the South African Party. It caused an absolute furore.

The leader of the opposition, General Jan Smuts, called it a very serious accusation and strongly defended the AG's independence and impartiality, stating with force: 'We must protect the Auditor-General.'⁴ He was supported by the Prime Minister, and J de V Roos himself wrote a long letter to the Speaker protesting Madeley's accusation.

'Is it fair towards both myself and the independence of my office,' he asked, 'that such declarations are made in this way?'⁵

Barrie called this debate 'undoubtedly the best explanation of the office of the Auditor-General of which I am aware'.⁶

Accusations in the mid-90s levelled at Henri Kluever for dishonesty by Minister Penuel Maduna were refuted with similar vigour and the Minister was compelled to apologise.

In 2001 Shauket Fakie also came under fire for allegedly bowing to political pressure over the so-called Arms Deal, and after prolonged discussions, arguments, accusations and investigations, he too was eventually vindicated.

THE PERSONAL CHARACTERISTICS OF AN AUDITOR-GENERAL

Considering the huge responsibilities vested in the AG, F G Barrie stressed that this great measure of independence demanded that the appointee espouse exceptional standards of honesty, objectivity and responsibility.

'He must be so isolated against political pressure that he can report on his findings fearlessly.'⁷ Barrie strongly recommended that he should be a man of

strong conscience who constantly examined himself to determine whether his behaviour was indeed impartial and objective at all times.

These characteristics have remained the same requisite today as they were when the first South African Controller and Auditor-General was appointed in 1911 and to the credit of the office and the country, and to the benefit of our democracy, they have guided the actions of every man who has filled that position to this day.

⁴ Translation

⁵ Translation

⁶ Translation

⁷ Translation

WHAT THE FIRST ANNUAL REPORT REVEALED

The very first annual report produced by the new Controller and Auditor-General's office would reflect the repercussions of that devastating war of 1899-1902, which the second AG J de V Roos called 'ruinous' and which had cost £250 000 000. The Transvaal and Orange Free State Boers had been given £3 000 000 for reconstruction, but it is clear from that first 1910-1911 Annual Report that the society of the time was still struggling with the aftermath of problems caused by the war.

Even a cursory view of that first annual report of Walter Gurney provides the most fascinating insights into life at the time. Gurney is at pains to point out that delays in rendering accounts are due to 'confusion arising immediately after Union', and in his conclusion reiterates, 'I have already referred to the abnormal condition of affairs in regard to the accounts under review, owing to the confusion arising after Union, and I desire, in concluding my report, to express my sense of the courtesy with which the requirements of audit have been met by the Treasury and the accounting officers throughout this time of stress ...'

South Africa had originally depended heavily on agriculture to fuel its economy, with mining still in its early days. The scorched earth policy of the British during the second Anglo-South African War had devastated the countryside, burning down farms and ruining the land, forcing thousands to flood towns in search of refuge and work. Unemployment and crime were rampant – and this is reflected in the massive 8% of the budget allocated to the Police Force and 3,19% to 'Prisons and reformatories'.

That widespread reconstruction and development was taking place after the war was evident in the sums allocated to agriculture, agricultural education, lands, irrigation and forestry (6,63%), Public Works (2,81%), Posts, Telegraphs and Telephones (8,68%) and Buildings, Furniture and Fittings (4,22%). Over £10 000 was committed to the 'Arme Burgher Fonds' (Poor Citizen Fund) in the Transvaal – pointing to the massive impoverishment people had suffered at the hands of the British and their ruthless land policies. An amazing 148% was allocated to asylums, a brutal reminder that the war had inflicted more than just physical damage.

The country, with only £21 559 284 4/6 in the kitty, was staggering under a massive public debt burden that amounted to over 25% of the budget!

In his lecture to the Accounting Students' Society, J de V Roos defined the public audit of the time as '... verification and check with regard to accounts of public moneys received and spent and stores received and issued ...' and divided it into three categories:

- The Accountancy Audit dealt with 'computation and vouchers' and was intended to 'bring to light errors of arithmetic and accountancy, frauds and errors of principle'.
- The Appropriation Audit dealt with 'Parliamentary authority for expenditure and the charging of expenditure to the proper authority' and was designed to reveal unauthorised expenditure.
- The Administrative Audit was akin to what we know today as performance auditing, determining whether 'an adequate quid pro quo has been obtained or whether that expenditure shows wastefulness or extravagance'. With tongue in cheek he pointed out: 'This part of Government audit one has to approach with great tact and circumspection', as many of today's performance auditors have probably discovered!

It was his firm belief that '... the Auditor is the establisher of truth, order and the way to success in business, the man who hears both sides of a question before deciding, the only reliable "factfinder" ...'

Thus were the principles and guidelines for public auditing laid down for the next seven decades, though Roos ended his lecture with a remarkably visionary statement – one, however, that was not to be fulfilled until 1975, with the passing of the Exchequer Act, when performance auditing was added to the AG's repertoire. 'Although I am no prophet, it seems to me that the future of Government audit will tend more and more to test the merits of expenditure, to see that the State gets value for it.'

THE MEN AND THE TIMES

Little was known of the AGs of the early years, though a photograph of the first Auditor, Sir Walter Gurney, does remain. It depicts a rather plump, dapper man, neatly arrayed in the fashion of the time, complete with top-hat and cane. His appointment as Auditor-General of the Union signalled official recognition of his ability and success since he had previously been Controller and Auditor-General of the Cape of Good Hope.



MR WALTER E GURNEY - FIRST AUDITOR-GENERAL

The AGSA archives hold a tantalisingly vague letter addressed to him as such, which refers to his 'Interim Report' of June 1904 which had been delivered to a British official whose identity is, sadly, obscured by his illegible writing! He held office for eight years, until 1918, and was succeeded by J de V Roos, about whom a little more information is available.

In office from 1919-1929, Roos was clearly well-known and respected in academic circles as well as in his own field, as is evidenced by the lecture he delivered to the Accounting Students' Society as well as by his appointment as Chancellor of the University of Pretoria in 1930. He held very firm views about the role of money, whether public or private, and its proper use, and judging from the little treatise on 'Thrift' which he published in 1931 as Chairman of the 'Pretoria Thrift Committee', he was probably somewhat of a tyrant as AG and it is most likely that the imminent arrival of auditors from his office inspired considerable trepidation! The book also reveals that he was a highly intelligent, very widely read and travelled and deeply cultured man.

SAVE, SAVE AND CUT OUT THE LUXURIES

Thrift, he believed, was 'the way to success in life' so no doubt he would have audited public accounts with unbending rigour. The circumstances of the time, however, justified this Draconian approach. The Great Depression started during his last year in office and it was to have a devastating effect on South Africa when demand for the country's agricultural and mineral exports dropped dramatically. Roos pointedly quoted Cicero as knowing the solution, 'A State emerges from a cycle of depression by the aggregate savings of its citizens'. Little wonder then, that he emphasised the importance of thrift and savings so fiercely.

In his 'Outlines of Thrift' developed for the use of teachers as a branch of civics education, Roos bemoaned the fact that South Africa 'as a whole' was not thrifty. He supported the view of J H Hofmeyr, Administrator of the Transvaal in 1928, whom he quoted as saying that 'public economy could never be expected to be fully effected until it was the desire of the people as a whole'. He strongly advocated teaching children the principles of thrift from a young age, and to that end, wrote his little treatise.

The Great Depression, of course, came hard on the heels of the First World War which Roos pointed out had cost the world '... an amount estimated to be between 27 000 million and 42 000 million pounds ...' So it is understandable that he was obsessed with cutting out all luxuries, not purchasing on credit, not buying anything that was not strictly necessary, saving every possible penny, living rigorously within one's income and refraining from the bad habits of 'wasting' (in which he included drinking, smoking, gambling and 'Bioscopes – this most insidious habit' which he grumbled 'had led to people spending a cumulatively enormous sum on gratifying this pleasure to too great an extent'). One wonders what he would say about the time we spend today watching TV and videos, playing computer games, using smartphones and iPods and surfing the Internet!

The precepts and instructions contained in this little book imply that he ruled the Controller and Auditor-General's office with a rod of iron. His opinions on 'Thrift and the State' would certainly indicate considerable inflexibility in this regard. 'Extravagant public expenditure demoralises a people, discourages industry and diminishes the capital of the industry,' he quoted sternly from Platt.

PASSING THE BATON DOWN THE YEARS

Roos relinquished his position in 1929 to C F Schmidt of whom, unfortunately, little is known. He presided over the office for only four years, with W H Calderwood stepping in as acting AG in 1935, so it would seem that he had to step down prematurely, possibly for health reasons.

From 1935-46, the organisation was headed up by H P Smit. Although there are photographs available, there are sadly no former employees or colleagues who can provide insights into his tenure, which must have been more challenging than most, since it spanned World War II.

R P Plewman took the hot seat in 1946 and held it for eight years. There is an interesting comment in a book entitled *The Last Trek: A study of the Boer People and the Afrikaner Nation* by Sheila Patterson which would appear to indicate that Plewman was inclined towards a greater liberalism than was the general case in those increasingly nationalistic days. The author states that in 1956, Plewman published a detailed analysis of mounting legislation delegating powers to Ministers and others in the February issue of the publication *Forum*. From her statement, it would seem that he was concerned about this move because of its authoritarian and even discriminatory nature.

T J Canty was in office for only three years from 1954 to 1957, and was succeeded briefly in 1955 by F G van Heerden as acting AG until the appointment of H S van der Walt in 1957. He was at the helm when the Exchequer and Audit Act, 1956 (Act No. 23 of 1956) was implemented.

Here is a man who steps out of the customary mould of officials of the time. Born in the Cape in 1899, Hendrik Stephanus was most unusually educated in the United States and was a teacher before joining the Cape provincial administration in 1928.

His career, while not meteoric, followed a consistently upward path, leading him from chief clerk in the Prime Minister's office in 1936 to head of hospital administration in the Transvaal in 1939. He was then transferred to the Union Department of Education and in 1949 became the Secretary for Education, so clearly, he had abilities and skills which brought him into the spotlight.⁸

I T Meyer took over the reins in 1962 and remained in the position until 1968 when H R P A Kotzenberg succeeded him. Kotzenberg was involved in some way in the World Trade Organisation's General Agreement on Tariffs and Trade between 1966 and 1970, but details are skimpy. He had a reputation of irascibility and even tyranny. As with most of the AGs of the time, he was appointed from another public department where he had served as the head.

BREAKING OUT OF THE MOULD

F G Barrie appears to be another of those unusual characters who cannot really be pinned down to neat classifications. He was the author of a *Report on the Accounts of the Eastern Caprivi Government and of the lower authorities in the area* of the period 2 February 1972 to 31 March 1974. He is remembered as a very passionate person who was strict and demanding, but like others of the time, not an auditor in the first place, but a public servant.

Barrie was not an inward-looking public official. In 1974, Barrie was one of four vice-presidents at the International Congress of Supreme Audit Institutions (INCOSAI) held in Madrid. There he discovered that South Africa's approach to public auditing was in complete agreement with that of developed countries, as entrenched shortly afterwards in the Lima Declaration. Above all, it was during that congress that important decisions were taken concerning what would come to be known as performance auditing. He became one of the foremost proponents of the thinking about auditing the efficiency of government activities.

On his return, he appointed work study officers through the Public Service Commission to study the function of the office, examining what was being done, what should be done and how it could be improved. This was the beginning of the changes in auditing within the AG's office. There is general agreement that it was the results of these studies that helped to inform the Exchequer and Audit Act of 1975 which replaced the previous acts of 1911, 1916 and 1956, consolidating and modernising all the regulations and above all, including provisions to conduct performance audits. South Africa thus became one of the first supreme audit institutions (SAIs) to recognise the importance of the concept and incorporate it in legislation.

However, Barrie truly sprang into prominence with the so-called Information Scandal, which took place after Eschel Rhoodie succeeded him as head of the Department of Information in 1972, the same year Barrie was appointed as AG. Rhoodie, with the knowledge of others in high political office, re-channelled state funds to launch publications that would promote the Nationalist Government at home and overseas. The Information Department was headed by Minister Connie Mulder, who had been directed to find ways of counterbalancing the South African news generated by the 'too-liberal' local English and foreign media.

⁸ * *Selections from the Smuts Papers: Volume VII August 1945-October 1950* Jean van der Poel

In the book *The White Tribe of Africa: South Africa in Perspective* the author, David Harrison, claims that Rhoodie's 'troubles began in April 1977 when the South African Government's Auditor-General began an audit of the Information Department's Books. Rhoodie did his best to hide behind the Official Secrets Act, but F G Barrie, the Auditor-General, was not to be put off, his zeal for proper accounting doubtless sharpened by the memory that he was the man whom Rhoodie replaced as Secretary of Information'.

The upshot of course is that the whole debacle was exposed and the National Party was deeply embarrassed. Barrie was reinforcing the strong stance of independence, accompanied by integrity and transparency that had become the hallmarks of the AG's office in its role of upholding public accountability. He was not a man to compromise his principles, regardless of the considerable disfavour that it could have caused him in his office.

In the book *War of Words*, the author, Benjamin Pogrand, referring to the attempted cover-up around the Information Scandal, writes with obvious glee, 'But in the odd society that was South Africa, where corruption ran to the highest levels of government, some officials retained their integrity and the truth began to seep out. On February 1, 1978, the Auditor-General, F G Barrie, handed a report to Parliament with criticisms of unnamed Department of Information officials for unauthorised spending and expensive junkets abroad'.

The exposé drew heavy-duty flak from government and the B J Vorster-led National Party in particular, with exponents tarred with the unpatriotic and even 'subversive' label. It was perhaps a precursor of the conflicts and troublesome tripwires that subsequent governments have walked into – like the Arms Deal, Oil Scandal and tenderpreneurs, among others! The incident also demonstrated the critical role the AG's office has to play in upholding accountability and to the credit of all those who have since held this position, the principles it espoused have always been rigorously upheld.

Of course, Barrie's was not the only exposé of the truth, but this unbending stance and refusal to close an eye to the misappropriation of state funds were important in contributing towards the revelations and once more demonstrated the crucial importance of the AG's office in promoting honesty in the use of public funds. It once again underlines the imperative of the AG's independence and its role in upholding accountability.

During the 1970s and early '80s the four homelands Transkei, Bophuthatswana, Venda and Ciskei (the TBVC states) were granted independence, which led to four separate AG's offices in addition to the South African office. The AGs who served there are listed in chapter 4.

Barrie was followed by W G Schickerling who held office from 1978 to 1982 and then it was the turn of A P Ellis who was head of the organisation for only two years from 1984 to 1985. Employees of the time recall them as remote figures whom one would pass only occasionally in the corridor.

A MAN FOR THE SEASON

Then it would seem that at last, enlightenment began to spread its rays into the recesses of the office, when Dr J H de Loor was appointed. Despite the fact that Joop de Loor was not a qualified accountant, Parliament, at the recommendation of the Minister of Finance, offered him the appointment as AG with a five-year contract. Highly educated with a voracious appetite for learning and understanding, De Loor was determined to free the AG's office from the shackles of government control.

A staff member recalls De Loor as a 'stately type of guy, very knowledgeable with worldwide contacts and status'; he in fact had obtained a PhD in Business Science in 1955 before working first with the Department of Trade and Industry, and subsequently for the Department of Finance. At the time this was part of the Treasury and was the smallest independent department responsible, among other functions, for drafting the annual budget and getting it approved by Parliament after which it was handed over to the Treasury.

De Loor's responsibilities included assisting with drafting the annual budget, exchange control matters, customs and excise and tax matters and also the Office of the Registrar of Financial Institutions, relations with the Reserve Bank, plus a number of directorships on state corporations – quite a diverse portfolio to manage!

At the request of Minister of Finance Dr Nico Diederichs, he became South African ambassador to the International Monetary Fund and the World Bank and its affiliates in Washington DC in 1975. On his return, he was made Secretary for Finance, a title which was then changed in all departments from Secretary to Director-General. This, consequently, was a man who could impose his opinions and demand an audience; he had the stature and substance to convey the importance of his ideas and recommendations.

His diplomacy and highly developed people skills were extremely important in smoothing over resistance, fears and doubts during the significant changes that took place under his aegis. He was one of the greatest visionaries the AG's office has had the privilege to experience and his legacy cannot be underestimated. It was he who first launched the concepts of modernising and professionalising the office, taking it out of the public service and making it one of the first truly independent SAls in the world.

Of course, men of this stature do not fit conventional norms, and Joop de Loor was no exception. To start with, he was the first AG who had not been appointed following the traditional route which was through the Commission for Administration. Directors-General of departments were normally promoted to this commission as a stepping stone either to Chairman of the Commission or AG, before retirement.

People from that era remember how De Loor turned everything upside down, starting with the furniture and furnishings in the office. His refusal to put up with 'public service stuff' created quite a stir. In a visionary move, he appointed Dr Bertie Loots as special consultant, mainly to conduct an investigation into the professionalism and independence of the AG. From the day he booked in, everything started to change.

He could not believe that no one had been overseas and that there were no study or training programmes. So a new world began to open up and the office started on the road toward independence. There was energy and enthusiasm for the new developments.

De Loor was ably assisted by exceptional men who rose to the challenges of the time: Henri Kluever who was first his Deputy AG and later became AG himself; Peter Wronsley who unreservedly assimilated his vision, reinforcing it with his own determination, and who also enlisted the exceptional skills and expertise of Loots, first as consultant as he had been with De Loor and then as Deputy AG, to achieve the desired and strenuously fought-for independence from the public service environment.

MEN OF STATURE ... AND ODD QUIRKS

Wronsley was a man not to be trifled with, one who set his mind with grim determination and refused to be budged from a course he knew to be right. He was the perfect successor to Joop de Loor in pursuing the path the latter had pioneered. Energetic and dynamic, he could also be quite fearsome in striving for his goals. Those who had become accustomed to De Loor's gentlemanly, polite and almost restrained ways were initially unsure how this somewhat bombastic man would carry on the legacy.

He was an excellent strategist who knew financial accounting inside out and was unshakably focused on accountability. A far more approachable man than De Loor had been, he was the kind of person who wanted first-hand knowledge of challenges.

Wronsley was known for defending the office at all costs. If there was any indication that the office was being criticised, Wronsley would be fierce in his rebuttals, never allowing the AG or his independence to be encroached on. He was also AG in those difficult years when the border war was being waged. A top-class public servant, he was awarded the Cloete medal for service. Cloete was regarded as the father of public administration in South Africa and every year, the Cloete medal was awarded to the country's best public servant. Wronsley was Head of Department for the House of Delegates (the Indian Parliament created by the National Party government) before he came to the AG and had a wonderful sense of humour, but could also be very combative. He stood very firm on principles. His tenure also saw the start of much of the international relations that developed with the United Kingdom, the United States of America and others, and also the start of the office's first steps into Africa.

Henri Kluever was appointed in 1993 when Wronsley retired for health reasons. Kluever was a Treasury man and well liked by staff. Things were moving along certain lines and he continued the momentum, yet it was during his tenure as AG that the great spurt in change occurred, both in the country and in the AG's office itself. The consensus that he should continue to serve as AG after the transition to a democratically elected South African government in 1994 was a measure of the respect accorded to him.

In the annual report of 1993-94, Henri Kluever wrote, 'We are all committed to making a real success of our country. To do that it must be financially and economically efficient. The resultant economic growth is the only path to the upliftment of all South Africans. A high standard of governmental auditing and public accountability can make a significant contribution to this'.

FROM INDEPENDENCE TO THE INTERNATIONAL STAGE

Kluever was determined to achieve full independence and his greatest ambition was to get a true report of government finances. If he knew something was wrong, he would not hesitate to take it up with the relevant minister and lay it out for him in no uncertain terms. He was not intimidated and did not back down from telling the truth. Neither would he soften his reports.

The AG's audits of government did not always go down well. Auditees often did not like the findings and would demand proof. But Kluever was not the type of man to tone down his reports. He would explain what they had done wrong and then guide them through corrective steps and generally, they would then accept it.

During the tenures of Wronsley and Kluever, the AG's office gained its full independence and saw that independence being enshrined in the Constitution of the Republic of South Africa, 1996.

It was also under Kluever that South Africa was appointed to audit the World Health Organisation. He was immensely proud of the achievement. It placed South Africa on the map as able to compete with international counterparts.

THE TRANSITION INTO DEMOCRACY

Kluever's successor, Shauket Fakie, was the first chartered accountant (CA) and the first black person to be appointed to the post. A very pragmatic person, his inclination was to surround himself with experts and rely on their advice on issues where he had little personal expertise.

Formed by strong disciplines of commitment, sacrifice, duty and responsibility, Fakie had to overcome all the challenges presented by apartheid in order to obtain his CA qualification, learning to deal with discrimination and injustice at an early age.

The worsening political environment induced him to emigrate to Australia in 1987 where his work with Ernst and Whinney provided him with invaluable experience in the public sector. Returning to South Africa in 1992 to what was then Ernst & Young, he worked extensively with the Department of Education.

Fakie was an active member of the Association for the Advancement of Black Accountants of Southern Africa (ABASA), and in 1994 was approached by the organisation which was looking for people with maturity and experience to work in the AG's office. After an interview with Kluever and the Audit Commission Board, he was appointed to manage the Gauteng Office in Johannesburg as provincial auditor from 1995 to 1997.

Loots's contract expired in 1997 and Fakie took over from him as Deputy AG. He applied for the position of AG when Kluever's term of office ended in 1999 and began his tenure as AG in 2000.

Fakie was quick to appreciate the importance of the media's role in publicising reports and bringing important issues to the attention of the public. Always approachable and open for interviews, even when he was coming under heavy fire, he turned the media into an ally and gained their trust with his unfailing integrity and ability to stand his ground even under political pressure.

An employee remembers him as 'sharp and dedicated and passionate about the work and the role of the AG. He was amiable and easy to work with, professional, easily accessible and it was easy to communicate with him'.

PROMOTING PROFESSIONALISM

Fakie continued to drive initiatives to raise the standards of professionalism and to promote transformation. At the same time, he was strongly supportive of the international audit work and of the South African office's involvement in the African Organisation of Supreme Audit Institutions (AFROSAI), the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) and the International Organisation of Supreme Audit Institutions (INTOSAI). Both local and international colleagues appreciated his own professional approach to issues, the collegial manner in which he worked and his constant commitment to raise the quality of governance and of external audit in the public sector in Africa.

He took a hard knock with allegations of cover-up over the Arms Deal, but there is wide consensus that his later committed and principled stand over reports issued concerning government irregularities and mismanagement, despite sometimes considerable pressure, redeemed the AG's reputation and standing. He significantly strengthened the standing of the AG's office as an independent organisation of extreme integrity, impartiality, credibility and trustworthiness. Terence Nombembe, his successor, credits him as the man who finally established the credibility of the AGSA beyond any doubt, 'It provided an excellent basis for my term, which was characterised by extensive stakeholder engagements, where I never had to worry about the trustworthiness of the office being questioned, allowing me to focus exclusively on the task at hand.'

THE AG VINDICATED OVER 'OILGATE'

A good test of the new professionalism in the AG's office was the so-called 'Oilgate' Scandal. The petrol company, Imvume Holdings, was accused of paying R11 million of state money to the ruling African National Congress shortly before the elections. The money had been received from a state oil company, PetroSA, as part of an advance payment for a quantity of oil condensate that had been procured from Glencore, an international company.

The AG's office was accused of signing off on irregularities in the financial statements. It was at an early stage of the office's professional development and there was a tough legal process where the auditors had to give evidence. They were able to prove from their documentation that they had properly considered, reviewed and calculated everything and that they had been correct in their actions. People also tried to discredit Kluever through the process, but he came out clean. The incident was a clear demonstration of the value of professionalisation, intense training and standardisation as foundations of the AGSA reputation.

All these developments had increasingly raised the status of the AG's office. It already had a reputation for integrity and no-holds-barred reporting, which was recognised and respected by all politicians. Loots claimed rightly that the AG's level of credibility stood out among all the chapter 9 institutions. 'I believe this office has the highest standing in terms of the validity of what it does and it is seen as an example for most of government in terms of the way things should be done.'

His opinion was confirmed by the report of the ad hoc committee on the review of chapter 9 and associated institutions headed by Prof. Kader Asmal, created to establish whether the institutions were fulfilling their roles envisaged in the Constitution adequately. The 10-member multi-party committee concluded as follows:

The Committee considers the functioning of the Auditor-General consistent with its terms of reference concerning efficiency. In addition, the international recognition of the standards established by the Auditor-General reflects well on the Office and its personnel.

In his speech at the celebration of the AGSA's centenary, President Jacob Zuma praised the office as 'a respected pillar of our democratic architecture' and went on to say, 'Due to its outstanding work, the office of the Auditor-General is respected by ordinary South Africans, Parliament, government departments, other entities and the international community'.

It is this reputation of leading by example, built on the journey of standardisation and professionalisation during the period starting in the late 1970s until the early years of the new millennium, that assisted the audit office in fending off criticism of its work over the years and built a basis for its stakeholder engagements in later years where, to use the words of Pramesh Bhana, former corporate executive, the audit office 'utilised its insights into the running of government to provide foresight to those that run government'.

Internally, Fakie did much to promote the trainee accountants' scheme, which later became known as the trainee auditors' scheme, with intake numbers escalating from 36 in 2000 to almost 300 in 2006.

Through the implementation of the Siyanqoba strategy and its related training programmes, strongly driven by Deputy Auditor-General (DAG) Terence Nombembe, Fakie helped to mould a new cultural identity, with employees increasingly feeling a stronger sense of pride and loyalty. The Siyanqoba strategy focused on the importance of stakeholder relationships. Fakie therefore placed considerable emphasis on improving communication with stakeholders. This was an aspect of his philosophy which Nombembe, coming from a private audit background, related to strongly and would take to new heights.

A NEW ERA BREAKS

Fakie, though extremely active in promoting the AG's office through the media, encouraging the development of professionalism and promoting the evolution of a dynamic new culture within the organisation, was not very visible to the rest of the office. Terence Nombembe, who succeeded him as AG in 2006, was the ideal person to build on Fakie's legacy – albeit a man with a very different approach, attitude and thinking. Of quiet demeanour and a hard worker, colleagues describe him as a man who plans thoroughly before acting and demands to see results.

Terence Nombembe gained valuable experience during his work in the private sector which developed his technical competencies as accountant, external auditor and internal auditor. He also developed solid management and leadership competencies upon which he bases his leadership style. He brought with him a firm commitment to supporting mechanisms for proper governance within government. He felt the AG's office had a greater role to play than just undertaking audits and publishing audit reports. He began to push for reported audit outcomes that were written in simple, almost layman's terms, with greater clarity and relevance.

Nombembe assumed the responsibility of personally visiting the political leadership to explain the audits, highlight areas of concern, examine root causes and obtain commitments to correct weaknesses and failures. The AG's office, he believed, should become a closer partner in helping government take the steps needed towards greater accountability for the benefit of the country and its citizens. During his tenure, he emphasised the responsibility of the AG's office towards the citizens of South Africa.



WELL-KNOWN SOUTH AFRICAN ARTIST ZAPIRO USED VARIOUS INCIDENTS IN THE HISTORY OF THE AUDITOR-GENERAL IN HIS CARTOONS

It is fascinating to see how he embraced and implemented concepts that were first expressed by F G Barrie in 1977 in an article he wrote for the *Journal for Public Administration* entitled 'Taak van die Ouditeur-generaal' (The Mandate of the Auditor-General):

'The days are long gone when the Auditor played a quasi-passive role and made a contribution only once a matter had been dealt with. Today's Auditor is ready and available to provide advice timeously in cases where there is uncertainty over the interpretation given to rules and regulations.

'The Auditor must be seen as a friend with whom those responsible for accounts can discuss problems timeously. This approach is appreciated by such accountants. Contrary to what many think, such accountants welcome the fact that there is a body that can provide clarity over doubtful occurrences within their own organisations of which they as accountants were unaware.'⁹

Nombembe took these precepts to new heights, making the auditor a friend and partner of auditees and developing strong relationships of trust with them. One of the reasons for Nombembe's success in this new venture was that he did his homework thoroughly and had full mastery of facts and figures.

He also had a different approach to Parliament. Previous AGs had been close to Parliament, travelling down to the parliamentary session in Cape Town and attending the Standing Committee on Public Accounts (SCOPA) frequently, making inputs and signing audit reports; in fact, signing most of the government department and major public entity reports personally. Nombembe, however, elevated the prominence of municipal audits to his top-level leadership, as local government is where citizens really experience the impact of government. He was the first AG to engage actively with every single local government in South Africa over a number of years.



AUDITOR-GENERAL TERENCE NOMBEMBE MET WITH LEADERS AT ALL LEVELS OF GOVERNMENT TO DELIVER THE MESSAGE OF THE AUDIT OUTCOMES. SEEN HERE ARE: CE - BARRY WHEELER, PREMIER - MR DD MABUZA, DIRECTOR-GENERAL - MR JM RABODILA, THE AG AND BE - BRYANT MADLIWA

⁹ Translation

During his term, he elevated the office's output considerably, building the general report up to what it is today and rolling it out to the provinces. In terms of the Constitution and the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) the AG's office is responsible for auditing and reporting on accounts, financial statements and financial management of the public sector. The office is therefore not only responsible for an audit of the financial statements, but for other information as well. The AG emphasised the importance of this responsibility as follows: Instead of being concerned only with financial information, auditors should help to establish to what extent communities enjoyed their rights as citizens. Improving quality of life has to be at the forefront of auditors' responsibilities.

The auditor's report on the financial statements evolved with the inclusion of matters relating to the auditee's internal control, non-compliance with applicable legislation and findings on performance information (now called predetermined objectives).

All these changes paved the way for the AGSA growing its general report format. It has become a product that reports on and summarises the audit findings of all national audits and is repeated nine times over for each of the provinces, providing trends, root causes and recommendations. It also serves as a record of commitments made by key stakeholders to address these findings and move towards clean administration.

Nombembe was also responsible for lifting the bar on stakeholder engagements in the organisation, such as requiring 90-minute engagements with the executive every quarter. In these engagements, there was proactive dialogue to assist auditees to create a culture conducive to credible financial and performance management.

This era was a period of challenging transition for the organisation. Not only did it ask of auditors to transform their traditional technical role to that of a relationship manager, there were even some people who felt that this new approach may impinge on their independence (a favourite defence for many a traditional auditor). Many intense debates later and with the benefit of these engagements clearly evident, this transformation proved successful. This confirmed the validity of the INTOSAI community's work on the value and benefits of SAIs (led by Nombembe) where the concepts of independence and stakeholder engagement happily co-exist, in defining the purpose of public sector auditing as an effort to improve the lives of citizens of a country. Although a difficult adjustment, it was soon clear that this approach yielded solid results.

Nombembe was not one to rest on his laurels and congratulate himself on achievements attained. 'He is always demanding that we stretch further, go beyond, reach higher,' was the general consensus. 'He is a true leader. He walks ahead – but you have to run to keep up!' The impact of his transforming attitude, however, made the journey worthwhile.

December 2013 saw Thembekile Makwetu taking over the reins of the AG's office. His vision, '**People** is the agenda', gives us a measure of the man.

ADAPTING TO A CHANGING WORLD: THE JOURNEY TO INDEPENDENCE

The world of the 1960s was undergoing fundamental upheavals. The post-war generation rebelled against almost all the precepts, principles and values of their forefathers and society was struggling to find stability and direction in an environment increasingly affected by astounding technological, literary, political and socio-economic developments.

Nationalist movements striving for independence were springing up all over the world. Paradoxically, internationalism was slowly increasing in importance too, as countries around the globe began to realise the extent of their growing interdependence.

While 'special interest' bodies had already existed, reaching beyond geographic frontiers and uniting organisations and associations operating in the same spheres and with similar objectives, a new impetus was given to their existence as established and traditional socio-economic and political boundaries were being disrupted.

In May 1961, South Africa abandoned its British dominion status and declared itself a Republic. It also proceeded to withdraw from the Commonwealth. Apartheid was institutionalised and increasingly, western nations and organisations began to boycott the country. International sanctions were applied. There was widespread divestment of holdings as investors pulled out. Many foreign businesses closed doors and left the country. South Africa found itself increasingly isolated from the international scene.

Four homelands were declared independent: Transkei in 1976, Bophuthatswana in 1977, Venda in 1979 and Ciskei in 1981. However, the lack of any effective infrastructure meant that these 'Bantustans' were unable to develop autonomous local economies and were kept afloat only by massive subsidies from the South African government. Most of the employed citizens of these homelands worked as bureaucrats in homeland administrations. Apart from a few small industries, there was little other employment, with huge numbers of citizens having to work as migrant labourers in South Africa.

Each homeland had its own administration dealing with finance, education, health care, police, basic services and the like. Each had its own auditing and accounting department, headed by an Auditor-General in the same mould as the AG of South Africa at that time. This was in line with the existing systems operating in each of the four provinces of South Africa at that time, which were in effect all autonomous.

DEVELOPMENT OF GOVERNMENT AUDITING

Internationally, government auditing was slowly evolving as a result of the efforts of INTOSAI, the international grouping of Auditors-General, which had first been proposed after World War II at an International Congress of Administrative Sciences in Bern, Switzerland, where delegates decided to set up a forum for government auditors. The first INCOSAI, a regular gathering of international Auditors-General in a congress format, was held in Cuba in 1953.

In 1965, delegates to the Vth INCOSAI in Israel discussed the role of SAIs in maintaining a high standard in public administration. This was the first tentative step towards eventual articulation of the principles that would have to be in place for SAIs to have a greater influence in achieving this goal – the main one, of course, being independence from the state.

In 1967, INTOSAI achieved non-governmental organisation status with the United Nations (UN) – a sign of its growing importance on the global stage. By the early 1970s it was organising training events in cooperation with the UN and had adopted a proposal to start publishing its own *International Journal of Government Auditing*.

As INTOSAI expanded, it became apparent that there was a need for regional working groups, and in 1976, the first of these, the African Organisation of Supreme Audit Institutions (AFROSAI) and the Arab Organisation of Supreme Audit Institutions (ARABOSAI), were founded.

The following year, 1977, signalled the milestone IXth INCOSAI in Lima, Peru, when delegates from 95 countries adopted the *Lima Declaration of Guidelines on Auditing Precepts*. The principal aim of the Lima Declaration was to call for independent government auditing, defining the basic foundation for the work of Auditors-General to this day.

INTOSAI



INTOSAI

EXPERIENTIA MUTUA
OMNIBUS PRODEST

LIMA DECLARATION

MEXICO DECLARATION

DÉCLARATION DE LIMA

DÉCLARATION DE MEXICO

DEKLARATION VON LIMA

DEKLARATION VON MEXIKO

DECLARACIÓN DE LIMA

DECLARACIÓN DE MÉXICO

إعلان ليما

إعلان مكسيكو

THE LIMA DECLARATION

The Lima Declaration set three key benchmarks for the independence of an Auditor-General:

- *Legislative independence:* The AG's autonomy should be protected in the Constitution which should clearly specify his mandate, relationship with Parliament and the procedures for his appointment or removal.
- *Financial independence:* The executive government should not be the source of funding for the AG.
- *Operational/administrative independence:* The AG should be able to access all records and documents regarding public finance management, recruiting the best professionals to fulfil its mandate. The office should also have the liberty to select the most appropriate auditing methods.

The Lima Declaration contains a comprehensive list of all goals and issues relating to government auditing. In calling unequivocally for independent government auditing, it highlights the fact that a SAI that cannot live up to this requirement does not come up to standard. It also emphasises that independence alone is not sufficient unless rooted in legislation, which in turn points to the absolute necessity for democracy and the rule of law if a SAI is to be truly independent.

The Secretary General of INTOSAI in 1998, Dr Franz Fiedler, rightly called the Lima Declaration the 'Magna Carta' of government auditing. More than twenty years after the declaration, he said of this landmark, 'Rule of law and democracy are essential premises for really independent government auditing and are the pillars on which the Declaration of Lima is founded. The precepts contained in the declaration are timeless and essential values which have maintained their topicality since the years they were first adopted'.

STREAMLINING THE AUDIT FUNCTION IN SOUTH AFRICA

The concept of independence began to be mooted around the executive corridors of the South African AG's office, but in the 1980s, it still seemed an impossibly remote principle. However, changes towards a more efficient and effective audit office were underway, as in 1984, a decision was taken at parliamentary level to review the old provincial audit units.

The Union of South Africa had brought together four widely diverse provinces, two of which had been separate independent countries just a few years earlier. Provincial auditors were originally instituted by section 92 of the South Africa Act of 1909, which stipulated, 'In each province there shall be an auditor of accounts to be appointed by the Governor-General-in-Council'. Apart from the provincial auditors, the act also referred to the Controller and Auditor-General, whose appointment and conditions of service were legislated by the Exchequer and Audit Act, No. 21 of 1911. This arrangement worked well and was perpetuated by the Republic of South Africa Constitution Act of 1961, which stated, 'In each province there shall be an auditor of accounts appointed in accordance with the laws governing the public service'. F G Barrie pointed out in his article on the mandate of the AG that this had made them Treasury officials, which he considered as a retroactive step in terms of their independence.

Provincial auditors were initially under the authority of the Treasury and it was only in the 1970s that they were transferred to the AG's office. One unique thing about the provincial audit offices was that the provincial auditor in charge of the office was now on the payroll and on the duty sheet of the AG whereas the rest of the staff were all on the provincial audit establishment and paid by the provincial administration. The provincial audit offices audited provincial institutions, schools, hospitals, traffic departments and municipalities and submitted reports to the administration of the province. Although totally independent from the AG in Pretoria, they undertook sections of certain audits of national institutions on his behalf.

NATAL
 PROVINSIALE ADMINISTRASIE PROVINCIAL ADMINISTRATION
 Personeel van die Provinsiale Ouditeur 30/6/1976 Provincial Audit Staff



CAMERA CRAFT
 Van links na regs/From left to right
 Sinde/Strand: C. J. Swain, M. J. M. D. M. Robt, M. J. M. S. A. Matthew, M. J. M. G. K. Thergave, M. J. M. S. J. Compa, T. T. Shaw, P. C. van Zyl, J. P. Maren,
 (Duitse) Prov. Auditor, G. M. Charney, M. J. M. C. H. Veyers, M. J. M. C. C. Gibson, M. J. M. H. G. Calverwell, M. J. S. Ferraro, L. L. Mathew,
 St. Vreder
 Ade Ryland Row: H. J. van der Zande, L. A. Nel, P. J. C. Jansen van Vuuren, L. H. Langenhoven, S. van der Merwe, R. A. Syma, J. M. Wessels, J. H. van Schaik, J. J. Roux,
 M. O. Nel, W. F. S. Buisson, G. M. Miller, M. J. Nel, A. M. Jones, E. S. Krammer
 Ade Ryland Row: M. A. Hartman, G. J. P. van der Merwe, J. S. Cherie, M. E. Attridge, C. S. Martin, M. M. Robinson, L. J. Nel, L. A. H. Komon, E. C. Izard, D. S. Steynson,
 J. M. Nel, C. E. Spies, D. R. Pien
 Ade Ryland Row: M. J. Swain, J. Taylor, L. B. van der Merwe, W. H. Kainz, J. H. Origa, R. E. Wood, R. R. Wheeler, C. J. Booysse, S. D. van der Merwe, J. J. P. Redgard,
 G. M. Grobler, R. E. Redgard
 Ade Ryland Row: C. W. Swain, M. L. Swain, G. D. Dobbie, G. C. Wills
 Afneg van die Ouditeur/Staff: H. M. Bekker, P. R. Brown, G. D. Calverwell, K. P. L. Fourie, A. R. Goddard, T. W. Hart, M. K. Jones, R. F.
 Pennington, S. A. Rood, R. K. van Nuberg

STAFF OF NATAL PROVINCIAL ADMINISTRATION, 1976

The type of work varied little between provinces, though there were small differences, such as the 'B17 book' used in the then Transvaal which was unique to that office. 'This was the book that the controller wrote notes in,' one of the veterans explained. 'Work would come to you for checking and if you found something not quite right, but that wasn't worth sending the accountant all the way back to go and check, you would make a note about it in B17 for the next audit person to follow up the next time they did an audit.'

From a functional point of view, there was transferability between provinces. There was one merit list for all provinces. The merit list was the result of the annual performance assessment of all staff through a rigidly structured process. The individual assessment by line managers of their reports was

followed by a visit by the regional merit committee to confirm that the performance report was accurate and substantiated with incidents that could be used in support of the assessment categories. Then a final assessment by a joint meeting of these regional committees (a central merit committee) followed, to assess all staff finally and place them in one of three categories. According to these categories, 1. they would get **preference** to be promoted, 2. they could be promoted **out of turn**, or 3. they could be promoted **in turn**. Names were plotted on this list according to various criteria, based mainly on the performance reports that emanated from the performance reviews and were submitted to the Merit Commission of the Public Service. When you were in line to get a promotion and the only post available was in another province, you were required to transfer to that province on accepting the promotion.

There was little or no training in the provincial audit offices apart from hands-on passing on of experience from senior to junior. Those who were interested in furthering their studies travelled to Pretoria for short courses or studied part-time with UNISA.

A previous Provincial Auditor of Transvaal recalled the different view of work generally adopted by the AG's office when it came to doing what he termed 'non-audit work'. 'When we in the provinces arrived at a municipality and found that the books didn't balance or weren't ready for audit, we did the work on a non-audit basis and the municipality had to pay for that separately. The AG didn't want us to do any of this non-audit work, because he said we were not accounting staff. However, our view in the provinces was that if you leave the audit for two or three years, then you can never do a proper audit after that, because documents were not available, personnel had changed, vouchers disappeared, and we believed it was in the national interest that we go ahead and do the non-audit work so that we could keep the work up to date.' He also believed it was good experience for the audit staff to learn how to write up accounts and prepare statements.

THE IMPACT OF WORK STUDY OFFICERS

Work study officers had been a fixture in government departments since the sixties. Their role within the AG's office, according to Günther Witthöft, who was the chief auditor in charge of the unit in 1981 (and retired as a Corporate Executive), was primarily to consider and make recommendations regarding the efficiency and effectiveness of audit procedures. They also looked at organisational development, and in later years, information technology issues.

The Work Study division was like a business re-engineering unit, responsible for analysing and developing the most effective procedures, methodologies and organisational structures. A stiff, six-month course

qualified candidates who had to submit to a rigorous selection process and aptitude tests. It was a sought-after position, because, 'You were very exposed to the organisation and very visible, so you gained excellent experience there'. There were similar units in the rest of the public service, consisting of people who could analyse business processes and redesign them to improve efficiencies. However, there were no work study offices in the provincial audit offices. If such work was required, the provincial office had to submit an application to the provincial administration for a team to be sent to them, and sometimes had to wait many months before the relevant officers would arrive.

When F G Barrie returned from the INCOSAI held in Madrid in 1974, he set the Work Study section on to studying auditing procedures, with a particular reference to performance auditing, and the results introduced the first changes in terms of auditing.

At the time, the AG controlled the release of funds by the Treasury to different departments. The Exchequer and Audit Act, 1975 (Act No. 66 of 1975), which consolidated and modernised the previous acts governing the AG, introduced changes. The controlling function of the AG was transferred to the Treasury, which in future would release funds from the Exchequer. Hence the title 'Controller and Auditor-General' was changed to 'Auditor-General'. The duties and powers of the AG now revolved around auditing alone; the organisation was moving towards professionalisation.

THE AMALGAMATION BEGINS

In 1984, active steps began to be taken to amalgamate the four provincial audit offices of the Transvaal, Free State, Cape of Good Hope and Natal with the AG's office. Work study officials from the AG's office began to travel from one provincial audit office to another, explaining the need for amalgamation, persuading, cajoling, calming fears and smoothing over concerns as they tried to get everyone on board for the momentous change.

Some saw only the huge opportunities that would open up for provincial staff. Others feared job losses, loss of benefits and the unknown. There is always resistance to change and insecurity, but the amalgamation was handled with expert skill. In certain cases the provincial staff had better service conditions and benefits, but they lost nothing in the process. Tact, diplomacy, understanding and fairness directed developments. All the people were brought into the new structure still retaining the benefits they had enjoyed when first employed.

The merger was not a case of a 'big brother takeover', but a true amalgamation, a bringing together of people for the benefit of the bigger organisation. However, it was certainly not without its challenges! The

office in Pretoria was more advanced because it had the Work Study unit driving new processes – this was not the case in the provinces.

The total office was restructured to facilitate the merger, which resulted in a more consistent auditing approach. This merging of the provincial audit offices also represented a learning curve for the amalgamation of the TBVC states (Transkei, Bophuthatswana, Venda and Ciskei) which would take place in the mid-1990s. Many of the lessons learned from this first initiative would assist significantly in identifying the challenges and finding the solutions in that merger process.

SPEARHEADING A NEW VISION

The time was ripe for change, so the appointment of Dr Joop de Loor as AG in 1985 could not have come at a more propitious moment. An internationally renowned economist, De Loor was widely travelled and had an extensive global network of contacts. He was not the usual public service official brought into the position almost as a way-station before retirement, as many of the previous Auditors-General had been. In fact, everyone had been expecting one of the former provincial auditors to be the successor to A P Ellis, the previous AG.

Extremely perceptive, De Loor immediately assessed the situation and brought his considerable diplomatic skills to bear. De Loor himself called his management style 'managing with a soft boxing glove'. He had the most admirable social skills and a remarkable ability to attract people.

Aware of the sometimes subtle negative feelings about his unorthodox appointment, De Loor explained that in winning people over, he never tried to overrule anyone in their professional judgement. 'I would take people of senior or middle rank with when called upon to explain certain professional details or to respond to queries. My job was to manage and not to interfere with the judgement of our qualified auditors. Once their professionalism was recognised they were quick to give their support and this helped to gain their trust. So while I understand that many people were probably unhappy with my appointment and opposed to it, I found ways of helping them come to terms with it. I was originally labelled as a "political" appointee of Parliament, but we proved to all that we were above party politics and able to serve all as the representative of our nation.'

De Loor inherited what he described as 'a strong staff of younger but less experienced people, supported and aided by older and far more experienced individuals who represented the backbone of the office. The main question to be answered was how to improve the effectiveness of the AG's office considering that the responsibilities were progressively becoming more onerous, complex, extensive and wide-ranging. It soon became very clear that we could not approach the future with confidence unless we had many more highly qualified people. Hence my senior staff agreed to work seriously towards an office with highly qualified auditors who could stand their own wherever employed, be it in the public or the private sector'.

SUCCESS DESPITE RESISTANCE

As difficult as it was, the success of the amalgamation of the provincial offices with the AG's office was largely due to De Loor's personality. 'He played a big role in making that process fairly smooth,' a staff member commented. 'He was able to give a considerable degree of comfort to the provinces so that they didn't feel it was a takeover bid, but more of a merger'.

Another official described the resistance to the merging of the audit offices, shaking his head at the memory. 'People wanted to stay in their comfort zones. There were significant differences in audit approach that had to be resolved. We had to use considerable diplomacy to convince people that change was necessary, so the process was painfully slow. Positions had to be found for the amalgamated staff and there were high levels of dissatisfaction among the more senior members. The old provincial auditors had enjoyed a high status level in their respective provinces, and now they were required to report to the AG, so we had to become creative in integrating people and obtaining Public Service Commission approval'.

With this kind of initiative, it was obvious that the first thing to do was gain the trust of the people making the decisions. Consequently, good relationships were developed with the Public Service Commission (PSC) and the central Work Study unit and its staff and this greatly facilitated the changes. So, although it was not plain sailing, the AG's office managed to obtain approval for positions, even though it sometimes had to wait for approvals of senior positions for over a year. Sharply honed skills were developed in motivating the positions, convincing the PSC of the need for them, proving that efficiency gains were at stake and that the positions were necessary to achieve better results.

There were many in the AG's office who had been chafing under the rigid *status quo* that had prevailed for decades and saw the amalgamation as a tentative move towards a more effective workplace. Change was in the air, and many among those who now had qualifications, such as the degree in administration and accounting, wanted to introduce new methods.

EDGING CLOSER TO INDEPENDENCE

De Loor was very well aware of global developments in auditing and it was he who set the wheels in motion towards obtaining independence for the AG's office. In its first report for 1986 the parliamentary Standing Committee on Public Accounts (SCOPA) recommended that '...the question of the provision of funds and the staff establishment be considered in the light of the independence of the Office of the Auditor-General'.

Dr Bertie Loots, who at that stage lectured in auditing at the University of Pretoria and consulted with the firm then known as Deloitte, Haskins and Sell, was nominated as chairman of a task team which included Herman de Jager (then the Director of Accountants' training in the Department of Accounting and Auditing at the University of Pretoria) and Lukas van Vuuren (Chair of the Public Accountants' and Auditors' Board [PAAB], the precursor of the current Independent Regulatory Board for Auditors [IRBA]¹⁰). The assignment

of the team was 'to investigate and to report to the Auditor-General on whether the existing structures and arrangements under which the Auditor-General and his Office have to function sufficiently support and strengthen the independent functioning of the Auditor-General and his Office'.

At the time, the AG's office was overshadowed by other entities such as the PSC which certainly had no interest in allowing it to leave the fold of the public service. Loots described researching and writing the report as 'a fascinating and very demanding process'. The team encountered a certain measure of opposition from government, but they had conducted extensive research, and were able to marshal a huge accumulation of facts with great effect. The report of June 1987 stated, 'Independence is central to the essence of the auditing profession' and made 24 recommendations, which built a very strong case for making the office more independent.

In reminiscing about his period in office, De Loor commented, 'We didn't experience serious opposition from government quarters on the independence issue. Though government at first felt we should do it differently and remain civil servants, we stood firm and maintained that it would be in the best interests of the office to be freer, to move closer to market-related remuneration and not be hampered by civil service pay scales. Thirdly, we had to act resolutely on certain issues, for example the necessity to move closer to auditing disciplines in terms of the Reporting by Public Entities Act (later to be incorporated into the Public Finance Management Act).

'Harry Schwarz, a member of the United Party and spokesman on finance, was Chairman of SCOPA and was one of our staunchest supporters. Schwarz knew that the AG could always be called upon to see to it that whatever funds are being spent in the public sector are being spent properly. I don't think there was any real opposition to approval of our independence as agreed to by Parliament.'

CRUCIAL STEPS TO INDEPENDENCE

From a constitutional point of view, independence is crucial and so are the various checks and balances to maintain such independence. Constitutional arrangements where there is a division of power between the legislature, executive and judiciary are essential for a democracy. The legislature must have proper and accurate information on how the executive is fulfilling its duties and that information must be independent. De Loor was among the many who had long appreciated the fact that you cannot audit an entity in the public sector if you yourself are part of that public service, which was what the Lima Declaration had recognised and articulated.

So compelling was the evidence submitted in the report and the motivations provided that SCOPA was convinced and gave the go-ahead for legislation to be drafted to grant the AG a measure of independence. By this time, De Loor had retired. He was succeeded by Peter Wronsley, who kept the momentum going and pushed the legislation through Parliament.

¹⁰ The Public Accountants' and Auditors' Act, 1991 (Act No. 80 of 1991) instituted the PAAB and was repealed by the Auditing Profession Act, 2005 (Act No. 26 of 2005), which established IRBA.

The legislation that would create distance between the AG and the public service, namely the Auditor-General Act, 1989 (Act No. 52 of 1989), did not really create the full independence the AG's office wanted, but it did make the AG semi-autonomous. In hindsight, it was the wisest solution, taking one step at a time to full independence, because trying to achieve total independence in one fell swoop would probably have raised fierce opposition.

The Auditor-General Act of 1989 made provision for the AG and his staff to operate under a separate act while the executive still retained the final say on crucial administrative issues such as the procurement of resources. In this way, people could slowly get used to the fact that government no longer had total control over the AG's office and it brought the organisation a step closer to full independence.

The act of 1989 was considered futuristic in terms of world legislation. It was an excellent move and today the AGSA has that move to thank for its standard of auditing that can compete on an equal standing with European requirements.

CONSEQUENCES OF THE ACT

Under the aegis of the DAG, Henri Kluever, changes began to be made to the financial system of the AG's office. 'We knew that in order to run a truly professional office, we would have to have control over our own finances,' Loots pointed out. 'An enormous amount of credit for achieving a trading account must go to Kluever.'

Previously, the office had not directly charged fees for work done. Now it moved away from the statutory requirement of getting advanced monies appropriated through the Treasury for each department, by establishing a trading account. That meant that the office had to account for all the time spent doing audits and develop a formula for calculating tariffs. It developed a computerised time-accounting system (TAS) and set up a system to invoice the relevant department, which had to pay for the audit out of its appropriations. Monies previously appropriated to the audit office now went to the budget of the various departments and the office invoiced them accordingly.

However, this was not well accepted by all government departments. If you are paying for a service, you expect quality. The AG's office at the time, while doing reputable work, was not really known for its ability to attract highly qualified and professional people, as people with degrees rarely applied to work there. Moreover, the AG was still subject to decisions of the PSC which could veto its requests for human resources.

The need for further and more intensified audit training quickly became obvious. Previously, training had been coordinated by the PSC and was geared to the public service as a whole. The AG's office had no option but to start training to lift the standard of its auditing.

A further consequence arising from the Auditor-General Act of 1989 was that the office had to prepare its own budgets. This gave rise to the need for strategic planning and subsequent reporting, which had never before been a requisite. Previously, the office had just followed a cycle of audit. Now it was moving into real corporate issues, in effect running a business with a bottom line, not to make a profit, but to break even, so if it overspent, it was in trouble. It would have to learn to tailor its expenditure, as it could no longer simply explain over-expenditure to Parliament and expect to receive money to make up for it. In the annual report on the financial years 1989-90 and 1990-91, the DAG reported that strategic management had been established in the office, '...to promote effective and efficient management'. However, the Commission for Administration (previously called the Public Service Commission) was not willing to support the organisational adjustments the office had proposed.

During the period 1989-91 two management congresses for senior officers were held, at Warmbaths and Nylstroom respectively, on strategic management, management skills, training of professional government auditors, auditing in a computer environment and management information systems. The choice of subjects bears witness to an office that was working proactively to meet challenges.



SENIOR MANAGERS GATHERED IN NYLSTROOM FOR THE ANNUAL SENIOR MANAGEMENT WORKSHOP

The 1989 act also meant the AG's office now had to negotiate with banks on its own accord. It had to have its own accounting systems. This was a unique move and there were upheavals and changes in structure to put all this into place with appropriate policies and procedures – all very different from traditional government accounting.

The public service mindset was not going to adapt readily just to suit the office of the AG's new ideas of modernisation and independence. So the next challenge was to pry the money loose from departments to pay for the invoices the AG's office billed. Salaries and overheads had to be paid from those monies, so it was not a small task the office faced – big problems could be caused when payment was two or three months behind.

THE PACE OF CHANGE ACCELERATES ON ALL FRONTS

The late 1980s were times of considerable upheaval, not only in the AG's environment, but also in the country as a whole. Since the early years of the decade, a divestment movement had been gathering momentum following the UN's censure of South Africa at the 1983 World Conference on Racism, and sanctions imposed on the country were having an increasingly damaging impact on the economy.

Rent boycotts and various militant activities by anti-apartheid groups were making black townships ungovernable. A state of emergency had been proclaimed in most of the country from 1985. It was becoming ever more obvious that apartheid was entering its final days. This all probably contributed towards creating an atmosphere that was more conducive to change and encouraged those who wanted reform in all aspects of the public service to become more vocal.

When President De Klerk announced in 1990 that he would repeal discriminatory laws and lift the 30-year ban on leading anti-apartheid groups, including the African National Congress (ANC), the Pan African Congress (PAC), the South African Communist Party (SACP) and the United Democratic Front (UDF), and that he would release ANC leader Nelson Mandela, it was clear that the writing was on the wall. The prospect of a new democratic government emphasised the urgent need for independent institutions to entrench and preserve that democracy.

ROCKING THE COMFORT BOATS

Loots was approached by the newly appointed AG, De Loor, who sought his assistance in modernising the office. Loots's first assignment was on the accountability of public entities, drafting a framework for an act and including

all entities of the time, such as Eskom, the IDC, Denel, Armscor and the like, since each had their own act governing them and there was no consistency. Working with what he referred to as 'brilliant people, truly outstanding South Africans', such as Gerald Brown, ex-secretary of the Treasury and then director of Old Mutual and Dawid de Villiers, who started Sasol, Loots eventually wrote the report which led to the Reporting by Public Entities Act, 1992 (Act No. 93 of 1992).

This was the forerunner of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) which would be passed in 1999. 'Most of the principles subsequently enshrined in the PFMA were first mooted in this act,' he pointed out. 'The report was tabled at SCOPA and accepted without any amendments.' An implementation committee consisting of persons from the private sector and the University of Pretoria and officers from the Department of State Expenditure and the AG's office was appointed to write the act itself.

In the Annual Report of the Auditor-General on the year 1993-94, the then DAG Bertie Loots wrote: 'The Minister of State Expenditure initially listed 20 public entities to which the provisions of the Reporting by Public Entities Act, No. 93 of 1992, will apply. The Auditor-General is responsible for the auditing of 11 of these entities and private sector auditors for the rest.'

'By virtue of this Act the Auditor-General has a consultative and reporting role to play and specific functions, duties and powers in this regard have been assigned to him. The exact role of the Office is at present being formulated and defined.'

THE CHANGING OF THE GUARD

De Loor retired in mid-1988 and Peter Wronsley was appointed in his place. He is recalled as a thoroughly experienced and highly skilled public servant, who brooked no nonsense. As De Loor had been, Wronsley was the man for the season.

Loots left his consulting position with the AG's office shortly afterwards. Then in May 1991, Kluever who had been DAG, was appointed as Director-General of State Expenditure and moved from the AG's office to the Department of Finance, so Wronsley needed another deputy and his immediate reaction was to turn once again to Loots.

Since the AG's office at the time was still a semi-autonomous government department, political approval had to be sought for this appointment. Various politicians were visited and they agreed, thus Bertie Loots started his second round of service at the AG's office, taking the position on 1 September 1991. And so the modernisation of the office gained even more momentum.

If the AG's office wanted to professionalise itself, it had to compete for professional auditors and the Commission for Administration refused to give the office the wherewithal to pay them appropriately. The AG's office had to make a choice – if it wanted to run a professional office, it had to sever ties completely with government and become an organisation outside the public service and completely independent, though still reporting to Parliament.

Fully cognisant of international moves such as the Lima Declaration, what the office was in effect doing was putting those principles into place and setting up an exemplary model. The politics of the time, given all the changes that were taking place, were also amenable to the developments, with people like Barend du Plessis, then the Minister of Finance, buying into it.

In spite of a good deal of opposition, it was inevitable that the office was going to win: the momentum was there because it had done its homework thoroughly. The AG's office was doing excellent work and its growing professionalisation was being recognised.

FINAL STEPS TOWARDS INDEPENDENCE

Ironically, Kluever was then Director-General of State Expenditure and he was not at all convinced that what the AG's office was proposing was a positive final move, particularly in the light of budgeting processes, because his perspective was developed from the point of view of state expenditure.

In fact, so opposed had Kluever been initially, that when he was appointed Auditor-General after Wronsley in 1993, Wessel Pretorius, one of the main

drivers of independence for the audit office, thought it signalled the end of his career after all the fights they had had!

'The first thing he did on taking office was to call me,' he continued. 'I thought, "Here it comes!" He said, "Sit down, I want to tell you something that I don't do often... You were right and I was wrong. I am fully supportive of your approach to gain full independence, so let us put the past behind and get this thing going forwards." It was quite an experience for me. It takes a great man to admit something like that, and I had a lot of respect for him'.

The time was right for the final stretch. Upheaval and uncertainty in the political arena also made people more receptive to and more aware of the need for the AG's independence. The AG's office was developing legislation that would set the seal on a decade of dynamic changes in the office. The office researched systems throughout the world to find the best and designed a system that could establish proper oversight and governance with suitable checks and balances. The Auditor-General Amendment Act, 1992 (Act No. 123 of 1992) would remove the executive's right to rule on the AG's access to resources for its functions as the auditor of government.

Despite the stress, the pressure and constant opposition, it was all worthwhile. Fortunately, Wronsley was not a man to take 'No' for an answer, not even from the Standing Committee on Public Accounts which was reviewing the draft legislation. There was one particular section which he knew to be the core of the legislation and Wronsley felt very strongly about it. When the committee stubbornly refused to agree, he lost his temper and got furious. He stood up abruptly, shoved his chair back with some force and said, 'Fine! If you don't want to accept it, then I'm out of here. Do what you want'.

The effect was immediate. Everyone was startled and upset and it certainly ruffled their confidence. They called him back and apologised, saying things like, 'Please Mr Wronsley, it's not our intention to cause problems. Let's take a break for five minutes to calm down'. They had a great deal of respect for him and that made all the difference.

The upshot was that the act was put in place and promulgated in 1992, effective 1 April 1993, positioning the AG of South Africa as one of a few supreme audit institutions in the world with financial independence entrenched in law.



ONE OF THE FIRST AUDIT COMMISSIONS

THE CHALLENGE OF IMPLEMENTATION

The Audit Arrangements Act, 1992 (Act No. 122 of 1992) also came into effect on 1 April 1993, transferring overall supervision of the Office of the Auditor-General and related matters to a newly created Audit Commission

and a Staff Management Board. The Audit Commission was a parliamentary tribunal of which no member was attached to the executive authority, tasked with monitoring the finances and operations of the AG's office and mainly clothed with the powers previously exercised in respect of the AG's office by the Treasury and later by the Department of State Expenditure. The Staff

Management Board supervised personnel and related matters and assumed the role previously fulfilled by the Commission for Administration. This legislation effectively reconciled audit independence with necessary checks and balances.

In 2004, the Audit Commission was replaced with a committee of Parliament, the Standing Committee of the Auditor-General. This committee, established in terms of the PAA further strengthened the institution's governance structure.

The AG's office had about six months to put the basics in place before that piece of legislation took effect. Institutions like the Treasury and the Commission for Administration wanted no part of the process. Their attitude was: You wanted independence so now you're on your own. Take care of your own problems.

The issues at stake were not insignificant. All the buildings occupied by the AG staff were public buildings or utilised through rental agreements with the Department of Public Works and various other owners, which the AG's office now had to take over. A new HR system had to be designed. The AG's office had to put a new financial system in place. It had to do its own asset management and negotiate for the transfer of assets from the public service to this new entity. Above all, it had to get all its people on board. Thus started the laborious and often bitterly resisted task of explaining to everyone why independence was important.

At about this time, there was a growing realisation of the need to create a new identity that was not only independent, but seen to be so. It became obvious the AG's office would need its own building where all its employees should be accommodated. However, some auditors were still housed in offices in government departments they audited. So steps were taken to move them away from auditees and this was not welcomed by the auditors concerned.

Change is always difficult to manage, especially for those who have been deeply entrenched in systems and procedures that have not changed for decades. Change can be intimidating and upsetting, so it had to be pushed through as quickly and painlessly as possible.

The approach was simply to transfer everyone to the new organisation without being given any options, since the fear was that if people had concerns about the changes, too many experienced people would leave, taking with them crucial expertise and institutional knowledge. However, the AG's office still lost some of its staff, but they left without hard feelings or resentment, with early retirement packages or options to move to other departments, as the public service was their comfort zone and the environment in which they wanted to work.

People from head office undertook numerous trips to regional offices where staff had not originally been involved in the change process at all levels. Though

senior people had been kept abreast of developments, they had often failed to transfer the knowledge, so that had to be done. It was an extremely difficult exercise because frequently management did not want to get involved. Most were keen to obtain the benefits of the change, but balked at the hard work that was required to fully achieve them.

Nico de Clerk was appointed from the private sector to head up the human resources unit, and with him and a dedicated team, an excellent HR system was developed, basically the same still in operation today in a modernised format. All fears concerning loss of benefits, such as pensions, were allayed and admirably dealt with. As part of the new evolution, the AG's office began to train accountants who would be able to cope with the new demands.

PERSUADING THE PEOPLE

While the AG's office now had the foundations of systems and procedures in place, it was a different story in getting the people on board. The office organised annual conferences for senior people, bringing them together and explaining the new developments and standards and giving them opportunities to raise their voices and concerns. Listening and finding solutions were essential in resolving queries and doubts.

Uncertainty, not only within the organisation, but seeping in from external circumstances, gave rise to considerable resistance. Many senior people, particularly those from former provincial structures, had huge differences of opinion and wanted to return to the old comfort zones. The drivers of change had their hands full, frequently discussing deep into the night to start getting things moving in the new direction. Fortunately, there were those who did see the bigger picture, and they were used as agents of change. People were also subtly repositioned to undermine the resistance.

With independence now secured and the basic building blocks in place, the hard work to change the culture of a 'department-styled group of public servants' to something new lay ahead.

WORKING TOGETHER: THE PEOPLE PROFILE

South Africa became an internationally accepted democracy in 1994 when President Nelson Mandela was elected as the first President of the new South Africa, bringing the era of apartheid to an end. This new democratic order brought about many changes in the country and also had a substantial impact on auditing.

POSITIVE ACTION

Proactive as ever, the AG's office said the following under the heading 'Affirmative action' in its annual report of 1992-93: 'Top management, with the concurrence of the Staff Management Board and the Audit Commission, has directed that a programme of "positive action" be prepared to make the office more representative of the demographic composition of the population.' The office had already liaised with the Association for the Advancement of Black Accountants in Southern Africa (ABASA), audit firms and SAICA's Eden Trust.

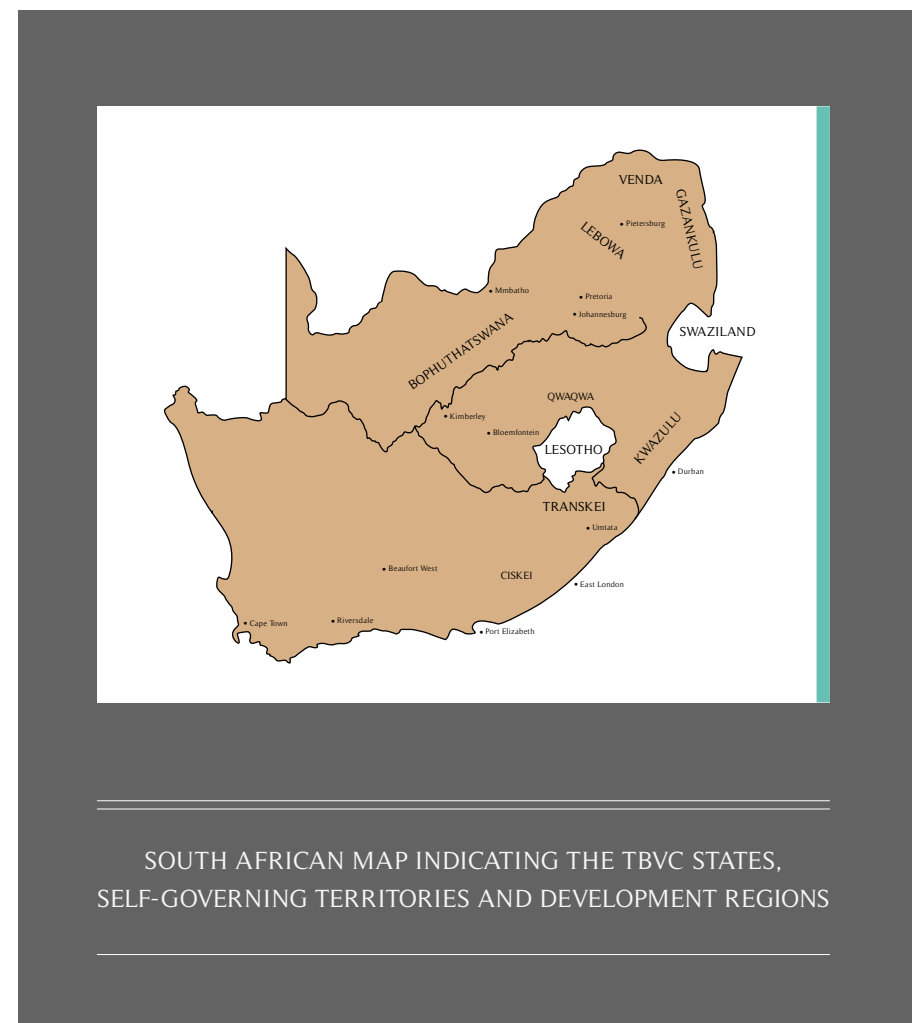
From then on, 'positive action' was stepped up: it was regarded as a critical endeavour that would be greatly supported by the successful completion of the impending amalgamation process with the TBVC states. The DAG would take personal responsibility for monitoring progress with the positive action plan. This special emphasis on positive action was due to the view that 'The human resources of the Office are its most important asset in the pursuit of its mission, management philosophy and objectives' – a view that has remained part of its values ever since. A formal policy framework in respect of positive action was implemented with effect from 1 October 1994, '... a purposeful and integrated human resource development programme which will extend over a period of five years. The aim of the macro-action programme is to recruit and appoint persons from the former disadvantaged groups and to bring about a more representative personnel corps. The foregoing means that greater representation must be achieved not only at entrance levels but also at higher job levels'. Even before amalgamation with the TBVC states had been completed, the office was able to report: 'The strategies and objectives set by the positive action plan were met and, in certain cases, exceeded.' By 31 March 1996, recruitment from disadvantaged communities represented 41% of total recruitment and the number of black staff at top management level had increased from 0% in 1993 to 19%.

THE TBVC STATES AND AMALGAMATION

Prior to 1995, South Africa was divided into the TBVC states, self-governing territories and development regions. The TBVC states had independent status but

were not widely recognised by the international community. The TBVC states and self-governing territories were also referred to as homelands and were the following:

- TBVC states: Transkei, Bophuthatswana, Venda and Ciskei
- Self-governing territories: Gazankulu, KaNgwane, KwaNdebele, KwaZulu, Lebowa and Qwaqwa





REPUBLIC OF BOPHUTHATSWANA



REPUBLIC OF CISKEI



REPUBLIC OF TRANSKEI



REPUBLIC OF VENDA

Every homeland had its own audit office (fully-fledged AG's offices in the TBVC states) established under different pieces of legislation, entrusted with the auditing responsibility of the respective governments. Starting with the independence of the Transkei in 1976, separate audit offices were established in the Transkei, Bophuthatswana (1977), Venda (1979) and Ciskei (1981). These offices operated independently, but the South African AG's office was available to assist through secondment of its officials.

Auditing in these states continued in the inspectorate tradition of reviewing, scrutinising and auditing the accounts of the public service; however, this was not an easy task. Even a cursory glance at some of the reports of the Auditors-General of the time reveals that the public service in the TBVC states experienced challenges.

In his 1981-82 report, issued on 24 August 1983, the Auditor-General of Bophuthatswana P M Malotle complained, 'As a result of the fact that the books of the Government were only finally closed during August 1983 for the year under review, viz a year later than they should have been closed, I was not in a position to table my Report in the National Assembly... The late closing of the books indicates serious shortcomings in the control over the books and accounts of the Government and I consider it my duty to bring this unsatisfactory state of affairs to the attention of the National Assembly'.

Over a decade later the Auditor-General of Venda, D N Maphiri, later the business executive of Mpumalanga and North West, was still raising similar complaints. In his report of 1994 he expressed his concern, 'I am perturbed to state that most accounting officers fail to honour their statutory responsibilities; to the effect that appropriation statements of two financial years (i.e. 1991-92 and 1992-93) are still outstanding. It does not need the analysis of an expert to observe the general laxity in the entire public service and the effect thereof derails me from my obligation of timely reporting to the tax-paying public. The lack of commitment by public officials is also prevalent in the management echelons of Government departments ...'

AUDITING IN THE REPUBLIC OF THE TRANSKEI

The last AG of the Transkei, Wycliffe Z Yako, told of auditing in Transkei.

During the period when Transkei was under the Territorial Authority with the Magistracy, there was keen competition between the Territorial Authority staff and the Magistrate's Offices. The competition even extended to spick and span office attire, with a white shirt and tie. Government auditors periodically conducted accounts inspections and it was a matter of great pride when an office obtained a 'white paper', the equivalent of today's 'clean audit'. This phase passed on and became history.

The dawn of a 'new phase', which the African continent termed the 'Winds of Change' during the early sixties, culminated in the 'New Deal' in African politics which in South Africa was widely canvassed as 'self-government', which was a precursor of the 'independent states'.

In 1963, Transkei was awarded 'self-government' status by the Republic of South Africa. All services in respect of the following government departments were transferred to Transkei: Department of the Chief Minister and Finance; Department of Agriculture and Forestry; Department of Justice; Department of the Interior; Department of Education; Department of Roads and Works. The Department of the Chief Minister and Finance was directly under the Head of Government who assumed the position of the Prime Minister duly elected by the ruling party. In this respect, the Paramount Chief was the Chief Minister and Minister of Finance, who selected all other ministers as the heads of their respective departments. The administrative head of every department was then a white official.

The auditing during self-government was conducted in accordance with the RSA Exchequer & Audit Act, 1956 (Act No. 23 of 1956). The emphasis during this period was on on-the-job training and in-service training courses in management. There was exposure to local authority accounts, tribal and regional authority accounts, statutory bodies and parastatals.



FORMER AUDITORS-GENERAL OF CISKEI AND TRANSKEI WITH
SINGA NGQWALA, SEPTEMBER 2012

REPUBLIC OF TRANSKEI

On 26 October 1976, Transkei was granted independence and 20 government departments were created with their respective ministers and directors-general. Each government department established was headed by a South African white official with a Transkeian official as an understudy directly under his control. Likewise the key and strategic posts in various government departments were filled either by seconded specialists from the South African AG's office, or by staff specially recruited from the private sector or other countries.

DEPARTMENT OF THE AUDITOR-GENERAL IN TRANSKEI

J T Lunika was appointed as DAG to assist King Mdleleni who became the first AG for the Transkei Government with Chris Oosthuizen from the South African AG's office as his adviser. T T Letlaka was appointed as the Minister of Finance and Audit Departments. Government officials who had formerly served in various departmental branches during the time of the Territorial Authority, with exposure to Finance, Treasury, Stores Administration, Human Resources, and Engineering, were highly rated as they set good standards in the public service.

SCOPE OF AUDITING

The staff complement of the Audit Department numbered about 110 officers and had the responsibility of auditing government departments (including their respective expenditure vouchers), post offices, district commissioner's offices and the respective magistrate's offices and master of the supreme court office, corporations and statutory funds (services outsourced), municipalities (some outsourced), regional offices and their respective lower authorities.

In order to expose staff to professional auditing, some officers were seconded to the professional audit firms for training as articled officials. Bryant Madliwa, at the time of his retirement the business executive of the AGSA's Mpumalanga office, was seconded and qualified as a chartered accountant.

COMMISSIONS OF INQUIRY

Two commissions of inquiry were constituted at different times, each with its respective terms of reference:

ALEXANDER COMMISSION

- To inquire into and report on two contracts which were for the erection of low-cost housing at Butterworth and Ezibeleni.

VAN REENEN COMMISSION

- To inquire into activities in the Department of Commerce, Industry and Tourism, as well as
- Transkei gambling rights.

The commissions of inquiry were constituted in terms of the RSA Exchequer and Audit Act of 1975 read with the Transkei Exchequer and Audit Act, 1976 (Act No. 11 of 1976).

CROSS-BORDER IRREGULARITIES

The commission of inquiry into certain alleged cross-border irregularities was a one-man commission headed by the Honourable Mr Justice T C Harms, who presented his report on 27 July 1989. Its terms of reference were to inquire into and report on:

- The involvement of persons, organisations or institutions in, from or through the RSA in alleged irregularities which came to the fore in the reports of Transkeian commissions of inquiry known as the Van Reenen Commission and the Alexander Commission.

THE LAST LAP OF TRANSKEI'S INDEPENDENCE

The breakdown of the mainframe computer which was the main source of all accounting systems greatly affected everyone in management at all departments. This was the main cause of the backlog in processing year-end accounts in respect of all government departments, which made the initial years of functioning of the new amalgamated AG's office in the Eastern Cape a challenging period to 'close the books' on the history of financial management in the Transkei. Said Singa Ngqwala, former business executive of the AG's Eastern Cape office, 'Dealing with this backlog put my office under immense pressure, to the point where it didn't make sense to deal with far-off history. We needed to get the process current, to be relevant to our stakeholders, such as the provincial SCOPA'.

TRANSFERS TO THE OFFICE OF THE AUDITOR-GENERAL IN PRETORIA

In preparation for the transfers and ultimate absorption of the Transkei Government's AG staff, numerous courses were arranged and undertaken for the smooth transfers to appropriate posts in the establishment of the RSA Office of the Auditor-General; however, due consideration was shown to those who opted for retirement.

AUDITING IN THE REPUBLIC OF BOPHUTHATSWANA

A former employee of the Department of the Auditor-General of Bophuthatswana who went on to become the business executive of the AG's Limpopo office, Modisaemang Stephen (Steve) Lekutle, told the story.

As was the case with other ethnic groups in South Africa, the areas occupied by the Tswana people were governed by the Tswana Territorial Authority in the

1960s with the Chief Councillor and six Councillors. This Territorial Authority was granted self-governing status in 1972, with the Chief Minister and six Ministers. The departments were: Chief Minister and Finance, Agriculture, Education, Interior, Justice, Transport, Works. At that time, the records and books of account of the Tswana Territorial Authority were audited by the office of the AG in Pretoria. The Authority's Head Office was based in Mafeking (now Mahikeng).



STEVE LEKUTLE

REPUBLIC OF BOPHUTHATSWANA

Bophuthatswana as a country was composed of 12 magisterial districts and was granted independence by the RSA on 6 December 1977.

The following government departments were created at independence: Presidency, Foreign Affairs, Internal Affairs, Agriculture and Forestry, Lands and Rural Development, Defence, Transport, Finance, Local Government and Housing, Posts and Telecommunications, State Affairs, Manpower, Education, Public Works and Water Affairs, Economic Affairs. These departments had ministers at the helm as political heads and secretaries as heads of the

administration. Various services were rendered to the people of Bophuthatswana by these departments, operating from the new capital Mmabatho.

DEPARTMENT OF THE AUDITOR-GENERAL IN BOPHUTHATSWANA

The Department of the AG was also created at independence with the President as its political head. P M Malole was appointed as the first AG of Bophuthatswana at independence in 1977. L J Moroka was appointed as Assistant AG who was administrative head of the department and was succeeded by L K Diutwileng. The AG went about recruiting staff for his department, mainly from the civil service and elsewhere, such as India, Sri Lanka and Uganda. A number of staff members came from the RSA audit office as seconded officials.

SCOPE OF AUDITING

The books and records of government departments as well as those of parastatals, statutory bodies, municipalities and traditional authorities were audited in-house with some of the work contracted in/out to private audit firms operating in Bophuthatswana. Audit reports were presented to the relevant legislative bodies, such as Parliament, the municipality or board.

FORMATION OF SAFROSAI

The Bophuthatswana AG approached INTOSAI with a request for membership; however, the request was declined, because Bophuthatswana was not recognised by the Organisation of African Unity (OAU) and the UN. Hence, in 1981, the AG of Bophuthatswana approached the AGs of Transkei, Venda and Ciskei, to consider having a formal structure for sharing ideas on matters of mutual interest in the auditing profession and promoting research on the training of audit staff. These discussions culminated in the formation of the Southern African Organisation of Supreme Audit Institutions (SAFROSAI), with its secretariat based in Mmabatho. The RSA audit office joined this structure later. Communication between AGs through SAFROSAI forged cordial relations and mutual cooperation.

FIRST TRAINING INITIATIVES

South African auditors were seconded to the TBVC states as advisers to assist with training and raise the standards. However, in many instances, they ended up doing the actual work. Operating just as advisers and expecting people to act on their recommendations simply did not work, was the general consensus of the training staff; they had to show them how to do the work rather than just explaining what should be done. The lack of any middle management due to a lack of experienced staff left a vacuum that the secondment officers had to fill to keep the offices going, but it was less than desirable.

Officers from the AG's office in South Africa who were seconded to one of the TBVC states were actually responsible not to the AG in South Africa, but to the Department of Foreign Affairs. And the general belief that prevailed in Foreign Affairs corridors was that it should interfere as little as possible with its people. So the South Africans tended to become and to feel very isolated.



NATIONAL PARLIAMENT, CAPE TOWN

DEVELOPMENT OF AUDITING TERMINOLOGY

The TBVC states tabled audit reports in three languages: English, Afrikaans and the local language. One of the biggest problems was that the auditing vocabulary did not exist in the local language, so equivalent expressions had to be found or invented. A *Trilingual Business Dictionary* was published by J L van Schaik in 1991, which contained auditing terms in English, Afrikaans and Zulu. The logical development would have been such a dictionary for each of the current 11 official languages in South Africa; however, the self-governing territories and TBVC states were amalgamated with the rest of South Africa long before such a technical exercise was even considered.

For a performance audit in KwaNdebele in Groblersdal, the Department of Education was approached to do the translation. It had to describe terms such as 'economy, efficiency and effectiveness' which are defined in a very particular way with relation to performance auditing, but which, in a more general context, carry an entirely different meaning.

AMALGAMATION OF THE FIVE AUDIT OFFICES

With the adoption of the interim Constitution in 1994, the homelands were abolished and integrated into a united South Africa with nine provinces. The new Constitution established a single Auditor-General for South Africa who is appointed by the President.

The elections of 1994 had just taken place and euphoria and hope for the future were in the air. It was a new country with a new Constitution and it was decided that we needed only one Auditor-General, so all the AG offices in the country (the SA office and the TBVC states) had to be amalgamated and positions found for as many of their staff as possible.

As had been the case with the amalgamation of the provincial offices of the Auditor-General, the audit office once again took proactive steps. Officials from the SA audit office travelled to each state to explain what was happening, why the amalgamation was necessary and why they had to transfer. Discussion meetings were organised with all the TBVC staff, as well as staff that had previously been seconded to the offices as advisers, as early as 1994. A steering committee was established to get everyone on board and prepare them for the new dispensation that required one AG's office for the whole of South Africa. The offices and staff had to undergo a rigorous analysis. Salaries, ranks and structures all had to be examined so that people could be transferred without losing benefits. They were, of course, still all public servants, whereas the AG in South Africa was independent of the civil service.

THE ACCELERATED TRAINING PROGRAMME

Amalgamation with the TBVC states in 1995-96 provided a further impetus to the concerted training drive. To align adherence to standards and streamline methodologies, the employees brought into the AG's office from the former homelands were put on an accelerated training programme.

There was an offer of 'either come over to the AG's office, or stay with the local Treasury'. If you came over, you came over as an auditor – via the accelerated training programme (ATP). This programme was presented for three to four months to a diverse audience. Previously, in 1994, Grant Gelink and Jan van Schalkwyk had been enlisted from Deloitte, Haskins and Sell to develop new training in audit methodology and policies to upgrade the internal training of the AG itself. They now assisted in rolling these programmes out to people from the TBVC states to align adherence to standards and streamline methodologies.

'It was a time of great ferment and excitement,' Van Schalkwyk remembers, 'receiving huge acceptance from the people who were eager to learn. Some had challenges in dealing with certain of the new concepts, mostly because of their somewhat different mandates and work methods. The essence of why these offices existed didn't really differ though, which made the adjustments much easier.'

One of the agreements reached to get everyone on board was that anyone from the former independent offices could apply to train to become a qualified auditor, no matter what their original qualifications or position had been. This spawned a quite unexpected set of challenges, since many of those who initially applied had very different backgrounds, such as agricultural or biblical studies. So while it was all a bit idealistic, it was an indication of the extent to which everyone was going in order to sure that as far as possible, every individual would have the benefit of equal treatment and opportunities.

The process was not an easy one: cultures were different; auditing methods were different; skills differed vastly and everyone had different expectations and agendas. Suspicion and distrust had to be overcome. One of the stumbling blocks was that the staff wanted to be incorporated into the South African office in exactly the same form and condition as they had existed in their original state, with all the same people in the same office. This was resisted since it was felt essential for staff to be integrated in such a way that they would be better capable of absorbing and assimilating the AG's culture, leaving their own ways of thinking and acting in the past.

There was also a determination to achieve a more balanced demographic mix, which meant that offices in the TBVC states which had been predominantly black, should shed some of their black employees and adopt whites, while the AG in South Africa, which had been predominantly white, should absorb more blacks from the TBVC states. The relocation was an inclusive process as part of the establishment of the single AG for the new SA that had to perform the audit function on all three tiers of government in the now nine provinces. Many staff from all five the former AG offices volunteered to relocate as part of a programme that focused on establishing the regional offices of the AG in the new provinces. Heads of audit offices and senior officials from the TBVC countries opted for this and made the sacrifice of working far from their families and commuting to their families over weekends.

KEEPING THE WORKFLOW MOVING

The TBVC states had to be merged without interrupting the flow of work, so the added pressure and demands placed on all staff cannot be underestimated.

Sensitive to issues of race, politics and impartiality, the audit office enlisted the help of a labour relations expert called John Povey. Labour relations people were wary of getting involved, because they were convinced the exercise would be a failure, but Povey was not affiliated to any political party and he did an excellent job. He had brilliant negotiating skills and gained everyone's respect. He also contributed to critical enablers like the language policy, coming up with an excellent solution summed up in a few lines – simple and concise: 'The policy recognises that each staff member should be instructed in an official language which he or she can understand. Where there is doubt about which language to use, it is suggested that English be used'.

A great deal of transformation took place with people being put into different positions. John Povey's sound technical advice on how to deal with labour situations was critical. The office also had support from the Public Accounts Committee and the success of the initiative was due much to the incredibly hard work everyone invested in it.

There were probably as many views about the amalgamation as there were people involved. Some claimed it was a fairly smooth process with little resistance because everyone realised the need for it. Others maintained that it was little more than a takeover, with Big Brother in Pretoria imposing its will.

Gill Marcus, currently Governor of the Reserve Bank, headed the parliamentary committee that worked with the audit office in writing the legislation and getting it through the Parliamentary system. The office quickly gained her trust and that of her colleagues, one being Barbara Hogan, in later days a member of the national Cabinet, so it enjoyed considerable support from them. The Audit Rationalisation and Amendment Act, 1995 (Act No. 53 of 1995) was promulgated 'To provide for the rationalisation of the Office of the Auditor-General and for the abolition of the audit offices of the former Republics of Transkei, Bophuthatswana, Venda and Ciskei; to amend the Audit Arrangements Act, 1992, so as to facilitate such rationalisation and to substitute outdated words and expressions; and to provide for matters connected therewith'. In September 1995, the AG's office appointed a provincial auditor to head up its office in each of the nine new provinces as follows: Gauteng – Shauket Fakie; Free State – Godfrey Muller; Northern Cape – Ben van Niekerk; Eastern Cape – Chris Oosthuizen; Western Cape – Willie Brits; North West – Bryant Madliwa; Limpopo – Steve Lekutle; KwaZulu-Natal – Chris Foster; Mpumalanga – Douglas Maphiri.

THE PEOPLE PROFILE: TRANSFORMATION BRINGS A NEW RICHNESS

The amalgamation of the TBVC states influenced the demographics of the office. Many welcomed this evolution with open arms and immediately began to institute initiatives that would pave the way for greater representation.

TRANSFORMATION BEGINS

The amalgamation and training began to change the culture in the office. The AG's office knew that affirmative action would come into place, so it

commenced setting up policies even before legislation was finalised. Even then, the office agreed on targets and believed that with time, the system would grow from within, so that eventually there would be no need for targets.

Around 1997, the AG's office embarked on special projects to give impetus to its transformation programme. It concluded a joint venture agreement with Denel to extend their bridging programme that was preparing students from previously disadvantaged backgrounds for tertiary engineering education and accommodate students in accounting as well (see chapter 6 for more detail). It became involved in the long-term regional training programme of the INTOSAI Development Initiative, aimed at enhancing the training capabilities of English-speaking African SAs. In-house, the office also promoted on-the-job training and the transfer of skills through a mentorship programme. Bursaries were awarded to deserving students, many of whom were historically disadvantaged individuals. In more or less the same period, the office also appointed a full-time project leader for employment equity.

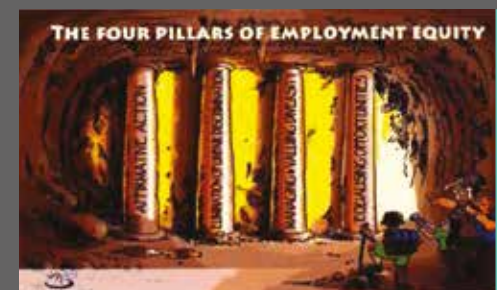
FOUR PILLARS OF EMPLOYMENT EQUITY

Through intensive negotiation, four main strategic thrusts were identified to achieve employment equity: affirmative action, no unfair discrimination, equalising opportunities and managing and valuing diversity. These were concretised as four pillars that rested on the foundation of the core values and culture of the organisation, on which employment equity could be built.

The four pillars of equity were brought into effect in 2003.

The following statement of intent appeared in the annual report of 1997-98:

The Office of the Auditor-General is committed to the achievement of employment equity. As an integral part of the office's business strategy to remain relevant, the Office will give effect to the objectives of employment equity in the workplace. This implies that, as an employer, the Office will proactively endeavour to create a workplace in which all staff members can develop rewarding careers at all levels, based on their competencies and regardless of their background, race or gender. This approach is a holistic one, emphasising equality of opportunity and behaviour/treatment for all, seeking to reward each staff member who demonstrates a value-adding contribution. The Office also recognises the need for a series of positive measures to address the inequalities in the previous system which act as a barrier to the full and equal participation of all in the Office.



THE FOUR PILLARS OF EMPLOYMENT EQUITY

AFFIRMATIVE ACTION

An affirmative action policy document was negotiated and approved on 25 July 1997 and in November of that year the first Affirmative Action Forum was constituted, consisting of democratically elected staff members from the different groups in the office, who were tasked with representing the interests of all staff members.

A more representative workforce had to be reached and specific targets were set to achieve this ideal. So, for instance, the initial aim was to have 55% of the posts at management level occupied by members of the target groups. As at 31 March 1998, members of the target groups constituted 63% of the overall staff complement.

The Siyanqoba strategy reflected clearly on the four pillars of equity – affirmative action, equalising opportunities, elimination of unfair discrimination and management of diversity. In 2002-03 when affirmative action was an area of focus in the organisation the environment was a bit uneasy with all the talk about affirmative action. A ratio of 45 : 55 was used as baseline for the targets, setting an occupancy level of 45% for white males and 55% for all women, black people and disabled individuals. This approach clouded the reality of transformation in the organisation as it was not clear whether the office was achieving its targets per race group, gender and level. To overcome the challenges the office embarked on a focused change journey that entailed robust communication. This included various roadshows, workshops, one-on-ones and focus groups. Resistance to the change in terms of affirmative action targets was visible. There were whispers about what this meant, how people would be affected, where the organisation was going with this. Eshana Manichand, then the Senior Manager: Employment Equity, recalls her experience: ‘One of the regional offices challenged me on my presentation on affirmative action. Having conducted various benchmarks and worked thoroughly with statistics on affirmative action that presented quality, accurate and relevant information, I was prepared to provide real and accurate responses to the audience. As we conversed against the backdrop of this information, the change in the room in terms of understanding the need for implementing affirmative action was slowly becoming visible. Although staff still needed to get to grips personally with affirmative action there was at least a better understanding on an organisational level.’

A member of the AA Forum who continually challenged all transformational changes, was approached to join the project team for affirmative action. Barry van der Merwe tells the story of how he agreed to this and received first-hand experience in employment equity, becoming a change agent in terms of affirmative action. As an active member of the team presenting affirmative action roadshows, he could acknowledge that a change in personal mindset could impact the broader organisation positively.

In 2002-03 under the guidance of the chairperson of the Employment Equity Forum, DAG Terence Nombembe, an employment equity task team was selected to conduct extensive research on the country’s economically active population, based on a labour force survey used by Statistics South Africa (LFS 2002). Through this research a project to develop a prediction model for numerical goal achievement was born. This project was led by Eshana Manichand, Senior Manager: Employment Equity, with representatives from Statistics SA and the Department of Labour as members of the team. The focus of this project was to automate a model that would have the capability of predicting the office’s outputs in the achievement of its numerical goals. The successful development of this tool aided the office in inputting the numbers and pass rates of the trainee accountants over a 3-year period and through the formulas and assumptions built into this system the office could predict the outcomes of the numerical goals. This aided the office in focusing on the gaps for more rapid development and over the next two years the Employment Equity Forum focused on specific projects like reviewing succession planning, mentoring and coaching and reviewing all human resource policies to ensure employment equity was integrated into all the areas of human resources. The forum continued to conduct workshops, raising awareness and training staff in managing diversity. A revamped Employment Equity Forum was constituted in 2005, with an external chairperson.

If we achieve all the things outlined at a level of excellence, how will the Auditor-General be described? As the undisputed leader in employment equity practices in the world.
– Senior Manager: Employment Equity

In the year 2003-04 the AG’s office reached the symbolic milestone of achieving that year’s employment equity target of 55% employment of target groups at all employment levels. An Employment Law and Employment Relations unit was established to ensure professional and strategically aligned employment relations and a workplace free from unfair and discriminatory practices. A Code of Professional Conduct and Ethics was launched.

Change and transformation through equity and people development became the affirmative action journey. Communication and change management as integral aspects of employment equity led to ensuring that the office became aware of and understood the direction of the organisation. In one form or another, such initiatives have continued, culminating in the current Transformation and Ethics Business Unit.

In 2000, white males made up over 50% of the staff complement, with only 21% black males and 5% black females. By August 2006, the office had reached an employment equity milestone when the percentage of designated employees reached 81% compared to only 67% in 2000. In 2012, 92% of the staff complement consisted of designated employees.

As a starting point, the Employment Equity Forum underwent a diversity workshop in 2005, which outlined issues of diversity and discussed how the cycle of prejudice could be broken to assist in overcoming the barriers to diversity.

The Executive Committee went through the same workshop later that year and formulated the statement of commitment to diversity. Through a consultative process with the entire organisation, the AGSA's diversity statement was finalised. Embracing our diversity with employment equity became a focal point.

Diversity statement

We embrace, value and respect the individual through the fair and consistent application of organisational practices that have been agreed upon and are relevant to the diverse and unique needs of our stakeholders.

Various cultural forums and sessions were held to explain and discuss the different cultures and this also helped to clear away misunderstandings and clarify why people did certain things and did them in certain ways. Many stereotypes began to fade away as people realised just how much they really had in common.



MEMBERS OF THE EMPLOYMENT EQUITY FORUM AND EXCO ATTENDED THE FIRST DIVERSITY WORKSHOPS IN 2005

EQUALISING OPPORTUNITIES

Formal barriers had to be removed to create equal access to employment opportunities. The AG's office adopted the competency route as opposed to a rigid route of qualifications and years of experience. Graduate recruitment also received attention, with the provision of targets that addressed previously disadvantaged employees.

The AG's office collaborated with sector bodies and learner institutions and also assisted in qualifying chartered accountants, accountants and auditors, affording opportunities in the auditing discipline to young South Africans from all walks of life. The 2007 memorandum of understanding with the University of Fort Hare was a prime example of such collaboration and permitted the office to assist the university in achieving its accreditation to the South African Institute of Chartered Accountants (SAICA).

Some of the other initiatives included the Denel bridging school, the trainee auditors' scheme, the Thuthuka bursary fund, the external bursary scheme and more recently the centenary scholarship programme, as well as a number of key corporate social responsibility and investment initiatives.

The stark reality facing some students is lack of funds, which deprives some truly gifted learners of the opportunity to be part of the trainee auditors' scheme, since a university qualification is a prerequisite. To come to the aid of such students, the AG's office became a partner in the Thuthuka bursary fund (TBF) project, a SAICA initiative launched in 2007 to promote transformation in the accounting profession. In line with rising costs of university tuition, the office's donation to the fund has been keeping pace with such cost in order to maintain the support. In later years, as part of the AGSA's centenary celebrations, this commitment also saw the establishment of an AGSA scholarship programme.



THE AGSA'S EXTERNAL BURSARY SCHEME PROVIDES STUDY ASSISTANCE TO A LARGE GROUP OF PROSPECTIVE EMPLOYEES ACROSS THE COUNTRY



SCHOLARSHIP PROGRAMME



THE AGSA INTRODUCED A SCHOOLS PROGRAMME TO
CREATE WIDER AWARENESS OF THE ORGANISATION

In addition to the TBF, the AG's office established an external bursary scheme in 2000. These external bursaries are a pipeline into the trainee auditor recruitment programme.

In 2008 a schools programme for eradicating poverty was introduced under the banner of corporate social investment initiative of the office. The programme focuses primarily on the adoption of previously disadvantaged schools and the upliftment of their communities and is aimed at rural schools only. A unique feature of this programme is the empowerment of the students with the vital principles of self-worth and selflessness, regardless of the underprivileged environment they may find themselves in today. The programme is monitored by the Transformation Business Unit and a key principle is that the programme will be led by the senior leadership of the organisation. This is an ideal medium to support the objectives of employment equity and the Skills Development Act, 1998 (Act No. 97 of 1998) and afford potential learners bursary opportunities.

Feedback on the visits to schools indicated that the experience was life-changing for many learners

Dimpho Segomotso from Lesedi High: *Keep up the positive and encouraging energy around the AGSA; you gave me clarity about the accounting profession and thank you for that...*

Perseverance Khumalo from Tlhabane Secondary: *I attended the girl learner awareness at the Pretoria office. The session was very informative and I'm now convinced to follow a career in accounting and auditing. Thank you AGSA.*

Omphile Sehunoe from Senior Secondary School Eersterust: *It was a motivating, educating and very encouraging message. Thank you AGSA.*

To add to the process of skill development, the office embarked on a unique initiative, the Deloitte management secondment programme (DMS), in 2008. The seconded managers successfully developed an on-the-job training approach during the execution of audits, gave extra tuition and study support to trainee auditors and shared global best practices in terms of relations with auditees and service providers. Under the guidance of DAG Thembekile Makwetu, the practical approach proved to be a favoured method among the trainees, as the training and transfer of skills took place at an individualised level rather than on a 'one size fits all' basis.

TRANSFORMATION IN THE SPOTLIGHT

Transformation figured very highly on Shauket Fakie's priority list. He drove the transformational agenda with the firms the office worked with, making sure they understood its transformation objectives and requiring them to cooperate.

Comments on the DMS programme bear witness to a mentorship approach that promotes learning and understanding in a relaxed environment

Sifiso Sifunda (trainee auditor in Mpumalanga): *I can now apply different Excel formulas in my everyday work.*

Siyakhula Vilakazi (business executive of the Gauteng office): *The technical skills of accounting and auditing transferred to the TAs are unbelievable. Chaurasia Anup is an asset to the BU.*

Eshana Manichand (business executive of Transformation and Ethics): The DMS programme has proven to be a great success. The secondees have made a real difference in the quality of our work – and in the quality of life for our employees. Obviously, a work environment with less stress and more opportunity to do your job well will mean happier employees – and fewer turnovers in the future.

Keshav Varshney (DMS: Nelspruit): It was a nice experience to work with the AGSA Nelspruit office ... we worked as a family.

Manish Agrawal (DMS: KZN): Thanks to all the trainees who worked with me for their support throughout my work tenure and to senior management for giving me opportunities to deliver and believing in my abilities, which gave me a lot of confidence going forward.

In terms of section 12 of the Public Audit Act, the AG may contract out audits to private firms and also contract in the services of skilled persons to supplement its own capacity where and when needed. In 1997-98, amendments were made to the guidelines for contract work to advance historically disadvantaged firms. First mooted by DAG Bertie Loots and AG Henri Kluever, the idea was to involve smaller black firms in the work the AG's office outsourced so that they could get experience and grow. A distinction was made that identified small and medium audit firms that were majority-owned by historically disadvantaged firms/ persons and the selection criteria for audit firms were developed to ensure that consideration was taken of the number of CAs from historically disadvantaged communities that were being produced by the various firms, as well as the number of trainee accountants from these communities.

Fakie admitted that there was a learning curve. Many firms lacked experience so they made some mistakes, such as over-committing, and there were some difficult times. But the AG helped with advice and direction and many of the larger black firms of today owe their survival and growth to that initiative. Grant Gelink (later chief executive officer of Deloitte) who was seconded from Deloitte in the nineties to help craft the new training methodology and policies points out that the AG's office was the first to make what was, in hindsight, a momentous move in bringing these smaller firms on board.

One of the companies involved was Gobodo and Company which was the dream child of Nonkululeko Gobodo. Founded in 1992 in the face of enormous odds, Gobodo was started up in the Transkei by this very determined and visionary lady. By 1996 she had built the firm up to 10 partners and established Gobodo Incorporated in South Africa. 'Shauket Fakie was AG when the AGSA first started contracting work out to us,' she remembers. 'The AGSA gave us government departments and municipalities and provided an immense amount of support, introducing us in business. The AGSA also ran courses internally which we attended, and we worked with their own staff. Their senior managers had guidelines on how they wanted audits done.'

Nonkululeko Gobodo, founder of Gobodo Incorporated, tells about the beginning of her road to success:

I was very fortunate in that I grew up in an environment where I was exposed to business because my parents were in business. After high school I worked in my father's business as his bookkeeper and that is where I was exposed to accounting and the financial world. I knew then that this was what I really wanted to do. My father always encouraged us to go for the best in whatever we did and he asked what the highest qualifications were in this field. I told him it was a CA so he said that is what I would need to aim for. I studied at the then University of Transkei that is now the Walter Sisulu University. You must understand that where I grew up in the Umtata environment in the Transkei it was very different from South Africa. It was a small community – Prof. Wiseman Nkuhlu was also from that region and had a practice there. It was his firm that did my father's books. He then moved on to become principal of the University, so around the community there was a big buzz about commerce and finance and there were lots of mentors, there were many people doing their articles there and there were those who had qualified too, so there was a lot of exposure to the profession. I started through varsity, studying full-time, and then lectured there for two years before I did my articles. I told them that I had a dream to pursue and couldn't remain there longer, although lecturing was a joy, so in 1986 I joined KPMG to do my articles.

Growing up in the Transkei was a blessing, I was exposed to things early there. When I started my practice I had an office in Umtata and the former AG of the Transkei had known me when I was at the Transkei Development Corporation so when the time came to contract firms to do work, he knew my practice. It was the first black practice in the country.

Gobodo has no doubt that the AGSA helped her firm hugely in its expansion. 'The private sector was still basically closed to us, so the public sector work constituted well over 80% of our revenue. Not only our growth, but our very survival depended on that public sector work. It was the reason for the sustained growth of black accounting firms. Without the AGSA, we would not be where we are today. It truly sustained our firms and allowed us to grow and strengthen our practices. The AGSA played a huge role with technical, moral and psychological support – without that we would quite probably not have made it.'



NONKULULEKO GOBODO, FOUNDER OF GOBODO
INCORPORATED AND FIRST BLACK FEMALE CHARTERED
ACCOUNTANT IN SOUTH AFRICA

Contract work was also the catalyst for the ongoing development of black firms into larger entities. As they obtained work, some of the firms merged in order to have access to greater resources and skills to handle the audits. That signalled the birth of the medium-sized black firms.

'It facilitated that process of growing from small to medium, where there were between 10 and 20 partners and a staff of between 200 and 300,' Gobodo claims. Her firm itself merged with Sizwe Ntsaluba, another black firm which was enjoying the AGSA's assistance and support and this is currently the largest black firm in the country.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Early in 2007 Terence Nombembe wrote: 'The accounting and auditing profession is one of the most under-represented sectors when it comes to broad-based black economic empowerment (BBBEE). ... the AG is committed to contribute towards making this profession more representative of the country's demographics'. In keeping with this commitment, BBBEE became a key focus point for the AGSA. At the launch of the BBBEE project, Thembekile Makwetu who was the DAG at that time stated, 'If we did not have any legislation to drive transformation like the Broad-based Black Economic Empowerment Act, we as the AGSA would still embark on this drive of fairness and equity, as it is the right thing to do'. Under his leadership, the AGSA's BBBEE strategy was finalised in March 2010, which clearly outlined the AGSA's approach to the implementation of BBBEE and integration of its principles into our operational processes. As part of this approach, the procurement policy was aligned with the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and the office set itself the goal of 100% compliance with BBBEE criteria. In the year 2010-11 the AGSA attained the status of a level 3 contributor in terms of the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003).

The AGSA became a member of the BEE Charter Council of the South African Institute of Chartered Accountants (SAICA) and its empowerment strategy encompassed all applicable pillars of empowerment, including preferential procurement, skills development, employment equity and corporate social investment. The implementation of BBBEE within the AGSA, ensured that the element of transformation became visible and today the organisation serves as an example to other institutions in matters of transformation.

A HIGH-PERFORMANCE CULTURE

Terence Nombembe had realised that employment equity and affirmative action could not be viewed in isolation but that one had to look at broader transformation. He was also quick to see that this could be achieved only through a cultural change that would transform not only behaviours, but mindsets. He took the first steps towards this change by implementing the Siyanqoba strategy and its accompanying change management programme. Once that was successfully entrenched, he started the next phase towards cultural change.

Numerous sessions to nurture a culture of high performance were conducted. The values of the organisation came under intense scrutiny and behavioural indicators were linked to each value to help understand the thinking behind it. The office scrutinised performance



ABASA AWARD FOR SIGNIFICANT CONTRIBUTION TO TRANSFORMATION AND PROFESSIONALISM
OF THE AUDITING PROFESSION



STAFF ARE RECOGNISED FOR THEIR UNIQUE CONTRIBUTIONS TO BUILD THE CULTURE OF THE ORGANISATION

evaluations, especially with regard to senior leadership, and started evaluating the impact of performance – a significant mindshift. Processes and policies were analysed to ensure that they were aligned with the new desired culture, because policies dating from the nineties and earlier ran the risk of losing their relevance.

With the strong focus on people and organisational culture, 2009 saw a re-launching of the AGSA values of respect, recognition, personal accountability, high performance, teamwork and valuing and owning the AGSA's reputation and independence. The desired result would be the movement from a role/power culture to a high-performance culture.

Staff engagement was essential to this change initiative and as an incentive to reward those who had embraced the values and consistently displayed this in their daily behaviour, the value awards were implemented. Trophies were presented at a gala awards ceremony to acknowledge the efforts and dedication of exemplary staff members.

As part of his staff engagements, the AG holds yearly roadshows on the results of the PFMA and MFMA audits. This gives him the opportunity to engage with the organisation at all levels and evaluate if the strategic messages have been understood and internalised. In keeping with the theme of recognition and reward, the Auditor-General's awards were launched at

the centenary celebration in November 2011. These awards are made to business units who have displayed exceptional understanding of the PFMA and MFMA results.

The high-performance culture is now being inculcated in every employee. The focus is not so much on the accountability of the leader alone, but understanding that high performance starts with the 'I' and the 'me'. 'People is our agenda' – this is the mantra of AG, Thembekile Makwetu, appointed in December 2013 to take over from Nombembe at the end of his term.

STRIVING FOR CHANGE AND PROFESSIONALISM

A JOURNEY OF DISCOVERY

In a speech he delivered to members of the Accountant Students' Society in 1926, AG J de V Roos called the public auditing of the time '... the days of cost accounting, that best detective of waste in business as well as in public administration, the days of efficiency and economy in all expenditure'. As the first Exchequer and Audit Act of 1911 had made very clear, auditing was a business of checking, counter-checking, calculating and ticking – every single voucher, every receipt, every entry in every cash book. One was required to be accurate, conscientious, hardworking and above all, honest. The atmosphere in the office was formal and hierarchical, while officials were promoted strictly on the basis of seniority.

In a more modern era, Imran Vanker, at that time the national leader responsible for technical support and people development in the AGSA, among other things, made the following comment: 'On reflection, there were a handful of strategic choices that the AGSA took post-democracy, that have had significant impact on its direction and standing as it approached its centenary. Perhaps two of the most significant of these were to embrace, on the one hand, global auditing standards and simultaneously undertake a campaign to strengthen the ranks of the organisation through the professionalisation of the job of the "public sector auditor". This was a potent combination. One could not have happened without the other. But together, they placed the organisation in a space where everything we did followed global best practice, and what we did was increasingly delivered by individuals and teams who were trained and educated to the most exacting and recognised professional standard. The impact of this is felt today in every assignment undertaken, and is the expectation that our stakeholders have become accustomed to'.

In the almost hundred years that separate these two comments, lies the story of an incredible journey that the AG's office undertook. While certain cornerstones like independence, certain values like integrity, accountability and the principles of auditing have remained constant, the interpretation of these and the striving to build a relevant audit response for the times – a desire to make a difference to the lives of the citizens of the country in which the AG's office operated – asked for an immense journey of technical discovery and innovation, and a focused investment in the people of the organisation. In the 1980s, this journey implied a preparation for gaining independence as an audit office, while in the 1990s and early 2000s the journey was one of coping with the responsibilities of independence,

of developing strategies and processes, and of finding people to prove to government and the citizens of South Africa that the audit office was worthy of its independence, both in terms of quality and the impact of its work. It was this wonderful journey of standardisation and professionalisation at the end of the previous millennium that paved the way for the work that the South African audit office did from 2006-07 and beyond – bringing the lessons it learnt from this professionalisation journey to the rest of government.

DOTTING THE I'S AND CROSSING THE T'S

It is clear from perusing the audit reports of the years that stretch from 1910 through to the 1930s that the work was taken very seriously. The reports were generally extremely detailed. If extra remuneration was paid at any time in any department, a painstakingly itemised list of each of the recipients was made by name, with an accurate recording of his or her designation, function and the amount received – down to the last shilling and pence. For instance: reporting on the Department of Higher Education in 1911, which was granted £90 874 for its annual budget, the Auditor states that a Professor Robertson was paid the princely sum of £3 2/- for 'setting papers for Professional Teachers' Examinations'.

Stores and equipment had to be accounted for with absolute accuracy, with the auditors inspecting premises, warehouses and other venues to do stocktaking.

The methods, systems and processes remained basically unchanged for decades, with all the work being done by hand. When mechanical typewriters began to be introduced to type financial statements, absolutely no mistakes were allowed. If a mistake was made, the work had to be started again from scratch. One can just imagine the stress this imposed on the poor typists who were sometimes typing documents with up to seven copies each!

There was a single pool of typists and all letters and reports had to be taken to them for typing and corrections. All reports at the time were published in both Afrikaans and English.

THE SLOW BURGEONING OF THE PROFESSION

Gradually, in the private sector, the auditing and accounting profession was beginning to develop, and over time, this would impact on auditing in the public sector. Momentum was provided by the Second World War – an event which eroded age-old traditions and swept conventions away. In early 1945, the Joint Council of the Societies of Chartered Accountants was formed as the coordinating body for the profession. This culminated in the promulgation of the Public Accountants' and Auditors' Act, 1951 (Act No. 51 of 1951), which formalised the functions of accounting and auditing into a profession and created the Public Accountants' and Auditors' Board (PAAB) to guide and oversee the development and growth of the accounting and auditing profession.

The then Minister of Finance, N Havenga, addressed the first PAAB board meeting with this solemn commission: 'Gentlemen, I now leave the affairs of the accountancy profession in your hands with complete confidence in your ability to build up and maintain a service that will be a credit not only to the profession, but also to our country'. It was an indication of the importance with which auditing was considered and was no less applicable to auditing in the government sector, even though at the time, there were as yet no chartered accountants employed in the AG's office.

The Second World War had also brought a new awakening in the global arena and in 1953 the International Organisation of Supreme Audit Institutions (INTOSAI) was founded in Havana, Cuba, when 34 Auditors-General joined hands internationally to further the cause of the public sector external audit functions globally. By 1962, membership of INTOSAI had grown to 63 countries, which were sending representatives to INCOSAI, the triennial congress of INTOSAI. Work at INTOSAI level saw the adoption of the Lima Declaration in 1973, which created the foundation for the modern public sector external audit function, and paved the way for the development of a wealth of standards, best practices and guidance over the next couple of decades. South Africa's participation at this level can be traced back to as early as 1974 when F G Barrie, Auditor-General from 1972 to 1977, served as one of four vice-presidents of INTOSAI. The body of knowledge developed within INTOSAI, supplemented with the relationships fostered over the decades, served as a useful reference point in the growth and professionalisation of the AG's office in South Africa.

In the 1950s and '60s, the most common qualification in the AG's office was the National Diploma in State Accounts and Finance (more commonly known as 'Diploma in Staatsrekenings en Finansies'), which was a programme specially tailored to the working environment of accountants and auditors in the public sector. According to those who joined the office during those

years, there was actually hot debate at the time about whether that diploma would over-qualify you! Employees with degrees were few and far between.

TURNING THE TREADMILL OF WORK

More inspectors than auditors, AG staff did many things that by today's standards are the responsibility of the accounting officer of the department. They had to trace every single receipt printed by the Government Printer and distributed into the regions. They would receive a copy of the voucher issued by the Government Printer and file it in a folder which indicated which inspectors had to follow it up. The inspector would go to the relevant department and say, 'You received this receipt on that date, please verify,' and it would be pursued from there, by following every book of receipts by number. Each receipt book had to be traced physically, stamped and noted in the reports, indicating to what extent it had been used.

Working papers were minimal, all work was handwritten and there was no structured methodology to drive the audits. The use of a green pen was reserved for the AG's office. Specific marks were used to indicate the procedures performed and a green stamp was used to indicate that the books had been audited.



HANDWRITTEN NOTES



Inspections were intended to be a surprise so that departments would not have time to hide or correct any irregularities. 'The trouble is that the news of your arrival would spread like wildfire,' these auditors recalled. 'You were supposed to close every single office when you arrived, get the safe keys and carry out the inspection of what you found there. But since there was a policy that inspectors went out one-by-one, it was practically impossible to do this, so on more than one occasion one office would lend money to another to ensure that its accounts were all correct and once you had completed those books, that money would be lent to another office as soon as your back was turned. In effect, the money just went in a circle from one office to another!'

RULES, RULES AND MORE RULES

Once the auditor had written his report and sent it in, it was cleared up by someone else, so he never saw the resolution of any particular query. There was no big picture to understand and give meaning to what he was doing. 'We were told, "Do this, Do that," but never why. It would have made such a difference if someone could have explained things, like: "If you don't find this item where it should be, what are the implications? If this item is posted from here to there and not to this other place, this could be the reason"...'

All the documentation was stored at the head office of the department and local verifications had to be undertaken by the inspectorate which was a separate AG's office division responsible for all regional audits and confirmations. Auditors at the AG's head office were not allowed to visit the regions.

Inspectorate staff members were expected to travel to the regions by train and even when they used their cars, they received only the equivalent of the cost of a train ticket. Some of those inspection visits would last several weeks, even months, so it was an onerous requirement for those inspectors who were married.

The procedures to follow had been laid down for decades. 'You received a voucher for a train from one town to the next and you would send your audit proceeds back to the office: these were big files relating to the audit which would be tied with green or pink tape and posted off to the regional office where they would be reviewed by the seniors.' There was no real urgency to complete any particular audit, because there were no deadlines or budgets to observe. However, the auditors did as much as they could given the resources they had, because the principles of honesty and integrity had been deeply inculcated within them.

All travelling staff agreed that being on the road was an excellent experience for them. They were forced to learn to act independently. 'When you were at head office, it was too easy to say, "I can't do this" and then go and ask

your superior. But when you were out in the field, a town clerk might present you with a problem and ask you to solve it, and you couldn't say, hold on, I'll phone my superior! You had to handle it and find solutions. So you had to learn quickly to stand on your own feet and it encouraged you to develop very quickly!'

WORK STUDY IMPROVES THE AUDITING PROCESS

Work study offices changed the way audits were to be conducted. The office moved from the 'tick and check' internal audit type of checking to a more oversight-oriented, systems-based auditing function. Auditors no longer checked every single item, but rather examined systems that were in place in terms of procedures and controls. They conducted statistical sampling, scrutinising only selected transactions to confirm whether the systems were working properly. The office also started doing transversal audits, focusing on a specific topic or issue over the months; for example, on salaries, contracts, or leave, with specific reference to the control systems around those particular aspects.

The AG's office was well schooled in the traditional type of public sector auditing, known as regularity auditing. Essentially this concept implied a normal financial audit, with an additional focus on compliance with laws and regulations. Over time this definition of a regularity audit grew with an even stronger emphasis on the compliance aspect and the introduction of the auditing of service delivery reporting early in the new millennium.

ADOPTING INTERNATIONAL AUDITING STANDARDS

In the 1990-91 annual report of the AG, DAG Bertie Loots writes, 'It is evident that public accountability and auditing are inextricably linked and underpin democratic control of the Exchequer'. To be credible and trustworthy, auditors should have both professional qualifications and high ethical standards. In addition to these personal requirements, they have to audit according to a sound methodology, based on principles of independence, integrity and accountability.

Auditors ensure that their work is of high quality by adhering to generally accepted standards of auditing – a set of systematic guidelines used by auditors to ensure that their audit is accurate, consistent and verifiable. Such standards are developed by various organisations according to set and transparent procedures, with the common goal of promoting the auditing profession. Members have the opportunity of commenting on the drafts and taking an active part in the finalisation of such standards. Once an audit

office has adopted a specific set of standards, it has to adapt its auditing methodology to those guidelines and ensure that its staff adhere to the standards through focused training.

The AG's office ran on well-oiled wheels, but as the role of the auditors changed under the influence of work study, it became clear that own best judgement and practices were no longer enough. Towards the end of the 1980s, the SA audit office as a member of INTOSAI accepted the INTOSAI Auditing Standards commonly referred to as Generally Accepted Government Auditing Standards (GAGAS). South Africa had to develop the skills and understanding required to apply these standards and a programme of professionalisation of the office began in all earnest. The AG Peter Wronsley had developed an excellent relationship with the AG of the United Kingdom, Sir John Bourne, and arranged for the secondment of Barry Wheeler (at the time of writing this book, a corporate executive of the organisation) to the UK so that South Africa could get exposure to what was happening overseas.

For four months in 1991, Barry Wheeler – then head of Research and Development – was exposed to the certification auditing process, working with auditing teams and doing courses with their material. He brought the material back to the AG's office and that experience assisted enormously in changing thinking in terms of auditing and procedures. 'Together with teams in research and development, we took the best practices from the UK and elsewhere in the world, brought this back to South Africa and implemented these with due cognisance of unique South African requirements,' said Wheeler. 'As a result of the work we did, in 1997, the World Bank recognised the Office of the AG in South Africa as a world best practice, and we have maintained that level ever since.'

The research and development teams produced a new audit procedure manual, called Volume 4 (given its placement in the series of policy and procedure manuals in the office), rolled this out in hard-copy manuals and trained staff in procedures and processes. Stringent quality control measures were also instituted. This spanned a very busy and innovative period from the early 1990s through to about 1997.

By the end of the 20th century, the AG's office was auditing in terms of the South African Auditing Standards (SAAS), a set of standards that had been developed through close cooperation between the office, the Public Accountants' and Auditors' Board (PAAB) and various professional organisations such as the South African Institute of Chartered Accountants (SAICA) with emphasis on the private sector, but incorporating limited public sector perspectives. The implementation of auditing standards was reinforced by the decision taken by Shauket Fakie and Terence Nombembe early in the new millennium to subject the AGSA to the same, if not (over time) more stringent, quality processes that the PAAB required of private firms.

At a global level, the International Auditing and Assurance Board (IAASB), the international standard-setting body for auditing that operates under the auspices of the International Federation of Accountants (IFAC), developed the International Standards on Auditing (ISAs) and the AGSA was one of the first supreme audit institutions (SAIs) that adopted these standards as from 2005-06. At INTOSAI level, similar actions were underway. The Professional Standards Committee of INTOSAI, through its Financial Audit Subcommittee, began the development of what was initially described as an equivalent set of public sector auditing standards. The process started with a careful analysis to determine whether the principles of financial auditing differed between private sector and public sector auditing, and – once it had confirmed that these principles held universal application – proceeded with the development of additional application guidance to inform the application of these universal auditing principles within the public sector context. The combination of auditing principles (as contained in the ISAs) and the additional application guidance developed at INTOSAI level led to the introduction of International Standards of Supreme Audit Institutions (ISSAIs). Some of the unique aspects of public sector auditing, such as compliance auditing and performance auditing, were dealt with through separate INTOSAI subcommittees to formalise practices in these areas to the level of standards and/or guidance.

The first full set of ISSAIs was formally adopted at the XXth INCOSAI in 2010, through the *South Africa Declaration on International Standards of Supreme Audit Institutions*, as part of the *Johannesburg Accords*, the outcome of this conference. South Africa was represented in these different initiatives by people such as Pramesh Bhana, Imran Vanker, Jan van Schalkwyk, George Lourens, Prakash Narismulu, Tini Laubscher, Lelanie Vermeulen, Fezeka Baliso and Shelmadene Petzer to name but a few.

In 1997, Wessel Pretorius and Bertie Loots went on a study tour to the United States on governmental auditing standards. During this visit, it became clear that South Africa also needed to formalise its approach towards accounting standards. On his return Loots wrote a letter to the Treasury to propose the establishment of an accounting standards board. This contributed to the establishment of the Accounting Standards Board (ASB), which was established in 2000 in terms of the PFMA. This body develops Standards of Generally Recognised Accounting Practice (GRAP), a set of financial reporting standards for the public sector. The AG's office has been an active member of this organisation since its inception.

This close cooperation with standard-setters in the world of accounting and auditing as well as professional bodies mirrors the close relationship internationally between INTOSAI and other international bodies such as the International Audit and Assurance Standards Board (IAASB), the International Public Sector Accounting Standards Board (IPSASB) and the Institute of Internal Auditors (IIA).



INTOSAI DEVELOPMENT INITIATIVE (IDI)
ADVISORY COMMITTEE



PROFESSIONAL STANDARDS
COMMITTEE (PSC) OF INTOSAI

At the XXth INCOSAI, panellists on the collaboration between INTOSAI and other standard-setting bodies referred to the importance of standards in auditing. They also emphasised the benefits of mutual cooperation.



Let me summarise why it is so important that standard-setting bodies within the auditors' arena work together. It strengthens good governance. It promotes a better dialogue on the risks facing the organisations we audit. It enables more efficient audits. It helps leverage the best practices of the public and private sector in formulating guidance for government auditors. It elevates the professionalism and strengthens the standards of each body through mutual communication and recognition. It enhances the stature and reliability of government auditing around the world. It is simply an advantage for our professions, for our organisations, and for the public.

– Mr Günther Meggeneder, Chair of the Board of the Institute of Internal Auditors



We are actually laying the basis for your financial audits and are making it easier to reference your audit opinion to a set of globally accepted accounting standards. ... It's quite crucial that auditors are involved when accounting policy decisions are made and have enough time to reflect on those decisions before they have to express their audit opinion.

– Dr Andreas Bergmann, Chair of the International Public Sector Accounting Standards Board



We are very keen on facilitating the convergence of national and international standards to serve the public interest by enhanced audit quality throughout the world and that in turn should strengthen the public confidence in financial reporting.

– Prof. Arnold Schilder of the Netherlands, Chair of the International Auditing and Assurance Standards Board

DEVELOPING AN AUDIT METHODOLOGY

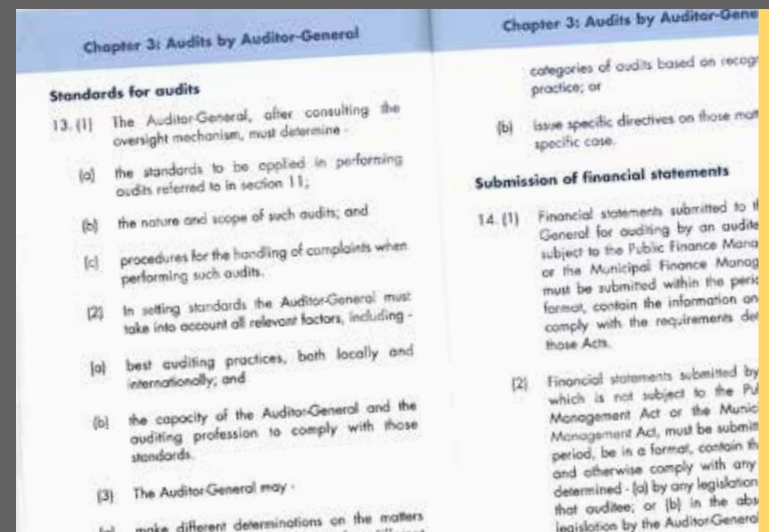
Once the AG's office had adopted standards that were relevant to the public sector, it had to craft an appropriate methodology for their interpretation and application. This process started with the so-called Volume 4 in the 1990s, based on the methodologies of private sector firms, backed by best practices and certain unique requirements of the South African public sector.

From this grew the streamlined audit approach in 2001-02, which addressed some of the initial integration challenges of Volume 4 and further enhanced the public sector flavour of this methodology. It also saw the incorporation of limited aspects of value-for-money auditing, the formalised use of the work of information systems auditors and recognition of the value of computer-assisted auditing techniques (CAATs).

The Technical Support Services unit was the modern equivalent of the old work study office and developed into the current Audit Research and Development unit. Its web page bears witness to the prolific technical guidance provided by this unit: Audit Directives, the Public Audit Manual (PAM), various guides (with the 3 R-guide – risk identification, risk response and reporting – the most commonly known) and memorandums on various aspects of the audit process. The PAM was the first full-blown attempt of the AG's office to write its own methodology. There were many refinements over the years, as it was aligned with the evolution of international auditing standards and new focus areas were added to ensure the continued relevance of the office's audit product. The manual was an innovative and ever-evolving formalisation of how auditors respond to their changing environments and strive to remain relevant to their stakeholders.

The manual also saw the evolution of the audit reporting process – starting with the most basic of audit reporting formats (similar to what can be seen in financial audit reports in the private sector) and evolving over time to reflect more and more on certain internal control and governance requirements, until it reached its current reflection on financial, performance and compliance angles of the audit, as well as a detailed analysis of root causes in the form of commentary on internal control under the headings of leadership, financial and performance management, as well as governance. It is this same strengthening of the relevance of the entity-level audit report that would form the basis of so-called general reports ('state of the nation' reports per audit cycle) where basic audit outcomes and underlying root causes would be analysed and packaged in a format that solicits commitments and action from key stakeholders. From this it follows logically that this development also formed the basis of the extensive stakeholder interactions described in later chapters.

Many of these developments were initiated by the promulgation of the Public Audit Act in 2004.



THE PUBLIC AUDIT ACT WAS PUBLISHED IN A POCKET SIZE VERSION, TO ENSURE EASY ACCESSIBILITY AND REFERENCE

THE PUBLIC AUDIT ACT

The Auditor-General Act of 1995 and the Audit Arrangements Act of 1993 served the organisation well for close on a decade, when it was finally replaced with a piece of legislation that confirmed the modernisation of the public sector environment and its resulting demands on the public sector external audit function, namely the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA). This act confirmed the independence of the SA SAI and strengthened and grew its mandate, while also promoting the transparency

and accountability of the SAI's operations. It talked about the formal adoption of auditing standards and the defining of minimum qualification criteria for public sector external auditors – in essence recognising the immense journey of standardisation and professionalisation that the office had embarked upon during the 1990s and the early days of the new millennium. At the same time, it created a solid foundation for the work that followed in later years – the auditing of service delivery reporting, the growth in the relevance of the analysis in the AG's general reports and the extensive engagement with stakeholders, all in an attempt to fulfil its constitutional mandate to audit to the benefit of the citizens of South Africa, thereby protecting the country's young democracy; or in the words of previous AG Terence Nombembe – *to protect the weak and vulnerable amongst us and to ensure that all the citizens of our country experience the rights guaranteed in the South African Constitution.*

The PAA created the following mandate for the SA SAI:

- An obligation to prepare audit reports that reflect at least an opinion or conclusion on:
 - *whether the annual financial statements of the auditee fairly present, in all material respects, the financial position at a specific date and the 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.*
- An option to report on whether *the auditee's resources were procured economically and utilised efficiently and effectively.*

The PAA extended the scope of the AG's auditing to cover the annual audits of financial statements and, where applicable, the consolidated financial statements of:

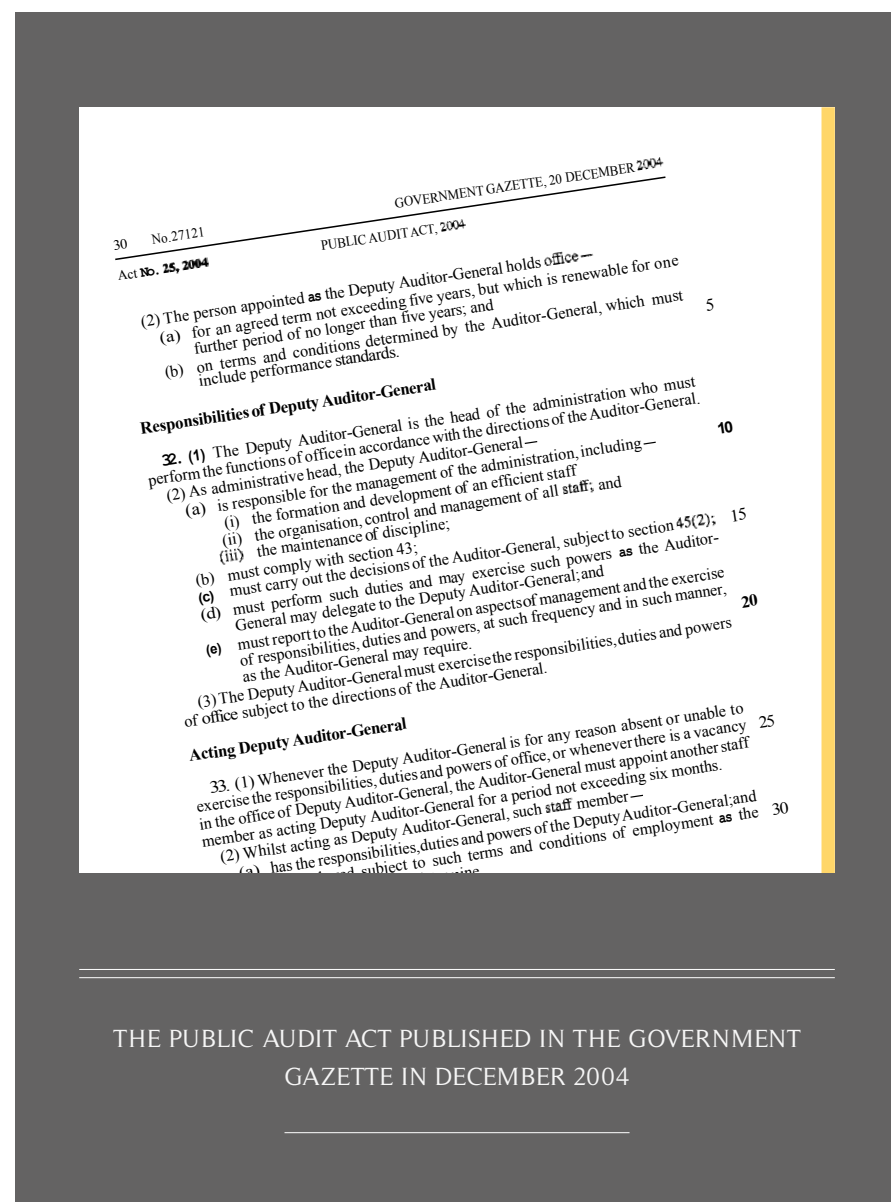
- all national and provincial state departments
- all constitutional institutions
- Parliament and all provincial legislatures
- all municipalities
- all municipal entities
- any other entity required by legislation to be audited by the Auditor-General
- any other entity funded by the National Revenue Fund or provincial revenue funds
- any entity authorised in terms of legislation to receive money for a public purpose.

In terms of the PAA, the Audit Commission was replaced with a parliamentary committee – the Standing Committee on the Auditor-General (SCoAG) – to serve as an oversight body for the SA SAI. The AG is also required to consult with this body before determining the standards to be applied in performing audits, as well as the nature and scope of such audits.

The governance framework further creates a number of overall governance structures to ensure the smooth running of the AG's operations. These include an executive committee, an audit committee, a remuneration committee, a quality control evaluation committee and a variety of other subcommittees of the executive committee (such as a technical committee).

As one of the co-authors of the PAA, Wally van Heerden, who retired as the first Head of Audit of the AGSA, had to take responsibility for developing implementation policies and guidance, and oversee the implementation of the act. The passion with which he talks about this period in his career signifies the pride the whole of the AGSA feels, in the knowledge that its mandate and functioning are regulated through one of the most modern and complete pieces of legislation in the arena of public sector external auditing, including the power of search and seizure to ensure full and unrestricted access for the purpose of completing an audit.

The introduction of this new legislation also prompted the first publication of a so-called annual 'Audit Directive' – an instrument to confirm the office's adoption of auditing standards and its formulation of audit methodology, both to internal and external stakeholders (including private audit firms that did work on behalf of the AG's office).



According to Tsakani Ratsela, recently appointed as the first female Deputy Auditor-General at the time of finalising this book, this broad mandate of the AGSA, covering elements of financial reporting, service delivery reporting and legal compliance, enables key players to drive accountability in government.

‘The interpretation of our mandate in our audit methodology, provides us with a wealth of information and insights that can be proactively shared with the executive and senior leadership in government, stimulating debate and enabling actions that develop our young democracy for the benefit of the citizens of South Africa.’



TSAKANI RATSELA, THE FIRST FEMALE
DEPUTY AUDITOR-GENERAL IN THE HISTORY OF THE
ORGANISATION

NEW INITIATIVES TO RAISE THE BAR

One of the most exciting requirements of this new legislation was the mandate to audit the auditee’s service delivery reporting. As part of their budget all public sector institutions have to formulate the objectives they wish to achieve. Since 2005, the AG’s office has gradually phased in the auditing of reported performance information against these predetermined objectives; in effect, the auditing of service delivery, in compliance with the PAA.

The objective of an audit of performance information is to enable the auditor to conclude whether the reported performance against predetermined objectives is useful and reliable, in all material respects, based on predetermined criteria. The auditing of performance information in South Africa forms an integral part of the annual regularity audit process, confirming the credibility of the reported performance information in the annual reports of government entities, and should not be confused with performance auditing.

Performance information focuses on both qualitative and quantitative aspects of an entity, thereby ensuring that users not only obtain information on the numbers in the financial statements, but also have a holistic picture of the ‘wellbeing’ of an entity, and specifically whether the entity is achieving its set objectives towards service delivery.

It is thus understandable that, as the role of performance information in governance and accountability increases, there would be a greater focus on the credibility, quality and timeliness of such information. Consequently, legislatures have in some instances, as in South Africa, turned to their auditors to provide them with assurance that the performance information provided by government can be trusted.

Sources of criteria against which the subject matter will be evaluated as a basis for the audit comprise the relevant laws and regulations, as well as frameworks, circulars and guidance issued by the National Treasury and the Presidency regarding the planning, management, monitoring and reporting of performance information. During the audit, the performance information is audited against the following criteria: presentation, measurability, relevance, consistency, validity, accuracy and completeness.

Since the 2009-10 financial year an audit opinion as a result of the audit of performance information was prepared for internal management purposes only, with a view to assisting government entities to identify and address further weaknesses and shortcomings in performance management and reporting practices. The intention was to assist government entities to prepare for the final phase of the implementation of the audit of performance information, which will involve providing an audit opinion in public on reported performance information in the auditor’s report as such. While the AGSA is now ready to issue a formal audit opinion on service delivery reporting, this decision remains pending until the outcome of a transversal performance audit to test government’s readiness for that.

The introduction of legislation in South Africa to ensure performance planning, management, monitoring and reporting as well as the auditing of performance information can be seen as one of the most important public sector reforms to increase accountability. Although the developments in this regard are still in its infancy, the benefits for improved service delivery, accountability and governance in the public sector cannot be disputed.

At the same time as phasing in the auditing of service delivery reports, the office also experienced the introduction of horizontal auditing (with a transversal emphasis on issues such as human resource management, supply chain management and IT management) and sector auditing (reflections on certain core deliverables, such as education and health, across all spheres of government). These initiatives added greatly to the value of the analysis of audit outcomes in the annual general reports, but also served as a basis to push for further integration of efforts between the regularity audit function and certain specialist functions, such as investigations, performance auditing and information systems auditing.

The great success of this office has been the ability to change its image from that of being policeman to that of being watchdog to what I see as its role of influencer of the need to achieve clean audits and clean up finances within government. It has the highest standing in terms of the integrity and validity of what it does.

– Barry Wheeler, Corporate Executive

QUALITY CONTROL

The quality of the office's work has immense strategic value and remains one of its key objectives; it should maintain high technical standards and deliver reader-friendly reports if it wishes to be perceived as a world-class organisation. An extensive framework for quality assurance has been implemented, through on-the-job review processes, pre-issuance reviews (a peer review to ensure an appropriate audit opinion), consistency reviews (a review to ensure consistent treatment of audit findings and reporting format) and independent reviews (by the in-house quality control capacity as well as the external regulator – the Independent Regulatory Board of Auditors [IRBA]). The outcomes of these reviews feature prominently in the performance management system of the office: the quality of audits is a balanced scorecard measure which cascades down to individual performance contracts. Quality assurance is also a standing item in the annual report under the commitment of leading by example.

At the beginning of the '90s, the office approved a policy for the application of effective quality control to provide assurance that its instructions with regard to functional operations were adhered to.

The first comprehensive report on the quality of audits carried out by the AG's office was completed during February 1993 and identified shortcomings in planning, supervision over audits and aspects of reporting. In conformity with good practice, the office then involved external adjudicators. Two external audit firms were contracted in each year to evaluate and express an independent opinion on the quality control policy, strategy and process as applied in the office. Compulsory peer review of major audit reports was introduced. The objective was to comply fully with GAGAS by 31 March 1995.

In later years the Practice Review Department of the then Public Accountants' and Auditors' Board (PAAB) evaluated the adequacy of the quality control process of the office, which concluded that the process was satisfactory.

A quality control assessment committee was established to act as an oversight body under the professional guidance of IRBA, which replaced PAAB with the promulgation of the Audit Profession Act of 2005. Quality control reviews were now performed in accordance with the International Standards on Auditing (ISAs). The first phase of a firm-level review by IRBA at the end of the 2010-11 performance year, aimed at confirming the existence of an environment conducive for the conducting of quality audits, confirmed adherence to these standards, placing the AGSA at the forefront of developments in the audit community.

In recognition of the immense journey that the office has completed in getting the quality of its audits on par and maintaining it at that standard, AG Terence Nombembe was awarded a special 'quality assurance award' by the AGSA during his last term in office. His uncompromising stance on audit quality certainly served the organisation well.



STAFF ARE AWARDED FOR THE QUALITY OF THEIR AUDIT WORK

The emphasis on quality as one of the ultimate cornerstones of what the office does, supported the office in dealing successfully with the challenges to its audit messages such as 'Oilgate' and the Arms Deal investigation. It also created the steppingstone for all other developments around the relevance of the products of the AG's office. In leading by example, through its adherence to standards and the related commitment to quality, the office created a reputation for credible reporting that added value to the decisions that government had to make to grow the very new South African democracy.

CRITICAL ENABLERS

The establishment of a technical committee in 1999 created a sound platform to ensure that all technical developments in the organisation happened in a structured, well thought-through and well governed fashion. It also created a forum where the views of the broader audit profession, regulators, professional institutes and auditors in the field could be combined with those of the technocrats in research and development, and other support units, to find the most appropriate and relevant way of responding to the challenges posed by the environment in which the audit office finds itself. Its terms of reference require this committee to ensure that momentum concerning the development and implementation of auditing standards and best practice continues and to oversee all technical development, ensuring that auditing standards are translated into an appropriate audit methodology in the AG's office and that auditors are trained accordingly.

Over time, as this technical innovation journey progressed, there was a growing need to expand the forum for discussion created at the level of the technical committee. This led to the establishment of product champions – essentially an extension of the centralised research and development role, at a senior management level in each audit business unit. Not only did this exponentially add to the technical expertise available to the office in this professionalisation journey, but it also ensured that all developments were in fact practical solutions, ready for implementation. These product champions also played a significant role in ensuring that technical innovations and developments could be implemented with speed, adding to the office's ability to respond quickly to the changing needs of the environment within which it operates.

Interactions with key role players, such as the National Treasury, Accounting Standards Board and anybody else that could add to this journey of innovation, became the order of the day.

It is also worth noting that the unique and very constructive relationship that the audit office had with the broader audit profession, served it well in

living its mandate to the full. This was evident in the early days through sharing methodologies and creating the opportunity to second staff to audit firms to experience a professional and structured working environment at first hand. In similar fashion the working relationship created between the audit office and the profession, through the office contracting out certain audits, first when there was a lack of capacity and skills, and later in an attempt to contribute to the transformation and growth of the profession, serves as a unique example to the profession world-wide. The working relationship that the audit office has had with IRBA in recent years, especially through its committee for audit standards (CFAS), underlines this symbiotic relationship with the broader audit profession. Nowhere is this as evident as the joint issuing of guidance between the office and IRBA on matters affecting private sector auditors operating in the public sector – a striking partnership agreed upon in the AGSA's centenary year.

Coincidentally, the PAA in section 4(3) recognised another link between private and public sector external audit. The PAA recognised the fact that a number of entities, especially the state-owned companies, universities and Further Education and Training (FET) colleges, mostly due to own legislation, sat outside the traditional domain of public sector auditing and therefore required a process of alignment between the audit office and the auditors that handled these types of audits. This meant an intense period of interaction and cooperation between the audit office and the profession to agree on a process for the appointment of auditors; align methodology in line with the mandate created in the PAA; require 'longer form' audit reporting and formalise information flow into the audit office.

The AGSA was truly privileged to be supported by a profession that was committed to join hands, without hesitation, to make a success of the public sector external audit function, the supreme audit institution, as a cornerstone of a well-governed South Africa.

One of the product champions, Nolwasi Mahola, commented as follows on her role:

Working relationships with one's peers are important. A product champion forms the technical link between the research and development and audit business units, while also ensuring quality standards are met in audits and acting as training officer. If you sit back, things are not going to happen. This role gives me impetus and pushes me to be a specialist as well as a trainer.

PERFORMANCE AUDITING – ADDING TO THE RELEVANCE OF THE WORK OF THE AUDIT OFFICE

It was F G Barrie, Auditor-General from 1972-77, who outlined the developments towards performance auditing in his article on the mandate of the Auditor-General in the *Journal for Public Administration*.

He described his participation as the leader of the South African delegation at the International Congress of Supreme Audit Institutions in Madrid in 1974 where he was one of four vice-presidents. He stressed that South Africa's opinion on public auditing was in full agreement with those of developed countries, adding that Congress strongly emphasised the imperative of absolute independence of government audit institutions. It was further decided that regularity audits were necessary to determine whether funds paid out were aligned with the objectives intended by Parliament, but that increasingly, more attention had to be paid to the effectiveness of the allocation of funds and the efficiency of the administration. The importance of promoting the efficiency of internal controls was particularly emphasised. Congress also believed that it should be determined whether government schemes achieved their goals at the lowest possible costs.

This saw the introduction of the three Es of performance auditing: 'economy, efficiency and effectiveness'. Barrie reported that discussions with leaders in the field showed that huge changes in thinking and action concerning auditing had been taking place and that many countries were convinced that in the long term, the auditing of the efficiency of government activities would be of much greater importance than the regularity audit.

The real impetus to the incorporation of performance auditing as an accepted activity within the AG came with DAG Bertie Loots. He had completed a doctorate on comprehensive auditing, which touched in detail on the concept of performance auditing, even travelling to Canada to obtain greater exposure, since it was there that performance auditing had begun in the early 1980s.

While he worked as consultant to the AG from 1987-89, he was instrumental in implementing performance auditing, under the aegis of AG De Loor, working with Henri Kluever, Louis van Rooyen, Günther Witthöft and Graham Randall, and enjoying the support of countless others who were equally enthused by the new discipline.

Tremendous excitement prevailed around performance auditing in the late 1980s, but Wronsley issued a warning based on the manpower situation. However, in that first flush of enthusiasm for the new technique, a public announcement was made that the office was aiming at a division of work of 50% regularity auditing and 50% performance auditing within two years.

This did not materialise, despite the apparent pressure from stakeholders to do more performance audits. A general view was held within the INTOSAI community at the time that because so many regularity audits still ended in qualified audit opinions (or worse), the focus had to be on fixing that situation before the number of performance audits could increase.

The first performance auditing unit was established in July 1988 with five staff members and a few consultants. In those years, the unit was still quite small, so it would 'borrow' staff from the regularity auditors, such as George Lourens (former business executive of Performance Auditing). If these people proved their mettle, then the unit just quietly 'forgot' to give them back to their original units.

Standards of financial auditing have been developed over centuries, whereas there were as yet basically no international standards for performance auditing. Countries had yet to come together to find truly common ground, after which standardisation of international processes would follow. In the 2000s this changed with INTOSAI investing a lot of time and effort in the work of the Performance Audit Subcommittee (PAS), working under the INTOSAI Professional Standards Committee, to formalise definitions, working standards and practices.

In his address at the Seminar on Public Finance and Administration at the University of Zululand in 1987, Günther Witthöft (corporate executive in the AG's office at the time of his retirement) defined the three Es as follows:

- *Economy: The terms and conditions under which an entity obtains resources...*
- *Efficiency: The relationship between goods or services produced and resources used to produce them...*
- *Effectiveness: How well an organisation, a programme, an activity or a function is achieving its stated objectives, its defined goals or other intended effects.*

Referring to one of the early performance audit reports, in February 1989, Bruce Cameron of the *Pretoria News* wrote that performance auditing represented 'a new method of keeping a check on the country's accounts', not only to 'catch crooks', but to get 'more value for the taxpayers' money'. He quoted Dr Joop de Loor as saying, 'Inefficiency costs the country far more than fraud'.

Performance auditing, in one of the auditors' words, 'is about the whole value chain, the whole flow of things. We call it the cradle to grave approach. We don't look only at the construction of a building, but start way back when they first decide they need a school, and then, when it is completed, we ask whether they have achieved the objectives they set five years previously, and then we go to the school and determine whether it is being effectively and efficiently utilised. It's about service delivery'.

Initially, all training was presented in-house with the more experienced members training the new arrivals. In 1995 a division within Performance Auditing was established to conduct research on selected performance auditing issues and problems so that the unit would stay on the cutting edge. It also developed tailor-made training courses for performance auditors, to equip them with the necessary expertise to execute performance audits. The courses were also presented to employees of various other role players such as audit firms, banks, local authorities and provincial internal audit divisions.

In an interesting precursor to the work done at the level of the INTOSAI Performance Audit Subcommittee (PAS), the Global Working Group (a group of some 18 prominent Auditors-General) identified the need to evaluate performance auditing practices and established a team to assess the practices of other Auditors-General. Corrie Pretorius, a South African performance auditor who was part of such a team, comments, 'Such evaluation provides tremendous insight into what they are doing. Actually working with the people, going through the files, studying reports and talking to the stakeholders that use the reports is an absolutely invaluable experience. You truly get the big picture of things. We then bring that knowledge back and implement it here. This international exposure has enabled us to make giant leaps forward'.

INVESTIGATIONS

In 1997 a forensic auditing capability was established within a business unit of the AG's office, to identify and investigate cases of economic crime in the public sector. Certain provinces, such as the Eastern Cape and the Free State, also created dedicated capacity to deal with, at that time, the ever-increasing demand for investigations. A further objective was to develop proactive strategies for the prevention of economic crime. In November 2009 the office created a separate business unit to conduct investigations into financial misconduct and maladministration in public sector organisations.

In later days the emphasis in this area shifted from stand-alone forensic investigations, to a more proactive partnering with regularity audit colleagues. The auditing standards require of regularity auditors to apply their minds to fraud considerations during each audit process. While the colleagues from the Investigations unit are instrumental in making sure that this process remains well-considered and modern, it is in bringing their expertise to bear in high-risk audits, that true value can be found. The depth added to analysis at the planning stage of such a high-risk audit by a specialist and even using the same specialist to assist with some of the audit work regarding the complexities identified, proved invaluable.

INTEGRATION

AG Terence Nombembe, in line with the requirements of the PAA, started to push for a perspective on value for money in the form of reporting on service delivery. Information on the performance of an entity ensures that users not only get a report on the numbers in the financial statements, but also have an overall picture of the 'wellbeing' of an entity, and specifically whether the entity is achieving its set objectives. This reflection on service delivery complements the work done on the financial performance and actually represents an inseparable reflection

on the success of any government entity in unpacking its mandate, defining key strategic success factors, budgeting according to these, spending against these priorities and budget allocations, and then reporting on financial probity and service delivery in its annual report.

This striving towards integration is also evident in the AGSA's strategy to integrate work between regularity auditing and certain of the specialist units in the office. Naheem Seedat, at the time of writing this book the corporate executive heading up these 'non-regularity auditing units', captures this challenge as follows, 'The relevance of our traditional regularity audit messages is further enhanced through integration of performance audit themes. These performance audit messages provide an opportunity for citizens to understand the extent to which the state has received "value for money" in that resources are procured economically and are used efficiently and effectively (the "3 Es") in delivery of services to the public sector. As such, integrating our regularity and performance audit messages plays an important role in providing our stakeholders with both financial and non-financial audit insights that enable oversight, accountability and governance, thereby increasing public confidence'.

This was part of Terence Nombembe's strategy, finding ways to enable the auditor to make a meaningful yet sustainable difference in the lives of our citizens, and it has become the golden thread of all communication: Auditing to build public confidence.

TECHNOLOGY ADDS NEW DIMENSIONS

It is hard to recall, in our technology-driven age, that computers began to be introduced only in the 1980s – and very slowly at that. Although there was resistance to these new-fangled machines, fortunately there were the visionaries who foresaw the inestimable role that computers would play and they began to agitate for change. So the first, some would say reluctant, moves towards adding a technological dimension to auditing were made in 1984, when a selected number of employees were invited to write aptitude tests to determine whether any among them were suitable to embark on this new venture.

Twelve staff members were eventually pinpointed to undergo an eight-week intensive training course in computer auditing at Infoplan, the government's technology hub for the Defence Force. But it was not until about 1990 that an information and communications technology (ICT) division was established within the AG's office itself.

The office had two computer terminals that were directly linked to Persal and FBS, the two government financial management systems of the time. Then in a stroke of daring, the office bought two personal computers, an unheard-of act of extravagance! However, conservatism prevailed when the rules of use were announced: one computer was reserved entirely for research. People had to book a time slot to work on the other computer and were allowed only 30 minutes at a time.

Independence compelled the pace of change to accelerate. Since it was no longer part of the public service, the AG's office had to distance itself from government systems. The AG could not work on the government's financial and personnel management systems FBS and Persal and then audit those systems as well – this would have raised all kinds of governance and ethical issues. So within a space of about eight months, the office had to develop its own systems. A formal ICT group was established; ACPAC software was installed as a financial management system and Profile was selected as the human resource (HR) management system. A new Time Accounting System (TAS) was developed in-house to track the time spent on audits and this was used until PeopleSoft, a full enterprise resource planning (ERP) system, was introduced in the early 2000s.



As with all new initiatives, these spawned innumerable teething problems. The systems were small, they were not integrated and there was much grinding of teeth as the team tried to resolve the issues.

In the nineties, computers began to be rolled out to a larger audience, initially just to the administrative side which had to manage the hours that people had to capture, but later to all auditors. The computer teams had to travel throughout the country, installing computers and setting up modem communications, but because there were no networks at that stage, it was a case of putting in dial-up modems in each office. Staff had to follow very specific procedures. Where they were connected through a switchboard, they had to take the switchboard off-line, plug in the modem, type in all the codes for the modem to get it to communicate with the computer and then transmit files up to Pretoria.

Head office would then consolidate all the files it received from all over the country and create one huge debtors' file that it pulled into the ACPAC system so that it could bill auditees. Every month, major reconciliations were done to ensure they received all the time information from all the different business units. The secretary or administrative assistant received all the hard-copy timesheets and captured the information on the computer.

Computers were not warmly welcomed. In the midst of all the changes then rippling and sometimes flooding through the AG's office, it was just another intimidating innovation that was seen more as a threat than a help. ICT staff often experienced harsh receptions; questions like, 'What am I supposed to do with this thing?' – often with choice and unprintable adjectives!

Ways had to be found to familiarise people with computers and make their use more inviting, so ICT started putting games on. There was a golf game that could be customised to a player's specific style. For instance, if you had a slice to the left on the golf course, you could set up the computer game to make allowances for this. One of the Durban office staff was an avid player of the game – he would be in front of his computer late in the afternoons, practising. He used to win all the championships, but then all of a sudden, he began to lose, till he was losing all the time. He was completely flummoxed, and not a little frustrated. So you can imagine his response when he discovered that one of the youngsters in the office had discovered how to change the settings on the game, and had 'fixed' it, so that there was no way he would have been able to win!

Before the days of the Audit Arrangements Act in 1992, the office still had to obtain approval from the Public Service Commission to buy equipment. The government's Computerisation Advisory Committee had a representative sitting in on all computerisation meetings. The office then started to investigate the possibility of using audit software, and to roll this out, laptops would be needed. The AG's office created a computerisation scheme whereby everyone bought their own computer which complied with specifications set by the ICT division, receiving a computer allowance to cover the cost. This was the first roll-out of notebooks in the office. But problems immediately arose, because people started buying different computers, so it was decided to put a halt to that scheme and return to the system of buying and issuing standardised computers to staff.

Once the AG's office had gained independence and in view of the ever-increasing use of computers in the workplace, it was decided to go ahead and automate the audit process by procuring and developing audit software. Research and Development, together with enabling partner ICT, chose TeamMate, customised with AG-specific working papers and document templates for this purpose. These electronic working papers were rolled out in the office in 1999.

The ICT division supplied the initial infrastructure for TeamMate and a group was created to manage this.

The initial time accounting system TAS had been designed only for small projects. As soon as the office started adding 'frills', such as pulling management information from the system, it went haywire and in effect turned into spaghetti. A bigger system was needed and PeopleSoft was selected. The first implementation of PeopleSoft which was undertaken in 1999-2000 was not a good experience. The process was refined and to some extent relaunched successfully in 2002.

From the original two PCs, bought in 1990, the AG's office now issues a notebook to every employee 22 years later. From the two terminals connected to the mainframe government system, there are now 120 file servers throughout the country, running countless applications. There is also a very sophisticated back-up system with a replicated regional office as a hub to run the office's operations should that ever prove necessary.

Technology has a way of developing exponentially and in 2008, the office began introducing 3G communication to connect to the office at any time. Initially, the service was bought as an individual package for each employee – 2 300 packages of data bundles! When the data ran out, more had to be bought at truly exorbitant fees and of course this caused big problems as people ran up huge bills. Consequently, the AG's office sought solutions and became one of the first big corporates to start using the reverse billing process, which saved the organisation many hundreds of thousands of rand. Today every employee has internet access, managed according to a quota system.

The video-conferencing facility acquired in 2005-06 that now tends to be taken for granted, created huge savings, since people no longer had to travel all over the country to consult. The only real problems that arose from introducing this system were people-related, with people forgetting to book time for their conference.

AUDITING INFORMATION SYSTEMS

As computers became part of the everyday office scene, auditors had to develop new audit techniques. Around 1992, the Information Systems Auditing (ISA) unit started up with three members examining systems and processes, looking for weaknesses where errors could potentially occur.

IMPORTANCE OF INFORMATION SYSTEMS AUDITING

Initially, people audited 'around the computer' – the auditor would not audit the accuracy of the computer, but rather compare raw data as input with printouts (computed output) without questioning the integrity of the programs responsible for the computation. Information systems audits developed both as an integrated part of the annual audit and as a look at every aspect of network usage, from access to storage of information, from program change control to network security – a full view of basic ICT governance.

Information systems (IS) auditing is the examination of the controls within an entity's information technology (IT) infrastructure. It focuses on determining risks that are relevant to information assets and assessing controls to reduce or mitigate these risks.

The Information Systems Auditing (ISA) business unit forms an integral part of the audit processes of the AG's office and supports various audit business units (ABUs) by evaluating IT internal controls as part of the integrated audit approach. IS audits assist ABUs in efficiently and effectively discharging their responsibilities in the IS environment where financial and performance information is generated. ISA also supports the Investigations business unit by conducting ongoing data analytics of the public entities' payment systems using computer-assisted audit techniques (CAATs) to identify and verify possible red flags.

TYPES OF AUDITS PERFORMED

IS audit support can be categorised as follows:

- Auditing of IT general controls – controls that are present in the environment surrounding the application systems
 - These controls include the organisational and administrative structures of the IT function, the policies and procedures in place, security management, change control, data backups and recovery, as well as infrastructure and environmental controls.
- Auditing of programmed application controls – controls built into a computer program to prevent and detect irregularities
 - These controls include validations of data input, adherence to business rules, logical access to the application systems, exception handling and event logging.
- Computer-assisted audit techniques (CAATs) – analysis of data to ensure data quality and identify possible red flags for follow-up by the applicable ABUs

- Other specialised focus areas – network security, enterprise resource planning (ERP) systems and project risk assurance audits

COMPUTER-ASSISTED AUDITING UNCOVERS IRREGULARITIES

One of the more revealing techniques is CAATs, taking data and comparing it across government departments. In this way, the unit discovered that people were receiving double pensions – and then they started noticing this in several provinces, so they linked up all the data and discovered that over 2 000 people were receiving pensions in more than one province – even some dead people were getting paid! That led to millions being saved in terms of consolidating and improving systems.

The other striking example of the value of CAATs was the widely communicated report on government employees doing business with government without declaring their financial interests. This led to the 2006 report that uncovered massive irregularities to the detriment of South African citizens.

Now most government systems are being connected, with interconnectivity becoming the big issue and one of the key issues currently being driven. As a result, management information systems are drawing out reports from different systems that can talk to each other using specific software.

THE IMPORTANCE OF TRAINING: UPPING THE SKILLS ANTE

When Bertie Loots became DAG in 1991, he immediately set about changing the skills requirements. Matric was no longer sufficient. Promotion no longer depended purely on seniority and merit – employees were encouraged, and even required, to further their studies if they wished to be placed on promotion lists.

Among Loots's tasks was setting up a professional evaluation system of each employee for supervisors to be able to judge, as fairly as possible, the degree to which any member of staff had performed satisfactorily during the previous year. These new initiatives were received with enthusiasm and so Loots and his senior staff became instrumental in sowing the first seeds of a highly professional staff complement.

THE CRUCIAL ROLE OF TRAINING

Part of the move to a more professional workplace lay in changing the HR structures, a process promoted by Loots as DAG. It was part of changing practices which would change mindsets. Continuing with old conventions and traditions would simply leave people stuck in the old moulds. Among the more controversial changes was that anyone appointed to management would have to have a professional qualification of some kind.

With the changing image of the Auditor-General, it was possible to start employing more professional people, and Loots too pushed for the appointment of more chartered accountants (CAs). Of course, once the office had become completely independent of government by the 1992 acts, it could now start offering the type of salaries that would enable it to compete with the private sector, and the challenges of this clearly new, up-and-coming and rapidly developing environment attracted many excellent young qualified CAs.

An agreement was finalised with the University of Pretoria to assist with a number of basic skills courses aimed at capacitating the audit office for the challenges of the time. The courses available ranged from training in modern audit practices and principles in accounting to a series of short courses on all levels of the organisation.

The AG's office was unable to do that before it attained independence. Previously, approval would have to be obtained from the Public Service

Commission, but independence enabled the office to engage directly with the university and ensure staff received the appropriate training.

BRINGING IN THE OUTSIDE EXPERTS

As a result of a tendering process, Grant Gelink, a partner from Deloitte and Touche, was tasked with drawing up the new training policy and strategy. He was assisted originally by Jaco Uys and later by Jan van Schalkwyk, both senior audit managers from Deloitte and Touche at the time. Previously from a teaching background, Gelink lectured at the University of Durban/Westville in advanced auditing and was a CA, so his credentials were ideal. Thanks to the initiatives that had already been taken, he did not find an environment where he had to start from scratch. 'The audit office was really clued up around most aspects of auditing. They were doing generally acceptable audits – it was just time to modernise and formalise.'

It was Loots who cautioned Gelink: 'Don't think just because you come from the private audit sector that you understand government auditing. Work with the guys first. Go out with them on audits and get a feel for the environment. Then make constructive suggestions and if they see value in them, they will adopt them' – a very accurate description of the working culture in the office at the time.

And that's just what Gelink did. As a result, he and the team he worked with came up with a training policy and strategy that were accepted by all, and he was then enlisted in helping with the roll-out. Gelink was impressed with the calibre of the people he worked with in developing the new training regime. Thanks to the work he had done with the auditors, when he started introducing the new methodology and training policies, he could talk about the experiences he had had on the particular audits and the public sector.

According to Gelink the atmosphere of the time was alive with enthusiasm and excitement as people eagerly embraced progress and learning. 'Loots was an

excellent communicator and he never lost an opportunity to heighten the sense of professionalism in the office,' he recalls. 'At every meeting, every discussion, in fact every possible occasion, Loots would stress the need for excellence. He was constantly emphasising that excellence was more important than anything else, and that helped to boost that sense of immense pride in what people were doing.'

THE BEST WAY TO LEARN IS BY DOING

Early efforts towards professionalisation were furthered by organisations such as the Southern African Institute of Government Auditors (SAIGA) which had been founded in 1988. The first chairman, Günther Witthöft, explained that the idea behind the establishment of SAIGA was to professionalise the role and function of government auditors generally. It was intended as an institute that could set standards and maintain a register of persons suitably qualified to carry out the task of government auditors, similar to the South African Institute of Chartered Accountants (SAICA) in the private sector. SAIGA was established to create a specific qualification for the public sector, since CAs were still a rarity in the public sector environment. SAIGA provided the opportunity to fill the gap when the AG's office was not able to recruit CAs or train CAs, as it would have liked to. For the first time, it was recognised that application of auditing principles in the public sector was different from that in the private sector. This contributed significantly to raising the standards, credibility and professionalism of auditing in the public sector.

Grant Gelink remembered the ferment and vibe of the time. 'People in the AG were excited at creating a new identity, becoming appreciated for their efforts. They were now being recognised as a very specific and clearly identifiable area of audit with their own professional standards. It was a time when SAIGA was being instrumental in developing general auditing standards for government and the leadership was increasing the membership of that body because people could identify with a professional body that was similar to SAICA and was looking after their interests.'

The AG's office formally recognised the Registered Government Auditor (RGA) qualification offered by SAIGA in 2003. To give effect to this recognition, the office embarked on an extensive process of 'grandfathering' to recognise staff members with RGA qualifications that predated this formal recognition, as professionally qualified in terms of its in-house qualification frameworks. This was followed by a process of structured 'recognition of prior learning' examinations, where an opportunity was created for staff with vast public experience over a number of years to formalise this experience in the form of a formal qualification. The qualification option through SAIGA currently follows a normal learnership route, similar to other professional bodies. In 2013 the AG's office had 358 RGAs on its establishment.

SAIGA recognises the important role that the Auditor-General plays in the larger accounting and auditing profession in South Africa.

– Prof. Herman de Jager, secretary of SAIGA

From SAIGA's perspective, the AG is the public sector counterpart to the private sector's regulator – IRBA.

– Prof. Dieter Gloeck, executive president of SAIGA



SIGNING OF A MEMORANDUM OF AGREEMENT BETWEEN
THE AUDITOR-GENERAL AND SAIGA

TOWARDS A TRAINEE AUDITOR SCHEME

The AG began to offer training bursaries and the conditions of study leave were changed to become far more attractive than the previous one day's leave prior to the exam and one day's leave for the exam itself. However, even though the change to a professional environment was gradual and many realised their responsibility as professional individuals and were eager for the change, there was always some resistance. There were a lot of people who did not want to make the effort to further their studies and they tended to leave the office.

Among the first moves made to raise the level of professionalism was seconding staff to private audit firms so that they had exposure to the processes and procedures there. Godfrey Muller, former business executive of the Free State, remembers being seconded to Ernst & Young for three months 'to test to see how different things were in the private sector'. That, he claimed, 'was the start of putting those training wheels in motion until eventually the AG would be accredited for training CAs'.

Loots was instrumental in agreeing a 'pilot scheme' for training chartered accountants (CAs) in the office, shortly after his arrival in the office. Initially, aspiring CAs could complete only one year of their articles with the AG, and had to be seconded to private audit firms for the final two years. Sadly, this meant that many opted for employment in the private sector rather than returning to work at the AG. Graham Randall and George Lourens (both of them business executives at the time they left the organisation) were the first two AG employees to become CAs through this initial pilot scheme.



GEORGE LOURENS AND GRAHAM RANDALL

ACCREDITATION BOOSTS PROFESSIONALISM

In 1997, efforts started to get accreditation from PAAB/SAICA to run the full 3-year trainee scheme in-house. Jan van Schalkwyk had initially been seconded to the AG's office from Deloitte, but faced with the challenge of obtaining SAICA recognition for the trainee auditors' scheme and establishing a fully-fledged training programme for employees at all levels of skill within the organisation, decided to accept a full-time position at the AG. He worked with Herman van Zyl (then the head of technical support services responsible for training and currently business executive of the Learning and Development unit), Loots and what he described as a number of brilliant academics on the education and training bodies of SAICA and PAAB. 'All the investments of the past decade suddenly paid off – everyone contributed with absolute conviction and passion.' As a result, by 1999, the trainee auditors' scheme was recognised by PAAB and SAICA and the AG's office was accredited to provide the full three-year term of articles for trainee auditors.

The most suitable training for employees at all levels of skills within the organisation needed to be provided, which involved a total structural change, especially in terms of recruitment practices, remuneration policies, promotion and performance management and so forth. Initially, Nico de Clerk, at that time the business executive of Human Resources in the audit office, played a leading role in this rethink. His work to create a modern people management framework that accepted the introduction of the trainee auditors' scheme as the new feeder into the organisation as the norm and innovatively built on this, proved instrumental in triggering a total change in organisational thinking, performance and culture.

The trainee auditors' scheme started off in 1999 with only 30 trainees a year in the face of quite widespread scepticism and even indifference. It was the then DAG, Terence Nombembe, who provided a fresh impetus to the scheme in the early 2000s, insisting that the AG's office needed to get more serious about qualifying more CAs, not only for its own purposes, but for the wider profession, and specifically for the public sector. The office made a very strong commitment to professional development and so the numbers began to spiral, remaining at about 600 for a few years and then increasing quite dramatically to 1 000 trainees on its scheme to form the much needed pipeline to feed into the AGSA, the public sector and the profession at large.

When SAICA released its qualifying results in February 2014 the AGSA achieved a 58% pass rate by its staff to increase the number of CAs on its establishment to 467, with another 30 that can be added when they complete their three-year practical training – bearing evidence that the South African SAI is succeeding in its professionalisation drive and has become a well-recognised partner to qualify respected young professionals.

It gave us a great sense of pride and joy indeed to learn of the sparkling PPE results achieved by our staff. Our Dean of Commerce at UCT, who was a respectable member of the profession, once said, 'It takes guts to be a chartered accountant'. This reminded me of the discipline and many

sacrifices that go into reaching this stage in all of our careers. I am certain many that have gone through this experience will immediately testify to this fact.

In the same breath, to emerge as a candidate for the qualifying examination is itself a mark if not a standard of excellence. All those that attempted the exam are indeed special and continue to be associated with the high global and local ratings that members of our profession enjoy. I encourage all of you to continue to demonstrate the best in professionalism and be exemplary accountants who take pride in being best of breed in the world of public finance auditing.

Our colleagues that passed the exam have now enjoyed the experience of immediate gratification that comes with the long wait on that dreadful 16:00 on a Friday afternoon, noga! Well done to all of you guys and continue to deepen the feeling that there will now be a suffix behind your names which helps open lasting career and personal development opportunities wherever you will go in the future. Remember, the AGSA is one such place where these dreams are also fulfilled.

For those that will repeat the PPE in 2014: do not tire, as a repeat of the PPE is only but a rehearsal of a worthy experience undertaken with resilience and conviction to succeed. Many captains of industry and other successful accountants have gone through a similar experience. I have personally experienced this. The day will dawn when all converge towards the ultimate outcome.

Once again hearty congratulations to you all and well done to all our staff who put the shoulder to the wheel to ensure that we provide the necessary support and encouragement through all our interventions. Your unwavering support does pay off and is highly appreciated by all of us as we continue to deepen our experience in building a professional workforce with the capacity to serve our country in governance and accountability.

Success is sweet and 93 successes out of 159 attempts is no mean feat!

Kimi Makwetu
Auditor-General



LETTER OF ACCREDITATION FROM SAICA TO RUN OUR OWN
TRAINEE AUDITOR (TA) SCHEME

DENEL HELPS TO BRIDGE THE GAP

Around 1996, Bertie Loots approached Denel, a South African state-owned company that specialises in aerospace and defence technology, which was offering a bridging course for learners from disadvantaged schools who had passed matric but had not achieved good marks. Most of them were doing engineering, but since Denel had the facilities, Loots persuaded them to take in some 20 accountancy students as well.

Herman van Zyl vividly remembers the first interview he conducted with about 120 learners, whose imploring eyes begged him to select them. 'It was heartbreaking,' he sighs. 'There were places for only 20 students and each was as deserving as the next, so it was a very tough and highly emotional decision.'

Denel was extremely supportive, providing facilities and help with getting the right teachers. Students were taught not only accounting and auditing but – in retrospect, most importantly – life skills as well. They had to run small enterprises in the canteen, keep the books and learn language skills as well as doing bookkeeping and maths.

This scheme maintained a perfect record of assisting the students to gain access to tertiary education, with many of the graduates eventually joining the AGSA, obtaining professional qualifications, with some even reaching the ranks of senior manager by 2011. Wendy Mahuma, then manager in the training division, but at the time of writing this book head of the Human Capital unit, was given the responsibility to manage the programme. 'It was a wonderful initiative,' she enthused. 'The kids were there for a year, doing higher grade Accounting, Mathematics, English and life skills, and those that did well got bursaries to go to varsity. Most of them subsequently did their articles with us and some of those CAs are still with us today.'

Patricia Stock, previously a manager in the Quality Control business unit and later a partner at the audit firm BDO, was one such student. 'For me, as I believe for most of us, it was a life-changing experience, being able to identify and bridge the gaps in terms of the syllabus and the method of teaching we had experienced in township schools. The teachers were brilliant. They really encouraged us and made us see things differently to realise our potential.'

'I remember so well our accounting teacher stressing that it was not a case of not being able to understand or not being up to standard, but that it was mostly a language issue. For us township kids, being taught in English was the problem because it was difficult to grasp concepts in a language that is not your own. But our teacher stressed that we had to overcome that language barrier and we would see that we did indeed have what it takes.'

It was stimulus and motivation like this that inspired the kids to crack the barriers and many, like Stock, changed their attitudes, gained confidence in themselves and managed to achieve distinctions, getting bursaries from the AG to go to university and then returning because of a desire to give back to others.

Patricia Stock was one of the trainees with vivid memories of the warm and supportive welcome provided by AG people such as Wendy Mahuma and Michelle September during the training period. *They were always there for you, encouraging and motivating you. Even the AG and the DAG, Shauket Fakie and Terence Nombembe, took the time to come to visit us and tell us about the organisation. It was impressive that people so high in rank would make the effort to talk to us who were just learners at the time.*

I had a great impression of the organisation, seeing it as a place with the heart to see people achieving and making a difference, especially for us who were from previously disadvantaged backgrounds. The AGSA wanted to focus on those who didn't have the means but had the ability and above all, the passion to become CAs. That was one of the main reasons I wanted to be associated with the AGSA – the passion.



DENEL STUDENTS

Trainee auditors remember, some of them quite ruefully, that while the study environment was a very warm and supportive one, they quickly discovered that if they didn't pull their weight, trainers could be quite fierce! They admitted though, that that in itself was a tremendous incentive, providing motivation to do one's best. 'It made us realise that we simply couldn't afford to fail,' they pointed out.

At the same time, there was profound understanding for the many problems the trainees often faced on the homefront. For instance, studying at home for Patricia Stock was an impossibility because of a neighbouring shebeen, and students were not allowed to remain at university during vacation. So the AGSA assisted with finding suitable accommodation. 'That kind of support was unexpected and amazing,' students agree. 'It showed a leadership that had a heart for seeing us develop and achieve our dreams.'

AUDITING INFORMATION SYSTEMS REQUIRES A NEW PROFESSIONAL QUALIFICATION

The Information Systems Auditing (ISA) unit developed strong relationships with the Information Systems Audit Control Association (ISACA) which had specific certifications that were essential if the AG's office were to attain the high standards of credibility and professionalism it aspired to in this particular sector. The Certified Information Systems Auditor (CISA) qualification is now a requirement for those wishing to become IS auditors. Being able to take IS auditing and professionalising that on the same level as the Chartered Accountant and Registered Government Auditor qualifications was a great achievement. In 2011 there were 44 CISA-qualified auditors in the employ of the office.

SUPPORTING UNIVERSITY STUDENTS

Whereas other organisations only accept trainees after they have graduated, the AG's office allows its trainees to join the office and complete their studies while working.

It has also extended its support to university level through SAICA's Thuthuka initiative. This fund assists learners from previously disadvantaged communities to become CAs and will ultimately contribute to changing the demographics of the CA profession.

Investment in the University of Fort Hare's CTA programme and other similar investments in the broader profession ensure that the office is building the workforce of tomorrow. Its external bursary scheme is a powerful driver of transformation and supports close on 130 students at various academic institutions. The manager of the scheme comments, 'One can view it as affirmative action taking place, but for me, I see it as an opportunity well utilised'.

MAKING GOVERNMENT MORE ACCOUNTABLE

Now the organisation felt equipped to be able to facilitate change in its auditees as well. As AG Shauket Fakie pointed out, 'There was far too much of a public sector mentality in government which simply had to be changed'. The first initiatives towards this objective had been triggered by former AG Dr De Loor who had commissioned Loots to research the accountability of public entities, which had resulted in the Reporting by Public Entities Act of 1992.

The AG's office now worked closely with members of the Department of Finance to craft legislation that was to become known as the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) which was promulgated in March that year. In addition to many new regulations, it also adopted many of the principles first set out in the Reporting by Public Entities Act. The office helped to define the PFMA's provisions, ensuring that matters of accountability and timelines in finalised audit reports were included.

The PFMA required all departments to publish annual reports with their annual financial statements. This in turn enabled the AGSA to change its own method of issuing regularity audit reports, allowing it to provide individual audit reports to its auditees for publication in their annual reports.

A municipal equivalent, the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) was promulgated to extend these reforms to the local government sphere.

UPPING THE MOMENTUM

When Shauket Fakie became AG in December 1999, he inherited what he described as 'an office that was well established, widely respected and

indisputably independent.’ He determined to build on that legacy. By the time he was appointed as AG, more than half the staff were studying for a degree or had completed a degree and over 120 CAs were employed in the ranks.

Fakie appointed Terence Nombembe as Deputy AG in 2000 and he pursued the logical evolution of the AG. The lessons that the office had learnt while professionalising and coping with the responsibilities of independence, could now be taken to the broader public sector.

Over the last two decades, the predominant capacity-building focus of the AG’s office had been on developing professional capacity that delivered world-class reports, as well as its capacity to engage the external environment so that its messages were understood and acted upon. In the process of developing capacity in these areas the office was able to build on existing strengths, while addressing areas in need of improvement.

SIMPLICITY, CLARITY AND RELEVANCE OF MESSAGES

Another way in which the office supports effective oversight in the South African public sector is by producing reports that are as simple, clear and relevant as possible, for ease of use of these documents. The easier it is for stakeholders to understand audit reports, the easier it will be for them to address the audit findings. Being able to take action in response to audit findings is critical for progress in the transformation of public finance and performance management in the country, as well as moving all entities in the public sector towards clean administration. Clean administration, in turn, is a prerequisite for effective service delivery and for ensuring the growth and continued strength of the South African democracy.

The principle underpinning simple, clear and relevant messages in all communication with stakeholders is the approach of root cause analysis – the ability to identify the core of what went wrong and to define what should be done to address audit findings and by whom – in simple language that is easy to understand.

VISIBILITY OF AGSA LEADERSHIP

The AGSA’s goal of leadership visibility ties in with the goal of simplicity of reports in that the audit results are communicated through visibility. AGSA leaders continuously interact with stakeholders, as they believe that the office’s contribution to accountability and good governance will depend not only on the quality of its audits, but also on the extent to which

it succeeds in sharing its insight with those in charge of public resources so that they are enabled to take the necessary corrective action.

The office interacts with key identified stakeholders in all three spheres of government. Interaction focuses mainly on meaningful engagements with political leaders on a quarterly basis to share assessments of identified risks and during which commitments are invited to address the stumbling blocks in the way of clean audits. From the legislative authorities, the office seeks a commitment to oversee the corrective action taken by those in charge of public resources. Experience has taught that when the country’s political leadership sets the right tone and acts on audit findings and recommendations, the results are positive.

A NEVER-ENDING PROCESS

Professionalisation and building organisational capacity is a long and never-ending process for which institution-specific solutions have to be found. Building institutional capacity is a continuous and systematic process. There will always be challenges that will have to be addressed as part of the office’s continued endeavours to build a model institution on whose work reliance can be placed.

The AGSA has found that interaction with the external environment is one of the most effective ways to maintain and grow its relevance. The AGSA therefore remains firmly committed to strengthening the accountability, integrity and transparency of government. In this way, it supports democracy in accordance with its mandate and makes a difference to the lives of the citizens, as formalised by the framework for communicating and promoting the value and benefits of SAs.

THE AG’S OFFICE LAUNCHES ITS OWN REPORT

With the newly promulgated laws to secure sustainable management of the financial affairs of all three spheres of government requiring audit reports to be included in the annual reports of the departments, municipalities and associated entities, the AG’s office suddenly faced the challenge to publish its own annual report regarding the outcomes of its audits. Previously, the office had published an annual general report that merely summarised the results of all the audits. A researcher was appointed to determine how the AG’s office could report and analyse its audit findings and Shauket Fakie strongly supported the initiative.

This led to the birth of general reports on national, provincial and local government which are powerful instruments to improve governance and hold the government to account for the benefit of all South Africans.

Nombembe travelled around the country to every provincial legislature, premier and minister of finance, explaining the audit outcomes and obtaining commitments which were then included in the general report and which he followed up. In this way, he was constantly promoting his determination to see the AGSA as a partner in improving governance and accountability and becoming an agent of change.

THE BEDROCK OF STRATEGY

Independence meant that the AG's office took on responsibility for planning and managing its own activities. For the first time, a separate *Review of the activities of the Office of the Auditor-General* was published, as part of the *Report of the Auditor-General on the appropriation and miscellaneous accounts in respect of general affairs for 1988-89*. In that year, a project team was formed to design a framework for the establishment of strategic management in the office.

According to the report, a Steering Committee: Strategic Management had been created to investigate various aspects of the introduction of strategic management in the office, namely a framework for the proper management of manpower resources; a framework for the proper planning and execution of audits (for which a plan of action had been drawn up); and the effective financing and administration of the office.

A FIRST MISSION

In the next annual report (1991-92) the mission that had been formally adopted during that year was published:

The Office of the Auditor-General assists the Auditor-General as the independent auditor acting for the Legislature in the Republic of South Africa by planning and conducting governmental audits on a cost-effective basis, employing well-founded scientific techniques applied in accordance with recognised professional practices and reporting the results to legislative institutions timeously in order that accountability relationships may be properly served. Throughout the tempestuous nineties, the AG's office strove to live up to this first mission; in a nutshell, to be independent, cost-effective, professional and accountable.

The object of this own annual report of the AG's office was to be publicly accountable for its activities, since its work essentially involved the promotion of the democratic principle of effective accountability for the collection and expenditure of public funds. The management philosophy of the office was also set out, which was based on the statutory mandate and the mission. The office needed 'staff with the knowledge, skill and attitude found in the members of a profession and audit approaches which make effective use of the available technology'. The AG and his management would have to 'create a milieu which actively supports the continuous development and liaison needed to meet these requirements'. The mission and management philosophy of the office were developed, adopted and explained to all staff members by members of management, 'so as to begin to establish a corporate culture which will support the Office in the achievement of its objectives'.

STRATEGIC DEVELOPMENT

Bertie Loots as the DAG spelt out the following strategy:

Participative management characterised by the widest possible delegation of responsibility to appropriate levels was of key importance. Annual national congresses, in which middle management and top management participated intensively, and other appropriate management contact would support the process.

By the end of 1991-92, strategic management in the office was taken a step further with the appointment of a management consultant who would facilitate the implementation of a corporate strategic plan for the office. An audit approach had been designed and documented and progress made with implementing it.

The annual report of 1992-93 was the last 'voluntary' report; as from 1 April 1993, an annual report was required in terms of the Audit Arrangements Act of 1992. Strategic management was now shifting to goal achievement through efficient staff management, training and development and inculcating strategic thinking; the DAG was envisaging structured analysis of both the internal and external environment.

A mini-congress was held in Pretoria in March 1993 to apprise staff of impending developments specifically in the personnel field. The first top management planning conference in the office's history formulated a vision and evaluated the mission and management approach critically. Overall goals of productivity, quality and stricter control over the cost of audits were identified for the office.

A NEW STRATEGY FOR A NEW OFFICE

Due to the sweeping changes wrought in the office as a result of the amalgamation with the TBVC states, the annual report of 1994-95 envisaged a new strategy for the new office. A shared vision, mission and values would have to be developed for the new audit office and great attention would have to be given to 'quality, costeffectiveness and productivity of audit services'.

A five-step strategic management plan had been developed:

1. Internal environment analysis
2. External environment analysis
3. Corporate strategic planning
4. Strategic plans per business unit
5. Control and evaluation

The results were evaluated at a top management planning conference in January 1994, which identified eight critical performance areas (CPAs): quality (full compliance with Generally Accepted Government Auditing Standards (GAGAS)), cost of audits, reporting (clearing backlog and keeping to agreed target dates for completion), management information, communication (appropriate strategic positioning of the AG and his office), implementation of the Constitution (amalgamation of RSA and former TBVC offices), positive action (making management more representative) and training (management training for audit managers and higher ranks).

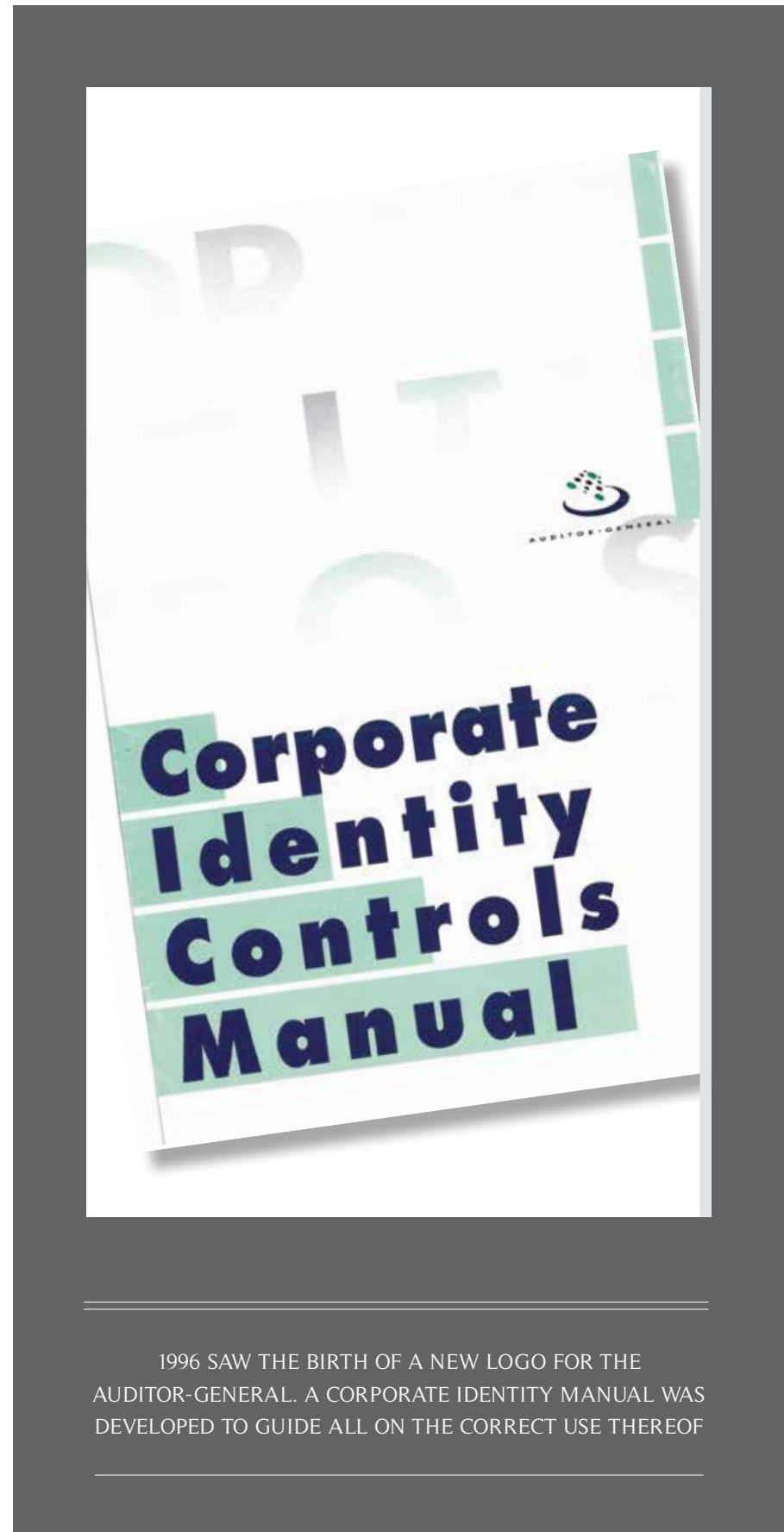
At the end of the next year, the office reported that compliance with GAGAS for audits in respect of periods ending on or after 31 March 1995 would be largely achieved. Great attention had been given to quality, cost-effectiveness and productivity of audit services. The amalgamation process was ongoing and its successful completion would greatly support the critical endeavour of positive action. The DAG would take personal responsibility for monitoring progress with the positive action plan. A shared vision, mission and values would have to be developed for the new audit office and strategic direction would be reconsidered as soon as the amalgamation process had been finalised.

DEVELOPMENT OF A CORPORATE IDENTITY

In 1994, the audit office appointed a communication manager who started to develop a corporate identity. 'We worked towards it in those years with a very creative bunch of auditors who wanted to be part of the change. Even AG Henri Kluever got involved – he was very enthusiastic and creative. We went to a design house, developed the corporate identity and launched it in 1996.

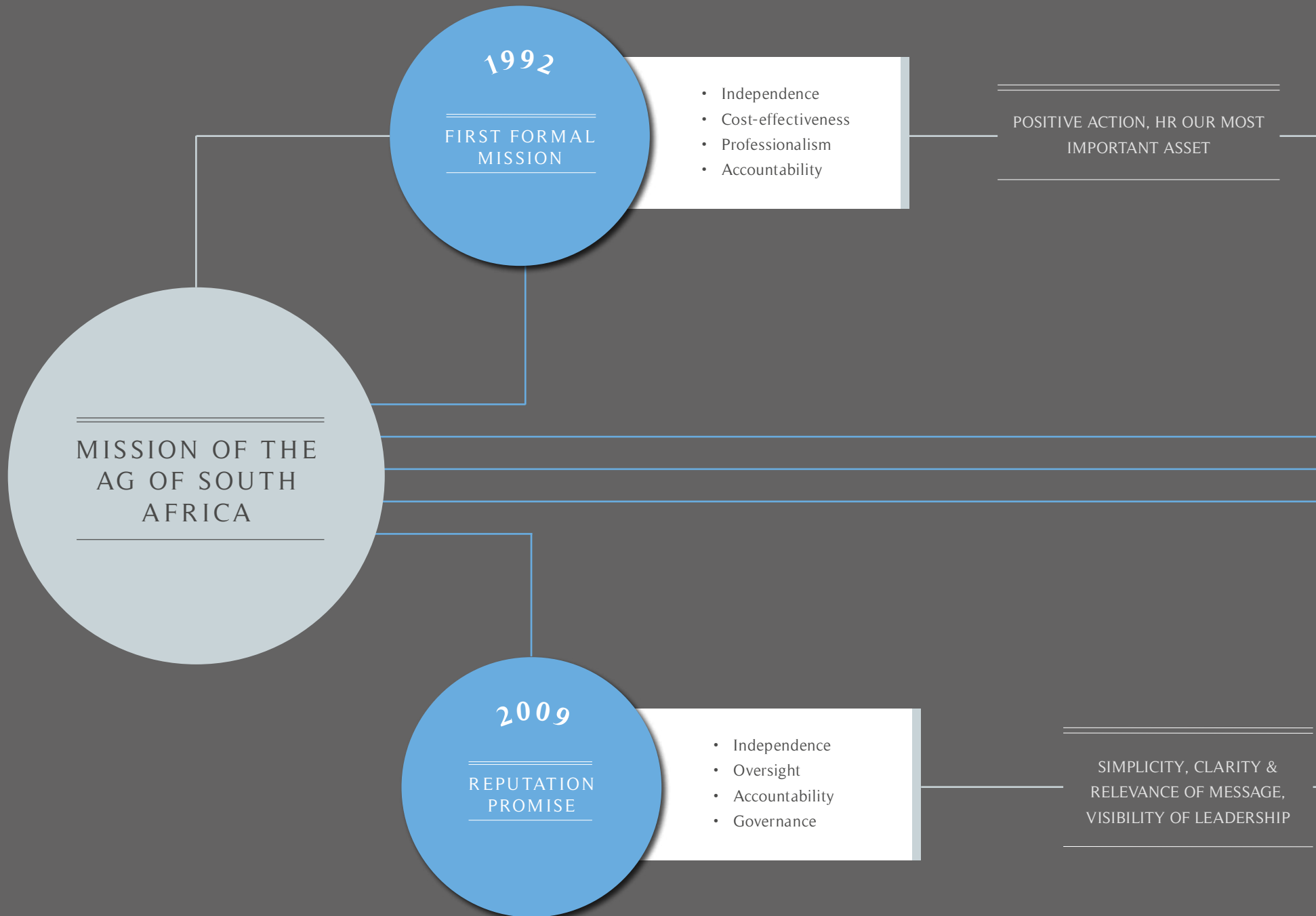
'Everybody bought into it and then in March we went to Parliament and launched it with the Audit Commission. It was hugely appreciated; people were excited by it. It was launched through an internal TV broadcast and Dr Jacobsz of the Audit Commission, who was chairman at the time, also participated. We were so proud that our institution now had a face and that it reflected what we had become, a truly independent and highly professional body'.

The logo was launched in August 1996, as 'a visual expression of the Office's break from the past and a visible confirmation of the Auditor-General's independence. The logo unifies the Office and symbolises the positioning of the Office among its target audiences. It will be applied consistently in all internal and external interactions'.



1996 SAW THE BIRTH OF A NEW LOGO FOR THE AUDITOR-GENERAL. A CORPORATE IDENTITY MANUAL WAS DEVELOPED TO GUIDE ALL ON THE CORRECT USE THEREOF

HOW THE MISSION OF THE AG'S OFFICE DEVELOPED



1996
OUR LOGO




INTEGRITY, ACCOUNTABILITY &
TRANSPARENCY

ADDING VALUE,
CONQUERING CHALLENGES

2000
3P-STRATEGY

- People
- Product
- Process

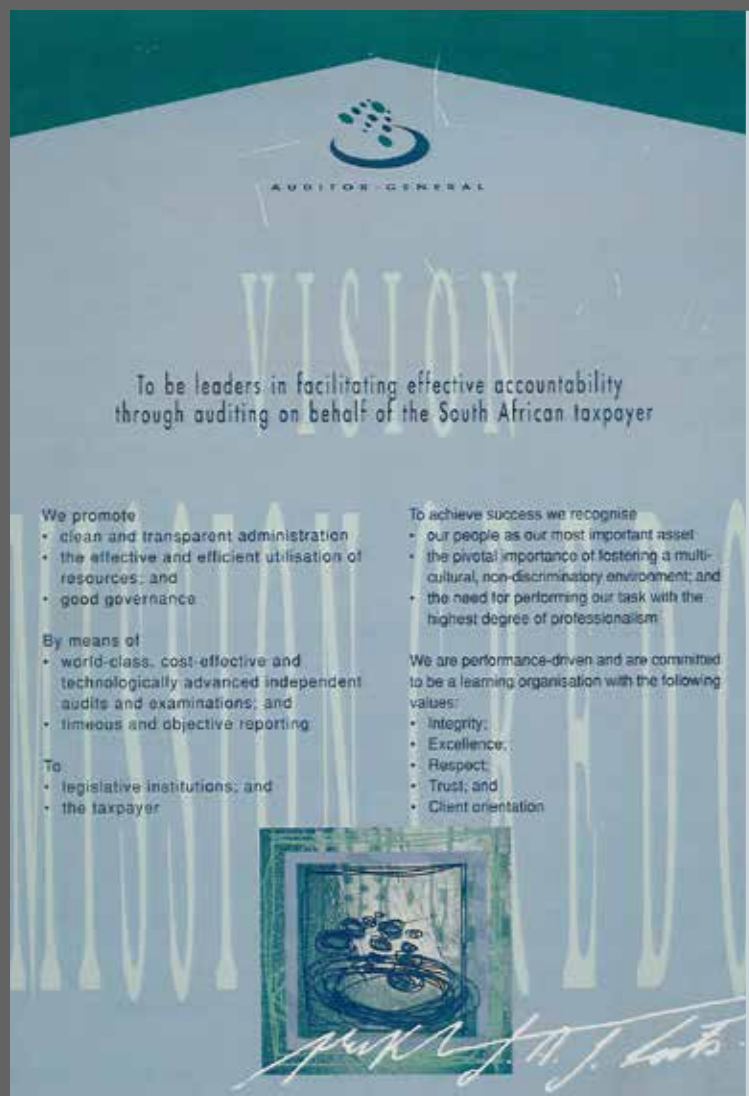
2001
SIYANQOBA



- Independence
- Oversight
- Accountability
- Governance

THE LOGO EXPLAINED

The AGSA's corporate colours are green and blue: the green recalls the green ink and the pens and tick-and-turn auditing methodology, while the blue speaks to its professional image – the colour of business. The green ovals represent the cornerstones upon which the AGSA's activities are based, namely integrity, accountability and transparency. The logo is based on the image of a calculator or an abacus, both symbols that lie at the heart of auditing, poised within an encompassing half-moon base, which underlines the fact that the AGSA conducts its affairs within the framework of the state, and that it strives to preserve the integrity, dignity and well-being of the state, in order for South African citizens to enjoy the benefits of good governance.



VISION

To be leaders in facilitating effective accountability through auditing on behalf of the South African taxpayer

MISSION

We promote

- clean and transparent administration
- the effective and efficient utilisation of resources
- good governance

By means of

- world-class, cost-effective and technologically advanced independent audits and examinations
- timeous and objective reporting

To

- legislative institutions
- the taxpayer

CREDO

To achieve success we recognise

- our people as our most important asset
- the pivotal importance of fostering a multi-cultural, non-discriminatory environment
- the need for performing our task with the highest degree of professionalism

We are performance-driven and are committed to be a learning organisation with the following values:

- Integrity
- Excellence
- Respect
- Trust
- Client orientation

The move of its head office into its 'own' building early in 1998 also contributed towards the creation of a specific identity for what was now called the Office of the Auditor-General and the abandoning of the last vestiges of a public sector mindset. New provincial offices in a more professional environment and at a better rental were found and this was part of the beginning of change in the image of the AG's office.

THE THREE PS: PEOPLE, PRODUCT AND PROCESS

In May 2000 a senior management workshop was held at the Manhattan Hotel in Pretoria where a basic 3P-strategy (people, product, process) was drafted. The workshop was handled by a training development team and happened literally days before Terence Nombembe took office as DAG. He made a quick appearance at this session to get a feel of what was being deliberated at the time and to introduce himself. This 3P-strategy paved the way towards the Siyanqoba strategy.

THE 3P-STRATEGY OF MAY 2000

The strategic imperative of the Office of the Auditor-General is driven by the requirement to improve our audit function to where our product excels in quality, leading to increased relevance and expanded services.

We will achieve this by:

- making optimal use of our current capacity
- instilling a culture of innovation and research
- embracing continuous improvement.

Therefore we each commit ourselves to:

PEOPLE

- improve personal effectiveness and staff utilisation
- live our values as a way of life

PRODUCT

- create an audit approach tailored to our specific environment
- instil the ability to anticipate and respond to the impact of changing legislation and/or the evolution of public service auditing

PROCESS

- establish a project management methodology appropriate to our environment
- align the office infrastructure to meet the demands of that methodology
- ensure the attainment of good corporate governance

SIYANQOBA IS BORN

Terence Nombembe believed implicitly in strategic planning. He appointed Linda Khumalo as the first strategy development manager in 2000 and created a strategic business unit that had to design a strategy for the AG's office.

Nombembe had very specific characteristics in mind for this position, wanting a person with attitude, an open mind, an ability to synthesise vast volumes of information and produce coherent solutions, and above-average 'people skills'.

The times were volatile. The private auditing profession was in upheaval, with one of the 'Big Five', Arthur Andersen, succumbing to the repercussions of the Enron debacle. Questions were being raised about the role of auditors in the

private sector and inevitably, this triggered similar debate in the public sector, with Nombembe convinced that the auditor should be far more than someone who just audits, delivers a verdict and leaves. He wanted the auditor to add value. He wanted the role to evolve. The question was how? What was the way forward into this new century? This was to be the burning question to guide the creation of the new strategy.

There were many conflicting views about the role of the AG's office. One of the main questions was, who is actually the client? The office did not have just one primary client: there was Parliament, government departments, ministers, political heads, operational heads, local, provincial and national leaders – not to mention the general public. There was also the view that 'client' – a word chosen to emphasise the independence of the AG's office from the public sector – did not really describe all the parties concerned. So the first thing to do was stop calling them clients, and refer to them rather as stakeholders and auditees.

Khumalo's first objective was to get a firm grasp of all the issues on people's hearts. They ranged from very personal fears and upsets to general problems and concerns that covered matters such as training, career paths, transformation and a host of work-related items. At the same time he encouraged recommendations on the way forward, how they as individuals envisaged the role of the auditor.

Strategy planning workshops were held throughout the country – rigorous sessions that probed and sometimes provoked, but that successfully elicited opinions from every nook and cranny of the organisation. Khumalo described the process like 'peeling an onion' to get to the core of hopes, concerns, wishes and expectations.

The issues were all gathered, collated and put together in a comprehensive document. Nombembe then brought his top management, all key decision-makers, together and for three or four gruelling days, they thrashed out each issue until consensus was achieved and a strategy determined for each.

CONQUERING THE CHALLENGES

The strategy was called 'Siyanqoba' – 'We are conquering' – which referred to all the challenges that the AG's office was overcoming. It was a comprehensive organisational strategy, detailing the direction in which the office wanted to move, its ultimate goals, its stakeholders, their expectations, what the office needed to do to keep relevant.

The Kaplan and Norton approach of the balanced scorecard was adopted as the most effective tool to put the strategy into practice. The idea was that each individual in the office would have a performance contract linked to the scorecard that in turn was tied in to the strategic objectives. The strategy was also benchmarked with five or six major countries, such as the United Kingdom, the United States and Canada.

Khumalo pointed out that Nombembe did not so much sell the strategy as build it. 'He built it with all the people, all the stakeholders of the AG's office. It wasn't his strategy. He ensured that the strategy had been built by the whole of the office, by the different stakeholders, and that is the reason why, when it was done, it was supported and bought into by everyone. They felt, "This is our strategy".'

Once the document had been agreed internally, the team turned to what Khumalo called 'the really tough proposition' of selling it to other stakeholders. Among these were the Audit Commission, then led by Pallo Jordan, government ministers, directors-general and Parliament.

They travelled the length and breadth of the country, with Nombembe talking to stakeholders in the local, provincial and national government spheres – even to smaller towns that to some might have seemed unimportant. He wanted everyone to understand what the role of the auditor should be – not limited to just pure auditing, but developing working relationships, supporting – in other words, adding value.

BUILDING RELATIONSHIPS

The issue of adding value was hotly debated. Some feared that building working relationships would impinge on the auditor's independence. Others disagreed and advocated giving people ample feedback, so that they could understand what was wrong, understand why the audit was qualified and be inspired and motivated to rectify and improve.

While there had always been some strategic thought and plans, they had never been as clear as Siyanqoba. The strategy is influential, even today; for instance, it stated: 'The success of the AG's office will be realised only if all the stakeholders and role players declare it to be successful.' The message of Siyanqoba developed naturally into today's 'simplicity, clarity and relevance of messages'.

THE SIYANQOBA STRATEGY

VISION

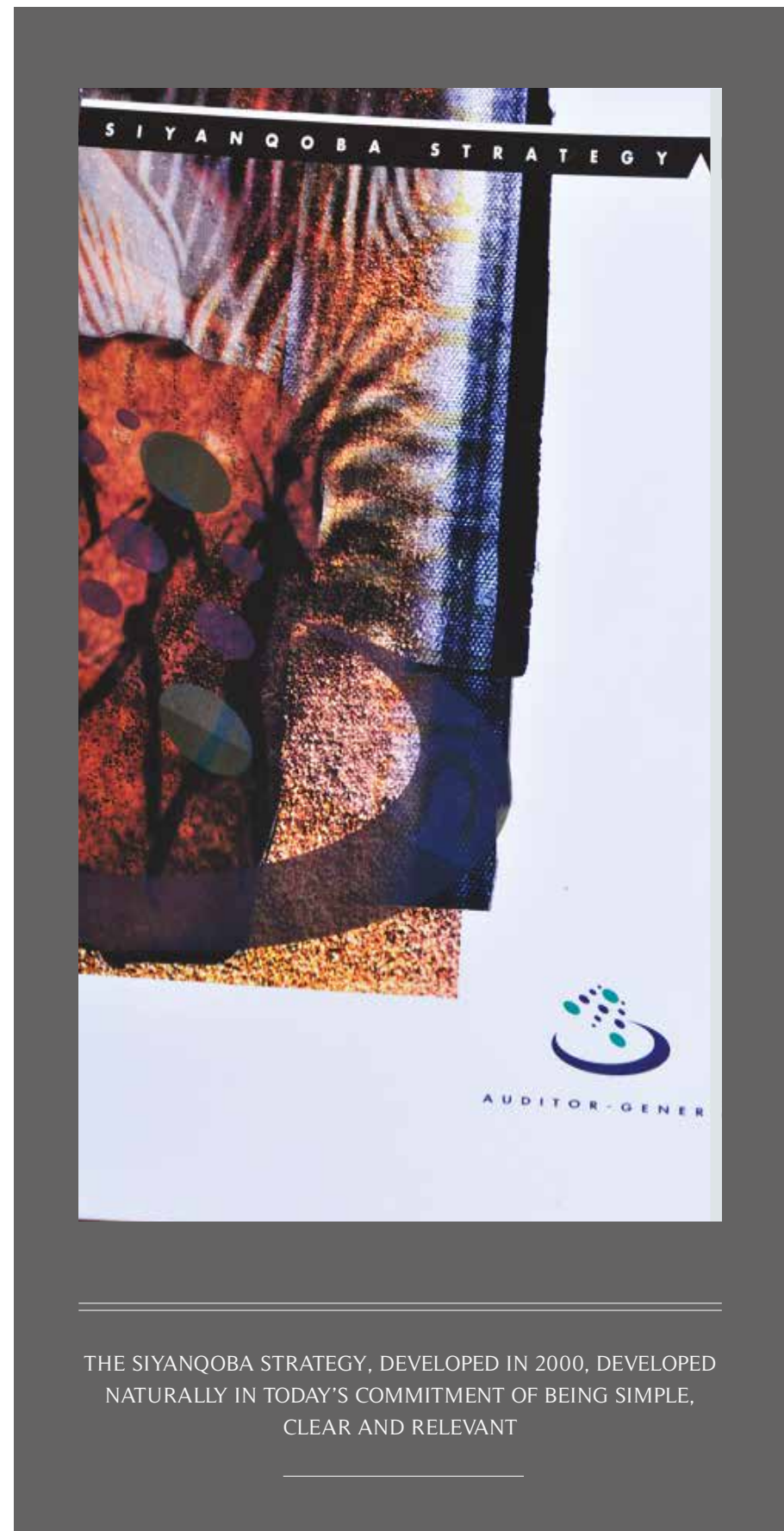
We are the independent world-class provider of public sector audit and related value-added services

MISSION

Providing independent and objective quality audit and related value-added services in the management of resources, thereby enhancing good governance in the public sector

VALUES

Integrity
Independence
Impartiality
People development
Accountability
Commitment
Excellence



THE CORPORATE THEATRE WORKSHOP: 'RAIDERS OF THE LOST ARK'

A custom-made play was written to bring the Siyanqoba strategy to the staff in an entertaining yet educational way to improve understanding and encourage cooperation. The initiative was so successful that the characters of the play were used to bring home change messages in the office long after the curtains had closed on the play itself.

INFLUENCE OF SIYANQOBA

To ensure that the message permeated throughout the organisation, Nombembe had initiated a change management programme called 'Investment in

Excellence'. The programme emphasised personal responsibility to set goals and shape the future. It moved from the individual to the group to the organisation with vision, showed people how to create excellence and gave them the tools to change their mindset.

The programme concluded with a 'Vision Achievement and Organisational Alignment' (VA/OA) process. This contemplated the team and spoke to the strategy. When the balanced scorecard was set up from this process, people could see their contributions to the strategy and how they could implement these contributions and convert them into the scorecard to track objectives. VA/OA sessions are still regularly held by all business units to create a platform for strategic discussion.



A CORPORATE THEATRE PRODUCTION "RAIDERS OF THE LOST ARK" WAS USED AS A CHANGE MANAGEMENT TOOL TO INTRODUCE THE SIYANQOBA STRATEGY TO ALL STAFF MEMBERS IN THE ORGANISATION



THE CHARACTERS WERE USED IN CARTOONS TO FURTHER INSTILL THE STRATEGY THROUGH VARIOUS CHANNELS AND MEDIA

The Training unit developed a focused orientation programme, of which IIE was an integral part, to prepare people for the culture of the AG's office: the office had a strategy that cared about its people, about the quality of work, about its clients. It was important to enunciate the vision constantly and impress the hard-won culture upon new arrivals. Newcomers needed to understand the history of where the office had come from, so as not to take the ready-made environment for granted.

REFINEMENT OF PRODUCT STRATEGY

To perform audits of a high quality had always been of key importance to the AG's office. It adopted auditing standards proactively and followed new methods once they had reached a reasonable level of maturity, such as the streamlined audit approach that was adopted in 2001 to simplify the audit process and improve the quality of the audits. Quality assurance was performed at three levels: on individual audit files, by the Quality Control unit and through an external review by PAAB. Where weaknesses were identified, corrective action was taken to ensure improvement.

Quality assurance remains a standing item in the strategic plan and the annual report and is driven by a dedicated unit in the office.

SIMPLICITY, CLARITY AND RELEVANCE OF REPORTING

The office introduced a model that could be used to identify the root causes of audit findings, namely the financial management capability model. This model was intended to assist auditees as well as oversight bodies to identify and rectify control issues.

The concept of the relevance of reporting implies a balancing act between the quality of auditing and stakeholder requirements in terms of quality, timeliness and cost-effectiveness, which are brought together by a commitment to be responsive to stakeholder needs within the parameters of the auditing standards.

A key focus of the audit and support processes was to communicate the root causes and recommendations in simple and clear language, and by highlighting their relevance, the AG's office deepened stakeholders' understanding of its reports.

The revised mission, vision and values of 2009

VISION

To be recognised by all our stakeholders as a relevant Supreme Audit Institution that enhances public sector accountability

MISSION/REPUTATION PROMISE

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence

VALUES

1. We value, respect and recognise our people
2. Our accountability is clear and personal
3. We are performance driven
4. We value and own our reputation
5. We work effectively in teams
6. We are proud to be South African



SENIOR MANAGEMENT IN DISCUSSIONS ON THE NEW VISION,
MISSION AND VALUES OF THE AGSA
DURING THE LAUNCH IN 2009

VISIBILITY OF LEADERSHIP

Leadership's intensive programme to increase their visibility to government, oversight authorities and AGSA staff was designed to create a deeper understanding of audit messages. The interactions with the executive and oversight authorities led to firm commitments and an amenable attitude towards the audit findings, which in turn had a positive effect on audit outcomes at departments and public entities.

Informal staff engagements within the office promoted continued dialogue and greater awareness of stakeholder expectations, whilst one-on-one interaction with the top leadership created passionate and energetic teams.

YET ANOTHER LOOK AT VISION, MISSION AND VALUES

When Terence Nombembe took office as AG, Thembekile Makwetu was appointed as DAG in 2007. Early in 2008, the new DAG went on a country-wide roadshow to meet his staff personally, in the environments in which they operated, and gain a true understanding of the people working for what was now called the Auditor-General of South Africa (AGSA). Based on his experiences during the roadshow, Makwetu concluded, 'We have the skills to produce excellent products, but we lack the people focus to build and drive our organisational capacity ... I can safely say that the AG is endowed with a reservoir of rich human resources and an immense goodwill. It is our permanent challenge to constantly unearth, nurture and grow this talent for the benefit of the AG, the country and the individuals who place the prospects for their qualitative development at our disposal'.

The DAG identified 'a crucial need for the leaders of this organisation to step up and provide staff with motivational and inspirational guidance'. At the senior management workshop a few months later, leadership responded by identifying several key strategic projects that were necessary for the future success of the AGSA, which led in turn to the revamping of its vision, mission and values. The revised vision, mission and values were launched at Constitutional Hill on 2 February 2009. Of particular interest was the way in which the values were now written: no longer as single words, but as active sentences that called on the people of the office to live these values.

The mission was adopted as the AGSA's reputation promise and institutionalised by its compulsory inclusion in all slide presentations and the expectation that leadership would explain its four key elements to external audiences. The words 'South Africa' were incorporated into the logo to honour the international stature of the office. The catchphrase 'Auditing to build public confidence' became another key driver of transformation by highlighting the AGSA's work on the value and benefits of SAIs.

FIVE STRATEGIC COMMITMENTS

In the strategic plan for 2012-15, DAG Thembekile Makwetu enumerated the five strong commitments on which the strategy of the AGSA was based, i.e. simplicity of its audit messages, visibility of the AGSA's leadership, strengthening of the organisational human resources, achieving financial stability and leading by example. He was able to conclude, 'We are now firmly positioned as an important player in building public confidence and defending our young democracy'.

GROWING IN INTERNATIONAL STATURE

It was as early as the mid-1970s that the first meaningful exposure to international developments took place when the then AG, F G Barrie, travelled overseas and attended the VIIIth INCOSAI in Madrid.

South Africa adopted the auditing standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI) in 1989. The South African office had already designed a set of standards for the office in line with the private sector, but the AG of the time, Peter Wronsley, took the wise decision of opting to implement INTOSAI standards.

ELEVATING THE AG'S INTERNATIONAL STATUS

The constitutionally-guaranteed independence of the AG added a whole new dimension to the South African office which already elevated it in terms of international recognition. It was about this time that the vision of becoming a world-class auditing body really took off.



SOUTH AFRICA HOSTED THE CONFERENCE OF COMMONWEALTH AUDITORS-GENERAL IN OCTOBER 1999 AT SUN CITY

After the elections of 1994 the AG's office became more involved in the global scene and received staunch support from Nkosazana Dlamini Zuma, then Minister of Foreign Affairs. In 1995, François Wolfaardt, a medical attaché stationed in Geneva, told Bertie Loots that the National Audit Office of the United Kingdom had just completed the term it could legally operate as auditor of the World Health Organisation (WHO). Consequently, the WHO was required to appoint a different auditor and he asked the AG's office whether they would be interested in writing a proposal to secure the audit of the WHO.

THE FERMENT OF THE WHO PROPOSAL

Henri Kluever and Bertie Loots travelled to the WHO assembly in Geneva for the outcome of the proposal review. When South Africa was granted the audit, which automatically made it a member of the United Nations Panel of Auditors, everyone was ecstatic, wildly excited and immensely proud. The internationalisation was a marvellous vehicle to enhance the greater professionalism of the office and had the unreserved support of the Audit Commission. The success of these and subsequent other international audits was due to the increasing professionalism of the office and its core of very competent people.

In the middle of its first years of auditing the WHO, South Africa also hosted the conference of Commonwealth Auditors-General in October 1999. Held at Sun City, it was a significant challenge for the AG, because it was the first time the office had ever undertaken anything of this scale. It was a huge success and laid the foundation for similar future events.



THE SUCCESS OF THE AUDIT OF THE WHO AND OTHER
SUBSEQUENT AUDITS OF INTERNATIONAL ORGANISATIONS
WAS DUE TO THE INCREASING PROFESSIONALISATION OF
THE OFFICE AND ITS COMPETENT PEOPLE

FROM THE WHO TO THE UNITED NATIONS

The awarding of the WHO audit to South Africa and the brilliance of the work that it produced led to a flow of other international audits springing up. The WHO was so impressed with the calibre of the AG's work that it appointed the office for a second four-year term. This enabled the South African office to stamp its authority, credibility and professionalism firmly on the international arena.

As a result, in early 1999, South Africa was approached to present a proposal for auditing funds and programmes of the United Nations, such as its peacekeeping operations and UNICEF. One of those involved in drafting this proposal was Pramesh Bhana, who was soon to play a crucial role in growing the South African AG's reputation and stature internationally.

In November 1999, just before the end of Henri Kluever's term of office as Auditor-General, South Africa was awarded the UN audit.

UNDER THE BLUE FLAG

At this stage international auditing was not yet a fully-fledged function of the AG's office as a division on its own, but merely part of another business unit. The intention now was to grow it into an independent unit, based in America, so that it could work on auditing and on proposals for the UN.

In New York at the General Assembly there are many subsidiary organisations that are global initiatives, e.g. the UN peacekeeping operations. The UN General Assembly has three auditors at a time and they form the UN Board of Auditors (UNBoA). South Africa had to have a designated director permanently placed in New York, who would run the assignment from there. Pramesh Bhana was appointed as the director of external audit who would manage the UN auditing process. By May 2000, he made his first trip to New York to look for accommodation and get a feel for what was happening, assessing the client's needs so that he could build training courses around them. Without any exposure to peacekeeping operations, he had to work night and day to familiarise himself, develop courses to train South Africans and then identify the most suitable candidates.

INTRODUCING NEW ELEMENTS INTO THE AUDITING PROCESS

The view at the AG's office, right from the time of Wronsley, was that international opportunities should be sought to provide exposure to South African staff, so there was no question of appointing consultants. The whole purpose was to create incentives for staff and provide development opportunities through the international scene.

A mature client such as the UN would want true value for money, not an audit of financial aspects only; a totally different mindset was required. The relevance of the audit was uppermost – it would not be good enough just to tell the UN that the financials of the

auditees were in order. They needed to know whether the money had been used for the purpose intended and whether it had been used effectively. Member states contributed millions to peacekeeping operations and needed to know whether they had derived optimum value from them. It was a significant paradigm shift for the people in audit – one had to have a performance auditing mindset for that.

The initial term was for three years, but South Africa's performance was so remarkable that the contract was renewed for another three years.

SOUTH AFRICA THE LEADER OF THE UN BOARD OF AUDITORS

The success of the UN audit established South Africa as a leader at the UN Board of Auditors and since then it has become one of the strongest in the history of auditors providing service to the UN. The South African approach to auditing was innovative, unique and invaluable. All the different auditing systems were integrated into one value-added package; the team incorporated performance auditing, financial and IT skills into one integrated report.

The South African audit teams assimilated the vision and passion to make a name for South Africa in the international scene. It required a lot of hard work – sixteen-hour days were not rare – but the teams were so inspired by the vision to be the best that they saw this as

the great opportunity to showcase South Africa as world class. Candidates with a good performance track record and promising potential were nominated and then interviewed. The team members came from South Africa for particular audit assignments at audit sites all over the world.

It also required a mind-shift from short-form to long-form reporting. Technical minds had to be channelled to focus on reports that ranged up to 120 pages long, sending the right package of information that would result in insights and reactions from member states. In the UN audits, the AG could demonstrate visibly that it was providing a real value-for-money service, in addition to providing a legal function.

The long-form report flows from the mandate of the UNBoA, which audits the annual financial statements and also looks at any area of weakness and of compliance. This leads to a report that covers a broad range of topics. Owing to the maturity of the UN in financial matters, the auditors focus on areas where they can add value. Oversight is not just about 'let's see what's wrong', but also about budgeting and outcomes. Because the UN auditors also look at budgeting, they 'follow the dollar' and look at the audit outcomes.

The initial contract was for three years from 2000. The UN was going through a reform process and as part of the re-arrangement of governance, South Africa pointed out that it was not in the interest of the UN to have a service provider – such as an audit office – that was fixed there permanently. South Africa had taken over from Ghana which had been auditing the UN for 27 years – not a healthy governance practice.



INTERNATIONALLY, OUR RECOGNITION GREW AND WAS EVIDENT IN THE APPOINTMENT OF AG FAKIE AS CHAIRMAN OF THE UNITED NATIONS BOARD OF AUDITORS (UNBOA) IN 2002 AND AGAIN IN 2004

PARTNERS WHO ADD VALUE

Ironically, the UN had so much respect for the South African office that it declared itself willing to go with these term-limitation recommendations, recognising that it was the correct and ethical course to adopt, but was not prepared to accept the immediate implementation of this measure. It made a transitional arrangement with South Africa, extending the original term up to six years, after which there would be another, non-renewable six years. At the end of 2012, the audit assignment was handed over to the AG of Tanzania. When the news of Tanzania's appointment broke, their AG announced this from the stage at the centenary celebration of the AGSA in 2011. The AGSA's interest in developing Africa and its work in AFROSAI allowed South Africa to hand over to one of its peers.

South Africa's attitude has never been authoritarian, as is that of many other AGs. 'We listen and respond, we don't demand and command,' Pramesh Bhana pointed out. They would, for instance, ask an African group what concerned them about peacekeeping operations, then strive to understand the different American perspectives and marry those with European requirements. It was a radical paradigm shift. 'The ability to add value was wonderful. There is nothing more uplifting than for member states, whether they are the G20 or African, to say that we were delivering a fantastic service and that it was exactly what they wanted.'

In 2002, yet another international milestone was planted when South Africa won the bid as external auditors to the United Nations Industrial Development Organisation (UNIDO), a specialised UN agency funded by donors and non-UN member states.

INVOLVEMENT IN INTOSAI COMMITTEES

The 2007 INCOSAI in Mexico represented another big step in the AGSA's international reputation. For many of the delegates of the AGSA it was their first direct exposure to INTOSAI and it was also the lead-up to Terence Nombembe taking over as president of INTOSAI in 2010. The South Africans started getting more prominently involved in various INTOSAI committees and grabbed the opportunities presented to them to do so. A new INTOSAI Working Group on the Value and Benefits of SAIs was formed under the chairmanship of the South African AG.

INTOSAI uses four goals to carry out its mandate: Goal 1 – Professional Standards Committee; Goal 2 – Capacity Building Committee; Goal 3 – Knowledge Sharing Committee and Goal 4 – Finance and Administration Committee. Most of INTOSAI's technical work occurs in the committees, subcommittees, working groups and task forces that are established to advance public sector auditing by developing and issuing professional standards, audit guidance and other practical reference materials. These standards, guidance

and materials foster the transfer and application of knowledge and skills relating to the SAIs' organisation and work, making the SAIs better able to perform their function.

THE MEXICO DECLARATION ON SAI INDEPENDENCE

During INCOSAI in 2007, the international public sector external auditing community adopted the Mexico Declaration on SAI Independence, building even further on the basic requirements of the Lima Declaration.

Core principles of SAI independence are the following:

1. The existence of an appropriate and effective constitutional/statutory/legal framework and the de facto application provisions of this framework
2. The independence of SAI heads and members of collegial institutions, including security of tenure and legal immunity in the normal discharge of their duties
3. A sufficiently broad mandate and full discretion in the discharge of SAI functions
4. Unrestricted access to information
5. The rights and obligations to report on their work
6. The freedom to decide the content and timing of audit reports, and to publish and disseminate them
7. The existence of effective follow-up mechanisms on SAI recommendations
8. Financial and managerial / administrative autonomy and the availability of appropriate human, material and monetary resources

It is interesting and comforting that the AGSA could, even in 2007, safely claim full adherence to at least seven of the above principles – the result of the work done in the preceding two decades – while the remaining principle (the follow-up of recommendations) came to full fruition through the subsequent expansion of the AGSA's general reports, extensive stakeholder engagements and quarterly interactions with executive authorities.

SUCCESSFUL HOSTING OF INCOSAI

The highlight of the decade was the brilliantly hosted International Congress of INTOSAI, the XXth INCOSAI, in November 2010. Over 600 international Auditors-General, delegates from around the world and observers from the auditing and accountancy professions gathered in Sandton, Johannesburg to deliberate on issues affecting AGs internationally.

The two technical themes chosen for the congress demonstrated the desire and commitment of INTOSAI to remain relevant by addressing issues that are topical in the public sphere. The South African SAI had the dual responsibility and honour of both hosting XX INCOSAI and chairing one of the two technical themes to be discussed at the congress. As chair of Theme I, The Value and Benefits of SAIs, South Africa believed that discussions on this theme would have far-reaching benefits for SAIs and play a fundamental role in the way SAIs are viewed across the world. It presented the *Framework for communicating and promoting the values and benefits of SAIs*, which was accepted to serve as basis for developing an ISSAI on the value and benefits of SAIs by following due process as laid down by the INTOSAI Professional Standards Committee.

Theme II, Environmental Auditing and Sustainable Development, provided an excellent opportunity for SAIs to show support for the growing movement towards responsible behaviour in the preservation of our environment.

In addition to discussions surrounding the two official technical themes of the congress, XX INCOSAI also saw the official launch of the ISSAIs by the *South African Declaration on the International Standards of Supreme Audit Institutions*. This was a momentous event for INTOSAI: the culmination of the collaborative effort by several SAIs to develop a set of standards specifically for the unique public sector auditing environment. As the South African SAI was represented in many committees and working groups that participated in the development of these standards, supporting their implementation was one of the paramount objectives for the congress. The AGSA was also to become one of the first SAIs to adopt the ISSAIs, because it was instrumental in developing them and had already incorporated the ISSAI framework in its own methodology.

The South African AG, Terence Nombembe, was inaugurated as president of INTOSAI and the AGSA itself received the Jörg Kandutsch Award. This prestigious global recognition of excellence, created to honour a previous Secretary General of INTOSAI, is awarded to the SAI which during the three years prior to the conference has contributed the most towards the vision of INTOSAI and its motto, *Mutual experience benefits all*. It was greatly thanks to the work Nombembe had done in uniting Africa as president of AFROSAI. He brought it all together and provided a powerful stimulus towards standardisation and professionalism. It also had to do with the way the AGSA had built its eminence and contributed to and became involved in INTOSAI.

Jan van Schalkwyk saw this INCOSAI as the affirmation of the alignment of South Africa with international developments. 'Our strategy mirrors INTOSAI's and provides a practical and relevant interpretation thereof in the context of a young and developing democracy.'

CRAFTING INTOSAI'S STRATEGY

XX INCOSAI also approved INTOSAI's *Strategic Plan for 2011-16*. Six priorities were determined for the INTOSAI strategy and enunciated in the *Johannesburg Accords*, which encapsulated the congress proceedings:

- To help ensure the independence of SAIs
- To implement the ISSAI framework
- To strengthen capacity building of SAIs
- To demonstrate the value and benefits of SAIs
- To further the fight against corruption
- To enhance INTOSAI communication



TERENCE NOMBEMBE ACCEPTING HIS APPOINTMENT AS
PRESIDENT OF INTOSAI

A NEW FRAMEWORK FOR SUPREME AUDIT INSTITUTIONS

Terence Nombembe chaired the INTOSAI Working Group on the Value and Benefits of SAIs. Under his aegis it developed the framework for communicating and promoting the value and benefits of SAIs, which was subsequently adopted at the XXth INCOSAI in Johannesburg in 2010. 'It talks to the strategic plan of the AG itself,' averred Pramesh Bhana. 'That your *raison d'être* is to support democracy and empower public knowledge of how the government is dealing with your best interests. That is the fundamental conclusion which has been adopted at international level and is being driven as South Africa's strategy: that we exist as an AG to improve the lives of our citizens. We developed the whole framework with requirements on doing self-assessments on progress and status.'

The framework will form the basis of peer review and self-assessments for institutions such as the World Bank. It will also influence the evolution of SAIs within the African community.

Nombembe also espoused the principles which many within the AG had been strongly recommending for some time, that the Auditor-General environment must be adjusted to become more proactive and futuristic, using its analytical skills on issues, and doing predictive forecasts.

MAKING AN IMPACT ON AFRICA AND BEYOND

One of the values of the AG's office is to be proudly South African. It is aware of the challenges of its neighbours and the rest of Africa and has a definite role to play on this continent as a leader in public sector auditing.

The Southern African Development Community Organisation of Supreme Audit Institutions (SADCOSAI) was an organisation which had been founded in about 1982 and was linked to the SADEC countries. South Africa, as a member of INTOSAI, was invited to participate in meetings. SADCOSAI operated on much the same principles as INTOSAI, but had no affiliations with that organisation.

During the 1980s, when there was a sudden leap forward in technology, socio-economic development and political unrest throughout the world, INTOSAI recognised that various parts of the world could not keep up with the rapid evolution taking place in Europe and America and needed support and assistance. Consequently in 1986, it established a development arm: the INTOSAI Development Initiative (IDI). This secretariat identified the gaps that existed in knowledge, pinpointed the SAs that needed assistance and developed and implemented relevant training.

INTOSAI and the IDI began to roll out projects worldwide, but initially with little impact, perhaps because they were training individuals, rather than whole offices. They needed bulk training to lift standards, because individuals would return to their offices with the new knowledge, but the environment there was not conducive to introducing the concepts, standards and methodologies.

THE REGIONAL WORKING GROUP AFROSAI

AFROSAI, the African Organisation of Supreme Audit Institutions, had been founded in 1976 as a regional working group of INTOSAI, but because of the political situation, South Africa was not a member.

There were three distinct components to the group: English-, French- and Arabic-speaking countries. The English-speaking members realised that in the light of the general lack of results they could not justify their membership to their governments and request for fees to be paid, so they pulled out.

In 1996, INTOSAI approached the English-speaking AGs of Africa to become involved in initiatives to conduct more effective training in Africa. This was part of an IDI plan to roll out training in nine regions. South Africa was represented at the initial meeting in

Windhoek, Namibia to discuss the proposed IDI Long-term Regional Training Programme. The Canadians were then in charge of the IDI and had a more integrated approach to and understanding of the role that AGs could play. Performance auditing had started in that country and they were strong in developing this new discipline.

SOUTH AFRICA ASKED TO TAKE THE TRAINING LEAD

INTOSAI had realised that it would not be able to implement its training programme plan through the dormant AFROSAI as it then existed, and requested South Africa to take responsibility for the programme and become the coordinator for the English-speaking group of Auditors-General in the region.

The Netherlands and Sweden, which were then involved with SADCOSAI, became interested in the project and numerous negotiations were held with them, with the result that they agreed to provide funding.

South Africa approached the AG of Zimbabwe, then the chair of SADCOSAI, with a view to creating a more results-driven organisation, uniting all the English-speaking AGs of the continent. SADCOSAI's Secretariat at the time was also based in South Africa. So a loose organisation was set up, with no constitution or name as yet, just an informal association of AGs who met on a regular basis.

A three-phase training programme was established by South Africa, including technical training for trainers in developing training materials. Audit people spent some six to eight weeks in Zimbabwe being trained to develop courses on specific issues. One or two representatives from each country were trained and registered as IDI training officers. They were required to develop the courses which they would then take back to their own countries and present to their own organisations.

However, because of the lack of a top-down approach through the Auditors-General in those countries, the opposition they encountered made it extremely difficult for them to make any impact, so the momentum stalled. South Africa was doing a great deal of work, providing manuals, training extensively, appointing teams to do development work on different audit fields, but little appeared to be happening. So the feeling was, 'What now?'

THE FORMATION OF AFROSAI-E

South Africa was among the proponents of the idea of merging SADCOSAI and this 'no-name' English-speaking group of AGs to form AFROSAI-E – an organisation which in fact had no ties with AFROSAI itself at all.

An extensive lobbying period took place. A constitution was developed with effective statutes and regulations, including conditions such as membership fees. Then at the XVIIIth INCOSAI in Budapest in 2004, SADCOSAI and the organisation of English-speaking AGs were merged into the new AFROSAI-E. Prior to that, there had been two secretariats with the same purpose, both in South Africa, so there had been a great deal of duplication.

The Constitution provided for the AGSA to be the head of the secretariat, so Wessel Pretorius, at that stage corporate executive manager, became the executive officer, with his appointment being finalised by the AGSA in consultation with the governing board. The AGSA hosted the Secretariat, supplying support staff, accommodation and communications.

The AGSA agreed to host the Secretariat for six years, a term which expired in 2011, when it was decided that the AGSA would continue to host the Secretariat until 2017. Considerable credit for this move is due to Shauket Fakie, who consistently supported AFROSAI-E and its agenda.

DEVELOPMENTS IN AFROSAI

In 2005, the AGSA attended AFROSAI's 10th General Assembly in Côte d'Ivoire. That organisation accepted a new constitution which moved the Secretariat from Togo to Libya. Shauket Fakie accepted the responsibility of hosting the next general assembly of AFROSAI in South Africa. Consequently in 2008, the new AG, Terence Nombembe, was appointed President of AFROSAI. Prior to that, Shauket Fakie appointed a steering committee to look at strategic planning, which was a paradigm shift for the members. AFROSAI's first strategic plan was approved by the 11th General Assembly, held in Pretoria in October 2008.

The organisation was repositioned and started to produce some good results. With South Africa in the driving seat, things started moving. Committees with influence were created. AFROSAI was repositioned and it was made clear that AFROSAI-E was in no way subservient to it in terms of operation, training or initiatives. It was agreed that the different language groups would be responsible for the development and roll-out of their own training. Consequently, AFROSAI and AFROSAI-E exist as two separate organisations with their own constitutions, membership fees and Board. Both are members of the AFROSAI group which is like an umbrella and includes the French- and Arabic-speaking groups.

AFROSAI-E THE BENCHMARK FOR AFRICA AND THE WORLD

AFROSAI-E has become the benchmark for secretariats in developing countries throughout the world. It is on a par with, and in many cases, ahead of many European secretariats in terms of what it does, its dynamics and its achievements.

The main objective of the South African secretariat was to create an executive body that provides products and services, not an administrative one that arranges meetings. Pretorius and his team created an extensive network of contacts throughout international groups, development and donor agencies and the European and US audit offices, drawing on their vast experience within the AG's office itself. It is widely lauded for its enabling function, helping AGs identify areas of weakness and providing advice and recommendations for improvement.

REACHING OUT TO AFRICA

And of course this all dovetails perfectly with the vision of both AGs Fakie and Nombembe for South Africa's involvement in and responsibility towards the rest of Africa.

Shauket Fakie stated unequivocally that on coming to office he felt strongly that he had a commitment to the African continent. 'I played a key role in bringing African AGs together so that we could present to INTOSAI a body of AGs in Africa that were up to scratch with European counterparts,' he stressed. 'I was the Secretary General for both AFROSAI and SADCOSAI and the African continent relied heavily on us to drive professional development and improve capacity in the profession.'

According to him, INTOSAI frequently called on South Africa to help because of its knowledge of the African environment. 'The UK office received funding through various agencies to improve the capacity of the Ghanaian audit office, but on arriving there, realised they didn't know how to impact and motivate the people. They asked us to undertake, which we did. SEDA, the Swedish office, did the same in Moçambique.

'In fact, that country is a classic example. It used to take them up to three years to get reports audited. We helped with training and computers, and by the time my term expired, they were only one year behind with audit reports and improving all the time.'

Fakie believed that INTOSAI's main difficulty was its inability to appreciate African conditions. 'They were accustomed to European standards and methodologies. Here, infrastructure, standards and the understanding of the profession were completely different. The Europeans expected results within weeks. We had a better understanding of the level that African AGs were at and how much they could assimilate. We knew that first we had to work on critical issues, appreciating the capabilities of staff, because the Europeans were just talking at them, and most of the information was going right over their heads, so they were hitting a brick wall.'

In 2004, the AGSA was approached to host the 2010 INTOSAI conference – a huge compliment and a great multicoloured feather in South Africa's cap!



LAUNCHING OF AFROSAI-E IN PARLIAMENT

ADDRESSING SPECIFIC NEEDS

The strategic process has been honed down to a fine art. The executive secretariat conducted a programme of environmental scanning to develop a framework and determine the core issues for each AG in each country so that there is a very clear understanding of exactly what each country wants the secretariat to address.

'Issue-driving' focuses on at most five or six strategic imperatives determined through a gap analysis. All 23 countries have embraced the approach. The secretariat was also instrumental in establishing a regularity audit manual, together with quality reviews.

AFROSAI-E was the first in the world to have a manual for implementation of ISSAIs (International Standards of Supreme Audit Institutions) which was launched in December 2009. It is currently recognised as the best performing organisation in the world. The EU Commission has adopted the AFROSAI-E model for measuring performance in its operations throughout the world, so what has been achieved in South Africa has resulted in global repercussions.

CROSS-POLLINATION TO PROMOTE PROFESSIONALISM

AG Terence Nombembe as a prior president was totally committed to supporting and furthering AFROSAI itself. A strategic plan and operating structure were developed, allocating responsibilities for every language group. South Africa is responsible for strategic planning and coordination through a planning and monitoring committee.

Technical updates are performed, examining all the latest technical developments, launching new manuals and guidelines, such as the Auditing of Revenue, a comprehensive regularity audit and working papers. A performance auditing rating system has been developed so that AGs can be rated on a scale of one to five to determine their level of progress and their standards.

Norway, Sweden and Zimbabwe have all seconded people to the secretariat office to gain experience. The African Union has also requested the office to help train its auditors. Increasingly, the office is being seen as on the forefront of knowledge transfer.

AFROSAI-E members provide facilitators who are specialists in quality assurance, training and other fields. Each country sends representatives to the secretariat for recommendations and advice, so it is a cross-pollination process of knowledge and friendship. It is a tightly-knit grouping and the AGs are very proud of what the secretariat achieves.

The handbooks the secretariat has developed are being implemented in various countries: Tanzania, Libya, Botswana, Rwanda and Moçambique. All audit offices are now using the same handbook, basic documents and working papers and this makes it easier for one to help train the others.



CHANGE AGENTS FOR GOVERNMENT

The INTOSAI Working Group on the Value and Benefits of SAIs developed a draft International Standard of Supreme Audit Institutions (ISSAI), 'The Value and Benefits of Supreme Audit Institutions – Making a difference to the lives of citizens', which was discussed and approved at the XXIst INCOSAI in Beijing in October 2013.

The chair of the working group, Terence Nombembe, emphasised the following three broad categories that should support SAIs' determination to make such a difference:

- Strengthening the accountability, integrity and transparency of the governments they are mandated to audit
- Sustaining their relevance and responsiveness to citizens and all oversight bodies that hold their governments to account
- Being model organisations and leading by example

Apart from the ISSAI, the working group was also developing a performance management framework that could measure SAIs' progress in responding to challenging external factors such as the legal frameworks in which they operate and their contribution to mitigate key risks faced by their governments and citizens.

Moreover, the working group developed a guideline for communicating and promoting the value and benefits of SAIs and interacting with citizens, which was also approved at the XXIst INCOSAI.

A benchmarking exercise focused on identifying the practices among SAIs of cooperating with their legislatures, judiciary and executives in instituting sanctions in cases of maladministration.

MAKING A DIFFERENCE TO THE LIVES OF CITIZENS

There is no doubt that the AGSA is making hugely significant contributions to improvement at many different levels in government. One of the most meaningful developments is the clear, relevant messages it is now communicating to auditees, writing reports in such a way that even those who are not well educated can understand. Even more importantly, the AGSA's executive and senior management are interacting actively with the executive, auditees and other role players to facilitate a movement to solid public financial and performance management as a cornerstone of the South African democracy.

CREATING A NEW TYPE OF AUDITOR

This highly innovative approach that Terence Nombembe initiated, is a considerable help to the auditors' own work, since once this first contact has been made, it paves the way for them to follow up. They also strongly applaud the objective of leading by example and have embraced the determination to build strong stakeholder relations. They have the strategic objective of interacting effectively with both internal and external stakeholders, making them aware of the challenges. On a quarterly basis, they visit auditees, reminding them of previous reports and determining how much progress they have made with improvements, ascertaining whether they need more guidance and assistance.

'Many Directors-General have told us how invaluable our information is – no one had bothered to explain all these issues to them before, so they had not been aware of them or of the need to address them. This interaction is therefore incredibly positive and of enormous value, and it is paying off. It bodes well for government and definitely promotes enhanced accountability, thus in the long term strengthening our democracy.'

A CULTURE IN CONSTANT EVOLUTION

What makes an organisation tick and ensures its success is its culture. If the culture is appropriate and strong, even though there might not always be initial agreement with views and proposed changes, people can work with it.

MANAGING CHANGE PROPERLY

Change, like death and taxes, is one of the inevitables of life in our rapidly evolving society, but the way in which it is managed can make the difference between excellence and mediocrity within an organisation.

Thanks to its exceptional leadership, the AGSA has become known among its stakeholders as an organisation that embraces change and is committed to continuous development of staff. A trainee auditor who took the Denel bridging school route and became a qualified CA in the AGSA in 2009 expresses the opinions nurtured by almost all AGSA staff: 'The organisation is committed to excellence, which is evident in the strategic goals and the values that drive excellence. It is a performance-driven organisation and it wants to see people growing. I also like the fact that the AG himself is committed to staff engagement and you can hear from his messages that he expects excellent performance from each staff member at all levels in the organisation.'

Staff point to changes in the culture in the way the organisation has grown to embrace diversity and manage individuals' performance. 'There have been great improvements in terms of performance management, since much more is expected of you,' is the comment.

A trainee auditor summed it up in the following way: 'What I like is that it should be evident from what you do and say and how you present yourself that you are a high achiever. You are not rewarded for non-performance. There is more and more emphasis on that and on coaching and mentoring and a much greater focus on staff development and making sure you are equipped and ready for the next level in terms of leadership.'

Obviously, people react differently to change. But there is widespread agreement that the genius lies in the way change is managed and the change processes used through consultation to ensure that employees understand the change and know what is expected of them and how it will impact each one of them.

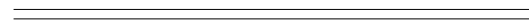
Vision alignment sessions are held with staff to explain the strategy to each individual so that one can see each individual's contribution to the organisation as a whole. Through constant communication, people begin to embrace change; they see its benefits and where it is leading and above all, they appreciate that they can contribute to the bigger picture of the organisation.

WHAT IT MEANS TO WORK FOR THE AGSA

There is not a single dissenting voice about the value and significance of the cultural evolution that is still ongoing. A corporate executive summed it up perfectly: 'Sometimes when I think of the contribution this office has made over the decades, I get overwhelmed. It has been massive in terms of improving controls, making sure that there is adequate accountability for public funds and growing with the nation. I believe this is the main reason I have stayed for as long as I have and I really wouldn't want to do anything else. When I wake up in the morning, I want to be here. The office has turned me into an individual who has his priorities right, knowing what his responsibilities are within the work environment and with no qualms even about sacrificing a few days of vacation to make sure that things are happening as they should be.'

The AGSA's culture is moulding individuals with dignity and self-respect who go all out to develop their potential not only for their own benefit, but for the organisation and the profession itself. They do their work with integrity and accountability, conscious of the individual contribution they make and the value they add towards the AGSA's greater objectives: working towards promoting a governance of honesty and integrity to improve the lives of all South Africans.

At the end of Nombembe's term in office, many commentators described him as the ideal example of what a public servant should be. Says Tsakani Ratsela, newly appointed DAG, 'Terence's humble and often soft-spoken approach to the massive responsibilities he shouldered as Auditor-General, belied his steely resolve and passion to make South Africa a better place through the work that his office does as a chapter 9 institution (an organisation that's there to protect the South African democracy). His commitment to engage with all role players in sharing his views on strengthening government's accountability to the public of South Africa, makes his contribution to the journey that this organisation embarked upon a century ago, a very special one. Building on the foundation that his predecessor, Shauket Fakie, laid, he demystified the work of the office, making it accessible in very easy and straightforward language. This, coupled with his tireless energy to visit even the smallest and most remote municipality, in an effort to share his personal insights and time with literally each and every mayor in this country, made him an example to all in public service – a person that truly understood what it means to be a servant of the people'.



THE FIRST STEPS TOWARDS ANOTHER 100 YEARS



THEMBEKILE KIMI MAKWETU

In describing the AGSA at the start of a new century of service to the South African democracy, Auditor-General Thembekile Makwetu, who started his term in December 2013, writes as follows:

FROM THE DESK OF THE AUDITOR-GENERAL

The AGSA stands poised at the start of a new era. The AG who has led this organisation so ably over the past seven years, has handed over the baton to a new leader, signifying the start of yet another era. It is a time for reflecting on our history of more than 100 years and as we look back, we can distinguish the following three important journeys:

- Achieving independence
- Coping with the responsibilities of that independence
- Taking the lessons learnt in this process to the rest of the public sector

THE JOURNEY TO INDEPENDENCE

In 1977, INTOSAI issued the Lima Declaration, which established independence as a cornerstone of the work of supreme audit institutions. In 1987 an advisory group was set up to investigate the possibility of creating an independent audit office in South Africa. At that stage, the AG's office was still part of the public service and reported to the Minister of Finance. Parliament accepted the recommendations of the advisory group and the Auditor-General Act of 1989 represented the first step towards legislative independence, an all-important attribute that was confirmed in the Constitution of 1996. Chapter 9 of our Constitution mandates the AGSA to audit the South African public sector without fear or favour. INTOSAI's Mexico Declaration of 2007 stated eight principles of independence that relate specifically to the public sector. The promulgation of the Public Audit Act in 2004 had encapsulated these eight pillars of independence eloquently in a South African context. The concept of an independent supreme audit institution was entrenched when the General Assembly of the United Nations adopted UN Resolution A/66/209 on the independence of such institutions on 22 December 2011. This resolution also recognised the important role of public sector auditors and noted the work of INTOSAI with appreciation. We set great store by our independence and are proud of the fact that this resolution was adopted during our AG's term of office as President of INTOSAI.

For us, as the AGSA family, this concept of independence represents the foundation of the credibility of what we do. It creates a platform for an objective audit process, positions us as a custodian of a wealth of information and insight, and challenges us to use our unique positioning and access to information to improve the lives of the citizens of our country. In doing all of this, we help protect the rights of these citizens, as spelled out in the Constitution.

Over time, the interpretation of independence evolved. Where it was originally seen as a position where the work done required very little if any engagement with the auditee (a time when, quite correctly, the office was known as ‘the Taxpayers’ Watchdog’), it now became a position that allowed for unique, objective insights, which could be shared with auditees and stakeholders in an attempt to improve accountability in South Africa. Accordingly, we also saw on the international front how this concept evolved in the auditing standard-setting process – from an almost ‘prohibitive’ stance in earlier days to a highly empowering concept in the new millennium. The *Framework for Communicating and Promoting the Value and Benefits of SAIs*, which was adopted in South Africa during the 2010 meeting of all international Auditors-General (XX INCOSAI), captures this movement quite beautifully at a conceptual level. Fittingly, the working group that drafted this framework was chaired by the Auditor-General of South Africa – Mr Terence Nombembe.

This journey did not happen overnight. After gaining independence in the early 1990s, the office first had to cope with the responsibilities that came with independence – a period of immense and dynamic change!

COPING WITH THE RESPONSIBILITIES OF INDEPENDENCE

Having gained complete independence, the AG’s office had to live up to the responsibilities of such a privileged status by transforming itself, professionalising its staff and ensuring that its audit reports were of a consistently high technical standard. All this had to happen at a time when the whole of South Africa was also embarking on a journey to celebrate, and later understand and live, its new-found (hard-fought) democratic status. Obviously this broader South-African journey also impacted heavily on the office. Not only did it have to transform its own identity and functioning in line with the emergence of the South African ‘rainbow nation’, but it also had to understand and cope with its role as a key custodian of this new-found freedom.

While this metamorphosis from a public sector ‘internal audit’ department into a fully independent supreme audit institution entailed voyages of discovery in almost all aspects of business, some of these were quite significant:

Professionalisation (the skill transformation)

The transformation of the AG’s office required auditing professionals with all the requisite technical skills plus an understanding of the unique environment of the public sector. This led to a huge investment in staff development and a concerted drive to obtain the necessary accreditation with professional bodies. The AGSA strives to be a learning organisation that channels the knowledge and skills of its staff into high-level performance.

I am sure that many of the current staff may still remember the days, actually in the early 1990s, when one could count the number of qualified professionals in the office on one hand. At the same time, though, very few of today’s trainees know that, just more than a decade ago, the office did not even have a trainee auditor scheme. If you think about the growth of this scheme from about 30 trainees in 1999 to what many consider to be the biggest such undertaking in the South African auditing profession today, a scheme that is nowadays delivering pass rates in line with the national average pass rate, this journey of people and change blows your mind! Add to that our strong relationships with bodies like SAICA, ISACA, SAIGA and ACCA to find qualification opportunities for our staff – opportunities that were very scarce until just a few years ago – and you do need to acknowledge the impact of our people journey.

While the above remains one of the most prominent examples of the people change journey, there are many others. The fact remains that people were at the heart of the process of coping with the responsibilities of independence. Without the pride and drive of our staff, and their hard work over the years, it would have been difficult to even take the first step on this journey.

Standardisation (the technical transformation)

The move towards independence emphasised the necessity of a modern audit methodology that was benchmarked against developments in the auditing profession and the world of public sector auditing. Here we need to acknowledge the strong partnership with private firms that allowed us to create a first foundation for technical growth in the 1990s. At that time, we had to borrow extensively from private firms when it came to matters of audit methodology and technical expertise, leaving us with an equally immense task of trying to match this with our public sector challenges.

Through this partnering approach and, over time, an ever stronger relationship with IRBA (then PAAB) and a number of professional bodies – perhaps most notably SAICA and SAIGA – the office was able to develop own expertise and truly become a leader in the field of public sector auditing. The office led with the implementation of new ‘harmonised’ auditing standards early in the new millennium and also played a pivotal role in the drafting of the International Standards of Supreme Audit Institutions (ISSAIs).

This same journey also led to many developments to broaden the ‘product range’ of the organisation – ranging from the introduction of performance auditing, around 25 years ago, the establishment of a dedicated information

systems auditing function and the tailoring of the audit reports to a longer-form, public sector-specific format, to the introduction of new concepts like the auditing of reporting against predetermined objectives and compliance auditing.

Quality of product

It has always been important to the AG's office to deliver audit work of the highest quality, as quality determines the credibility of our audit reports. To this end, we work closely with IRBA to ensure adherence to the very latest international auditing standards and work methods. Through a system of rigorous quality assurance processes, starting at team level with basic audit review processes, followed by business unit consistency reviews, independent pre-issuance reviews and finally annual reviews by our own internal Quality Control unit, we can safely and without any dispute confirm the quality, and therefore the credibility, of our audit deliverables. External reviews by IRBA – both at file and firm level – further assure the quality of our audits.

Transformation

While the success of transformation in the AGSA can be rated at many levels, one only needs to walk through the passages of any AGSA office to see the end result of this particular journey. Where the same walk in the mid-1980s, without any doubt, would have yielded an almost exclusively white male-dominated workforce in the old South African audit office, with a similarly male-dominated, albeit black staff grouping, in the old TBVC states, the office can now pride itself on a staff complement that reflects the diversity of the South African citizenry.

The immense time and effort that continue to be invested in this area – for example through dedicated Talent Exco sessions, investments in bursary and scholarship schemes and lifting the bar with BBBEE compliance – confirm that this is and will always be a key strategic consideration for our organisation.

TAKING THE LESSONS LEARNT IN COPING WITH THESE RESPONSIBILITIES TO THE REST OF THE PUBLIC SECTOR

One of the strategic values of the AGSA is leading by example, meaning that we have to practise what we preach. Perhaps the most difficult part of coping with the responsibilities of independence was the realisation that independence did not imply a journey towards isolation in the name of 'forming an objective view', but rather a journey towards sharing information and insights in an effort to give momentum to the transformation in public sector financial and performance management. Huge credit needs to go to our previous Auditor-General, Terence Nombembe, for leading us through this difficult change, with a clear view of the impact he wanted to see through our

reports and an optimism that very few others could bring to the table. Thanks to his leadership, his perseverance under sometimes difficult circumstances, as well as the dedication and expertise of our staff, the AGSA currently has a reputation for excellence and constructive engagement. We have developed the technique of defining the root causes of our audit findings, which pinpoints remedial actions for our auditees. These recommendations are lifted out of our audit reports through continual meetings with our stakeholders, where the impact of our message is ensured by following up on their commitments.

Let us not forget how we all stood doubtful a few years ago when our previous Auditor-General announced that, within his term, he would visit all municipalities in the country and make sure that he spent adequate time with each mayor, speaker and municipal manager to outline and dialogue the change journey required at this level. This represented a level of engagement never before seen in this sphere of government – the sphere that comes closest to the people of South Africa, where the essence of service delivery should be felt. Not only did he prove that this was indeed possible, but in the process he taught all of us that stakeholder engagement, at a very persuasive, in-depth level, was part and parcel of any good public sector external auditor's basic competencies.

We can also look at the level of analysis and knowledge-sharing that is evident in today's general reports (the so-called 'state of the nation' reports that the AG tables per audit cycle) – reports that only existed at the level of a basic activity report a decade or so ago. It again confirms the strategic imperative that in all that we do, we should protect the democratic values of our country, through auditing and stakeholder engagement to make a difference to the lives of citizens. This imperative also defines the role of the public sector external auditor and the driving value that sits behind anybody's decision to join the AGSA – a desire to make South Africa a better place, and hence a desire, in all aspects of our work, to make a difference to the lives of citizens.

THE SIYANQOBA STRATEGY

When the Siyanqoba strategy stated in 2001, *The success of the AG's office will be realised only if all the stakeholders and role players declare it to be successful*, it redefined the role of the public sector auditor. This role would no longer be limited to pure auditing; the office would develop working relationships with its auditees and support them, always striving to add value for its stakeholders. We remain committed to this strategy and have, over the past seven years under the guiding vision of Terence Nombembe, worked to achieve five strategic objectives as stated below, with the ultimate vision of making a difference to the lives of South African citizens.

SIMPLICITY, CLARITY AND RELEVANCE OF MESSAGES

Our messages are based on credible facts and produced in an environment of high-quality auditing standards. We continue to identify the root causes of poor financial management and unsatisfactory performance against predetermined objectives. Our findings are subjected to stringent quality control and communicated in the simplest and most relevant manner. We endeavour to further stakeholders' practical understanding of good governance and motivate them to take ownership of internal controls. The focus and scope of our audits will broaden, particularly in terms of performance auditing, to respond to our stakeholders' expectations of more non-financial audit insights that will assist them in meeting their core responsibilities.

This goal speaks directly to the audit work done and the way in which we package this for public consumption. This firstly asks of us to be technically correct, but also to cover the challenges of government in terms of financial management, performance management (service delivery) and compliance with mandates, laws and regulations at an in-depth level.

It then challenges us to take these insights and package them in reports, at individual and 'sphere of government' level, in a way that is easy to understand and action. The key aim in this emphasis on increased insights, deeper analysis and the 'user-friendliness' of our reports is a desire that these reports will solicit commitments from all role players in government to a point where actioning these towards clean administration (evidenced by clean audit opinions) becomes an almost automatic process. Similarly, the emphasis on internal control assessment in both the audit process and the related engagements is aimed at convincing stakeholders of the value of internal controls and making such a well-governed environment an accepted prerequisite for working in government in South Africa.

Under this heading, we also recognise the relevance of an increased focus on performance auditing. This area of work, which deals with the economical, effective and efficient utilisation of resources, will require an increased investment in resource allocation and skills development, as the office journeys towards its second centenary.



THE LEADERSHIP TEAM WHEN AGSA CELEBRATED ITS CENTENARY IN 2011

VISIBILITY OF LEADERSHIP

This strategic focus deals with sharing the insights generated through our audit work and captured in our audit reports, firstly with the executive and senior management of all government departments, public entities and municipalities. It is the area of our strategy that requires of any public sector external auditor to be a persuasive engager of people at the highest level in government, convincing these stakeholders of the value of clean administration. Although stakeholder engagement perhaps features as the most prominent focus of this strategic goal, there are many other elements critical to this: an investment in oversight, partly through training, but also through an ongoing enabling relationship; interaction with the media; and contact with the public through community radio and other innovative means.

In similar vein, we recognise the need to engage internally. The first and most obvious investment is in engaging with our staff, through robust strategic discussion and ongoing communication. This internal engagement challenge also speaks to the core of the AGSA's drive to ensure the delivery to our stakeholder of a seamless, integrated product, where there is no differentiation between its different service lines. Without proper and open engagement, integration of services will remain only a lofty goal.

FUNDING

In this area of focus we will also find the answer to the Siyanqoba challenge: that we need to measure our relevance as an organisation, and therefore the relevance of our strategy, through the impact we have and the feedback from our stakeholders. Rising to the challenges outlined in the first two strategic goals, does imply that we need to run this organisation like a business. It is imperative that the same good financial management principles that we require of our auditees, are evident – at a level of excellence – in what we do. This is an area where at the end of the 1990s, strategically speaking, it was almost taboo to speak about finances. As the organisation matured, this area of focus became more and more important, until today it enjoys the same level of strategic attention and focus as any other area of business. While the organisation recognises its financial challenges, especially in terms of debt collection in the municipal sphere of government, it remains exceptionally proud of its own 'clean audit' status. At the heart of this goal is a drive to see to it that our services to our auditees are cost-effective, while at the same time ensuring our long-term financial sustainability.

STRENGTHENING HUMAN RESOURCES

As previously indicated, people matters have always been an important ingredient of the change journey in the AGSA. For that matter, I have publicly

stated that, as we move beyond our 100-year birthday as an organisation, People is and will be the agenda. We recognise that it is only through our investment in people that our future strategic ambitions will be realised. The AGSA remains committed to building a high-performance culture that focuses on engagement, understanding and accountability. To this end, the development of people remains a critical driver. Through our trainee auditor scheme we nurture the profession, while our financial assistance to various bursary schemes enables talented young students to study towards an auditing career and qualify as accounting and auditing professionals in our office. Once they have qualified, the same commitment offers a wealth of development opportunities, covering anything from leadership development and coaching to technical matters.

LEADING BY EXAMPLE

To ensure that stakeholders take our messages seriously, we need to run our own organisation in an exemplary manner. We need to ensure at every step of the way that we require of our auditees only that which we already do ourselves at a level of excellence. Our dedication to delivering timely and quality audit reports, our investment in transformation activities, in-house and in the broader profession, as well as the utmost dedication to working in a well-governed environment, underpin this ambition to lead by example.

THE SOUTH AFRICAN CHALLENGE

If we look at our recent general report messages and the immense challenges government faces to get to a well-governed public sector, where top-class financial and performance management practices are the order of the day, the AGSA still has a massive responsibility to the South African public.

As always, the AGSA will build on its cornerstones of independence, commitment to quality and willingness to engage, to strengthen the South African democracy with specific emphasis on the enablement of oversight, accountability and governance through our mandate – all to the benefit of the citizens of our country. We will continue striving to be relevant and to enhance our service offering, as described in this book.

THE INTERNATIONAL CHALLENGE

In similar vein, we acknowledge that the AGSA's international presence, which already spans well over four decades, will continue. We remain committed to our support for the strategies of INTOSAI and to lead by example in implementing the related initiatives, as relevant, with vigour and passion. Our participation in international activities will remain an important part of our strategy, with specific emphasis on capacity building and knowledge sharing.



CELEBRATING 100 YEARS AT THE HEAD OFFICE CAMPUS IN
PRETORIA

OUR PEOPLE

Over the past century, the AG's office has known many able leaders. The office was privileged to have the right person at the helm at the right time and its leadership has moulded it into an effective and efficient organisation that brings value to the citizen. We dedicate this book to the wonderful, visionary leadership that has always been present in this organisation.

The support of our parliamentary oversight committee has also been invaluable. Throughout the change journey this committee has been there to

support and guide the AGSA as it worked towards its strategic ambitions. The previous chair, Barbara Hogan, expressed SCoAG's commitment to always protect the AGSA's reputation, regardless of whether this related to strategy, reporting on own affairs, reporting on auditees or general conduct. This has been a pillar of strength for us over the years.

The people of the AGSA determine our agenda and are responsible for achieving our ideals. Our people are so important that we could even say that they are the only factor that determines our success. Every individual who works for the AGSA should make sure that he or she fully understands our business and shares the passion of the leadership to make a difference to the lives of the citizens of this country. It is every employee's responsibility to make use of the ample opportunities the office provides to learn, develop skills and gain professional expertise. Because the quality of our auditing depends on dedicated teamwork, we should perfect our unity as teams and ultimately as the team, and family, of the AGSA. As all employees align their activities, dreams and ambitions with the strategic objectives of the audit office, internal control, governance and oversight will be strong and we will attain the desired level of excellence. We can then balance this internal focus with the external focus of carrying out our constitutional mandate and building public confidence through auditing.

Together, public sector auditors and government officials strive for transparent financial management and accurate reporting on service delivery in an accountable public environment, which will engender the citizens' trust in the management of public resources.

If we as the SAI of South Africa uphold the principles described in this book and continue with the journey of the past 100 years, our organisation will fulfil its constitutional mandate. We will transform public finance management and service delivery, protect our vulnerable citizens and build public confidence through auditing. Ultimately, the AGSA will strengthen democracy by conducting its core business to the very best of its ability. I am confident that the South African audit office will continue to shine in helping our country manage its public resources effectively over the next 100 years and beyond.
