
Speaker notes

Auditor-General, Ms Tsakani Maluleke

- Date:** Friday, 19 September 2022
- Venue:** Durban International Convention Centre
- Event:** Good governance and accountability in a disrupted economy
- Topic:** Rands and Sense: How compliance can enhance a people-centric culture of governance

I am delighted to be here with you this morning, to talk about how we can continue to create and enhance a transformative and accountable way forward for our country and our people.

With better governance and compliance with legislation, processes and policies, we can support our collective desire to ensure that public institutions and officials deliver a better quality of life for all our people.

Now more than ever, the need for strong governance, capable institutions and competent public officials that deliver on the hopes and aspirations of citizens, is unanimous and undisputed.

This vision is encapsulated in the United Nations Sustainable Development Goals (SDGs) adopted by world leaders, as well as closer to home, as part of our National Development Plan (NDP) 2030.

In terms of the global commitments, SDG 16 aims to improve people's lives by reducing violence, improving access to justice, and promoting effective, accountable, and inclusive institutions. This confirms a global recognition that strong, effective, transparent and accountable institutions are essential for sustainable development and service delivery.

Equally, our own National Development Plan (NDP), envisions a South Africa with a "developmental, capable and ethical state that treats citizens with dignity," and further recognises the need for "steps by the state to professionalise the public service, strengthen accountability and improve coordination... ."

Ladies and gentlemen,

The concept of good governance is an aspirational beacon of hope, something we all refer to, without possibly appreciating and understanding the immense responsibility vested in each one of us tasked with delivering on this. Building and maintaining good governance is not something that can be left to one sector of our society. We all have a role to play, each and every one of us, in our personal and professional capacities.

According to the Office of United Nations High Commissioner for Human Rights (OHCHR):

"Governance refers to all processes of governing the institutions, processes and practices through which issues of common concern are decided upon and regulated."

While there is no internationally agreed definition of 'good governance' ... The true test of 'good' governance is the degree to which it delivers on the promise of human rights: civil, cultural, economic, political and social rights... [with the] key question being whether institutions of governance effectively guarantee the right to health, adequate housing, sufficient food, quality education, justice and personal security?"

Vital elements of good governance are :

- equity and inclusiveness where citizens feel that they have a stake in, and are not excluded from the mainstream of society;
- effectiveness and efficiency where processes and institutions produce results that meet the needs of society, while making the best use of the resources at their disposal and;
- accountability, which cannot be enforced without transparency and the rule of law.

In other words, the outcome of good governance must be citizen engagement, service delivery, transparency and accountability.

Ladies and gentlemen,

The call by the United Nations for good governance that leads to social equity and stability correlates with the work of the AGSA. We continuously advocated for and actively support the journey of improving audit outcomes in the public sector.

Over the years, we have demonstrated that poor audit outcomes strongly correlate with weak governance, instability at key management and leadership levels, weak internal controls and ineffective consequence management. These features inevitably lead to poor performance and service delivery as well as weakened financial health and overall capability of public institutions.

As the AGSA, we have reported on poor audit outcomes and inadequate service delivery in many municipalities. One of the root causes of such outcomes, is the pattern of poor conduct by those that are elected and appointed to serve as stewards over public institutions. All too often, we find that these leaders do not invest building public institutions with a culture of performance, accountability, transparency, and integrity.

Through our audits of both national and local government, we have seen audit related evidence of the impact of poor governance on public institutions. Our audit outcomes indicate that we are moving further away from the NDP aspirations of a developmental agenda that is driven by a capable state, underpinned by strong and resilient public institutions.

Our annual audits also confirm that where there is good governance, there are strong controls that effectively prevent, detect, and correct problems.

We have seen how effective assurance providers can enhance controls, institutional performance and resilience as well as overall accountability. The assurance providers that we look at comprise management, internal audit, audit committees, the executive and oversight – essentially those that form part of the accountability ecosystem of an institution.

Strengthening the governance and accountability of institutions creates value and credibility. Strong institutions bode well for the country's investment status and support small and big business to do what they do best, which is to drive the economic growth and development that is essential for addressing poverty and creating jobs.

The NDP, with its focus on strengthening the capacity of the state, working with other sectors to deliver on the developmental agenda, also recognises the role of state-owned entities (SOEs) to serve as engines towards economic development.

As the AGSA, we have been looking closely at the financial health and viability of SOEs. In our 2020-21 Public Finance Management Act audit outcomes, we highlighted that SOEs ,

“have the greatest impact on the service delivery needs of the citizen and the financial health of government. Their audit outcomes are a good indicator of their ability to fully discharge their mandate .”

We went on to note that the audit outcomes of SOEs were dismal, with a number late/non-submissions of financial statements for audit, and poor audit outcomes on each of our three audit areas: credibility of financial statements, usefulness and reliability of performance reports and on compliance matters, especially on procurement.

It is clear that there is much work ahead of us if we are to improve the governance mechanisms in public institutions and more importantly, if we are to deliver on the expectations and the needs of our citizens.

This is crucial to protecting our democracy, social cohesion and our public institutions.

MFMA Audit outcomes

Ladies and gentlemen,

As we all know, local government has the greatest and most direct impact on the lived reality of citizens.

Yet our audit reports confirm that the performance, integrity, transparency and accountability at local government level is in a dire state.

High level observations and statistics from our most recent local government audits include:

- Financial health is deteriorating
- only 41 (16%) municipalities attained clean audits,
- only 141 (50%) publishing credible financial statements at the end of the audit process,
- Most municipalities struggle to prepare credible performance information, as they do not effectively plan for, monitor and report on performance

At 40% of municipalities, the indicators and targets used to plan and report on achievements were not useful. This means that what was reported had little relevance to the municipalities' original commitments in their IDPs and SDBIPs which fundamentally represent citizens' needs.

For example, Knysna in the Western Cape, did not report on access to sanitation for households from informal settlements, which make up a significant % of households in the municipal area.

On the other hand, some municipalities' performance reports are unreliable due to data and information that is not credible.

In such instances, the performance report might reflect targets been achieved when, in reality, basic services were not provided to all citizens.

Ladies and gentlemen,

It is important that we to look beyond the problems as stated and focus towards identifying and implementing solutions. From our audit lens, we offer some solutions, which if implemented, would add value into the systems of governance. I share a few of these:

1. Activating and strengthening the accountability ecosystem

The success of local government cannot be achieved by institutions that continue to operate in isolation. ~Success rests on the ability of the different role players in the accountability ecosystem to work together, which requires conscious and conscientious leadership.

It calls for all role players to operate:

- Not within their silos, but to function collaboratively with an awareness of how their respective roles influence and affect each other;
- In a way that is compliant to their intended mandate; and
- In a socially conscious manner, where citizens are made a priority.

Through these interventions, governance will be strengthened, and we will begin to see a heightened and positive impact on the lived experiences of our citizens.

It is worth considering who is in this accountability ecosystem and what are their responsibilities in ensuring that municipalities are pre-occupied with providing the correct impact and results for their citizens and respective communities?

The Municipal manager – section 60 of the MFMA

They are responsible for creating an environment that helps to improve and support good internal culture of governance in numerous ways including:

- Provide effective and ethical leadership and exercise oversight of financial and performance reporting and compliance with legislation.
- Support the audit committee and ensure that its reports are responded to.

The Mayor – MFMA chapter 7

Mayors have a crucial monitoring and oversight role. They have specific oversight responsibilities in terms of the MFMA and the MSA, which include reviewing the IDPs and performance information.

Co-ordinating departments (Premier's office, Cogtas and provincial treasury) – MFMA chapters 2, 3, 4, 5, 6, 8, 9, 10, 11, 13, and 14

National and provincial government must also support and strengthen the capacity of municipalities to manage their own affairs, exercise their powers and perform their duties.

The MFMA further requires coordinating departments to assist municipalities in building capacity to support efficient, effective and transparent financial management.

Council - Various sections of the MFMA and MSA

The council is the executive and legislative authority of the municipality. In order for the council to perform its oversight and monitoring role, the municipal manager and senior managers must provide the council with regular reports on the financial and service delivery performance of the municipality.

One critical question remains to all role players within the accountability ecosystem. When effecting these accountability roles, the question stands - are you conscious of the people that these decisions impact?

2. Improving the processes of Planning, monitoring and reporting on performance

We have seen a trend amongst our auditees in that they are sometimes unable to plan effectively and report against their plans. Indeed, when 60% of auditees submit poor-quality performance reports for auditing, decision-making and the ability to intervene when plans are not being implemented is hampered.

There is a need to address the coordination of performance/service delivery plans across different public institutions and across the three spheres of government, so that duplication and fragmentation are minimized.

Project management disciplines are also key to ensuring that value is derived for money spent on projects, especially infrastructure development and maintenance.

3. Building the capacity of public officials and institutions to serve

For some time now we have highlighted the need for competence and stability in the administration of public institutions. We have also cautioned against over-reliance on consultants and raised the issue on the costs of consultants versus the return on investment received.

Over the past five years, we've reported on the over-reliance of municipalities on consultants that assist them with compiling AFS for audit. We have reported that South African municipalities spent R5,3 billion on consultants for the purpose of compiling financial statements for audit, with 70% of municipalities using them every single year during this period. In the 2020-21 financial year alone, municipalities spent R1,26 billion on consultants. Sometimes, even where consultants are used, we receive annual financial statements with material errors.

4. Introducing and implementing preventive controls and consequence management

This point is worth reiterating. One of the contributing factors to the lack of improvement in the audits outcomes is the lack preventative controls and consequence management, which translates directly into the leakage and inefficient use of public resources. If done well, preventative controls and effective consequence management can go a long way towards ensuring that resources are used efficiently and effectively in ways that can truly deliver on the aspirations of citizens.

Ladies and gentlemen,

The NDP acknowledges that,

"A plan is only as credible as its delivery mechanism is viable. There is a real risk that South Africa's developmental agenda could fail because the state is incapable of implementing it...A developmental state tackles the root causes of poverty and inequality... A developmental state needs to be capable, but a capable state does not materialise by decree, nor can it be legislated or waved into existence by declarations. It has to be built, brick by brick, institution by institution, and sustained and rejuvenated over time. It requires leadership, sound policies, skilled managers

and workers, clear lines of accountability, appropriate systems, and consistent and fair application of rules ."

While the task ahead of us may be daunting, I am confident that we have sufficient will, resources, commitment and patriotism in this country to achieve this.

When we have our people at the centre, we will be more conscious about what we do, the choices we make and to what extent it impacts citizens.

I leave you with this charge and equally the question, will you show up for the people of our country?

I thank you.