

Editorial Change

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Since the first democratically elected government accepted the responsibility of governing South Africa almost ten years ago, changes have come thick and fast. If we observe the change in the management of the public sector, we can certainly call this a paradigm shift.

The promulgation of the Public Finance Management Act (PFMA) and its implementation in 2000 ushered us into a new era. Where the old dispensation focused on activities and administration, the focus is now on quality outcomes and performance-based management.

This change in legislation is certainly one of the greatest challenges facing South Africa, and it affects every citizen. In essence it is about the most effective, efficient and economical utilisation of resources – so that tax-payers' money, gathered by the South African Revenue Services, can be optimally used for service delivery.

Over and above the concept of performance management, where goals are set in advance and quarterly progress reports are required, accountability and transparency now form the core of change in the public sector in South Africa.

When the impact of the implementation of the past three years' new legislation is reviewed, there are numerous aspects that command attention. The first remarkable aspect is that the spirit of the PFMA (outcomes focus) is playing an increasingly important role in the management of departments. New systems, specific to the needs of particular institutions, are being developed. Almost all departments and public entities have already established an internal audit function, together with an audit committee that provides strong support for thorough control.

If we look at corporate governance in the public sector with respect to aspects such as the audit committee, the internal audit function and accountability in general, it is obvious that the public sector has taken the lead over the private sector.

Similarly, in the arena of reporting, great progress has been made in the public sector. The Annual Public Sector Reporting Award, first presented in 2002 by the Southern African Institute of Government Auditors (SAIGA), showcased outstanding results. It was obvious from the results of the survey that great efforts had been made to present financial results in accordance with the new directives. The results for the 2003 Annual Public Sector Reporting Award have shown further progress in this area.

Yet another development arising from the PFMA is the establishment of the Accounting Standards Board (ASB). This board is responsible for developing accounting standards for the public sector, the so-called Generally Recognised Accounting Practice (GRAP). This body is also responsible for developing accounting standards for local authorities, the so-called Generally Accepted Municipal Accounting Practice (GAMAP).

With the completion of the ASB's work in developing GRAP and GAMAP, South Africa will have in place accounting standards based on international standards for the public sector that also take local conditions into account.

The PFMA and the accounting standards currently being developed are in line with the best in the world, and make South Africa a leader in this area.

The great challenge is, however, to develop capacity, particularly through training in the effective, efficient implementation of the new legislation and its integral standards.

One of the cornerstones of accountability and of democracy is the audit function. In South Africa the audit function in the public sector is carried out by the Auditor-General and his office. The task of the Auditor-General is to conduct an independent audit according to agreed standards, without prejudice to or regard for individuals, and to present its reports to Parliament.

Good legislation and accounting standards are essentially devalued when there is no thorough audit function. The audit function is the control or discipline required to implement legislation effectively.

Also in the audit arena there are changes and signs of change. During the past few years a most important focus has been the professionalisation of the Office of the Auditor-General. The recognition of the Registered Government Auditor (RGA) qualification can be seen as an exceptional milestone here.

In May this year the Draft Public Audit Bill was released for comment. New legislation in this regard must be welcomed, as it addresses new demands and issues.

However, this new draft legislation also contains some trends that are cause for concern. The proposal is to permit the provision of non-audit services to auditees. It is common knowledge that the provision of such non-audit services to auditees undermines the audit function, and has undermined the private sector audit function to a point of crisis.

It is also a pity that performance audits have not been made mandatory in the Draft Public Audit Bill, but have been left to the discretion of the Auditor-General. The intent of the PFMA is strongly focused on performance. Without compulsory performance auditing, the strength, integrity and intent of the legislation are compromised.

It is the duty of each of us to use the channels provided to comment on draft legislation so that changes brought about by legislation actually promote accountability and the public interest.