Auditor-generals since 1994 – a critical review

Post-apartheid auditor-generals deserve some praise but sharp criticism too, particularly on the multi-billion rand arms deal

By Gavin Woods

Perhaps it is useful to begin by reminding ourselves of the importance of the role of the auditor-general. Simply put, the auditor-general facilitates accountability for the public finances and public assets in a way which is crucial to all government policies and programmes, including those which promote social services, development, financial stability, economic growth, good governance, and which collectively advance democracy itself.

It is against this setting that we should contemplate the auditor-general’s performance. I propose there to be three overlapping perspectives from which we should do this, these being the internal performance of the auditor-general’s office, the quality of the actual audit work undertaken, and then the performance of the individuals who have served as auditor-general over the period of review.

The first of these, and perhaps the least important, concerns the organisation and administration of the actual office of the auditor-general. This consists of a large head office in Pretoria and nine provincially based offices that together employ a staff of well over 1 000 people, making it easily the largest audit body in the country. In addition to the work carried out by the office itself, it has to monitor hundreds of audits it subcontracts to private audit firms. It is essential therefore that the office runs efficiently.

I would argue, mainly from my observations as a long-standing member of the Audit Commission (a statutory body set up to exercise oversight over the auditor-general’s office), that the administrative performance has been generally good. The office, which reports to the deputy auditor-general as chief executive officer, has included Bertie Loots, Shauket Fakie and Terence Nombembe, has over the period been transformed from a typical dark and dingy routine-driven government organisation, going through the audit motions without urgency or initiative, into a fairly energetic organisation which in important respects now measures up to the modern private sector model.

Essential to this has been the resolute way in which the office has capitalised on the new level of independence it was given through the auditor-general and the Audit Arrangements Acts that were passed just before 1994. One of the more significant features of this was that which now allowed the office to charge its clients (i.e. government institutions) for its audit services, as opposed to relying on a restrictive budget decided upon by the National Treasury. This ability to set its own budget, together with its freedom from the constraints of the public service regime, allowed the office to employ the necessary quality of staff, to computerise all aspects of its operations and to upgrade all of its internal systems. Particular mention must be made of the very sophisticated and modern governance, management, performance and training systems which have been successfully introduced. Initial concerns as to the viability of a modern private sector model operating in the public sector environment have proved to be unwarranted.

There have been hiccups along the way, however. Worth mentioning was a situation where a flawed approach to the procurement and implementation of a comprehensive computer software package in about 1999 almost led to a large scale breakdown within the audii-
tor-general’s office. The financial systems, in particular, became disrupted to the point where the office was for some months unable to account for its finances. Monthly accounts could not be produced, bank reconciliations were not done and the accuracy of the fixed asset registers was in doubt. The office’s internal auditors were quite damning of the situation.

The concern for the auditor-general was the likelihood of the office receiving a seriously qualified report from its external auditors — and how humiliating it would have been for the auditor-general, who was constantly criticising government departments for less serious failings. However, after making the external auditors aware of the possible consequences, somehow their audit report managed to tiptoe through the mess and stop just short of any damning qualification. Fakie and Nombembe then reacted very assertively to get the office’s financial systems back on track.

Moving on to the second, and more critical, area of performance, this being the quality of the auditing and reporting work that the Constitution mandates the auditor-general to undertake. This has always been a difficult realm of performance to evaluate — as the old Audit Commission found out, and as no doubt the recently constituted Standing Committee on the auditor-general (SCOAG) will find out when trying, in terms of the new Public Audit Act (2004), to oversee the quality of auditing. There is no easy or effective way of assessing this.

The national and provincial standing committees on public accounts (SCOPA), for their part, tend simply to accept the auditor-general’s audit reports as representing a comprehensive and accurate account. Six years ago the parliamentary committee on public accounts began interrogating and critiquing the quality of the reports before reacting to the findings they contained — and on a number of occasions discovered audits that had been flawed both in application and reporting. It has since discontinued this approach. And considering that audits undertaken by the big private audit companies are regularly shown to have been defective, notwithstanding their higher levels of audit expertise, then it is to be expected that the auditor-general will from time to time undertake sub-par audits.

Not having the methodology or resources to assess the actual auditing performance of the auditor-general, we should turn our attention rather to the veracity of the quality assurance approach used by the office in striving to attain a high level of auditing proficiency. Here, especially over the past six or seven years, the auditor-general and his staff have invested much effort. This was to some extent spurred by reports commissioned from the Public Auditors and Accountants Board (PAAB) which, for a number of years, undertook an independent assessment on the auditor-general’s quality control procedures and practices. In the course of this work, the PAAB was able to identify a number of weaknesses.

Today, the auditor-general’s quality assurance system goes way beyond an annual PAAB review. It uses a comprehensive control system which includes specialised software tools, a balanced scorecard system, key performance indicators, peer reviews, self-assessment techniques, risk assessment exercises, stakeholders’ surveys and a quality control unit which monitors the use of all these methods and then provides the training which is needed. All this, together with the gradual increase in the numbers of audit staff with recognised audit-related qualifications, would indicate that an impressive amount of work has been done in order to raise the general auditing performance of the office and to meet the level of auditing required by the Public Finance Management Act (PFMA) which was introduced in 1999. So here, too, the auditor-general and the office have done well over the past 12 years.

What about the performance of those individuals who have held the position of auditor-general over the period in question — to the extent that the auditor-general’s personal performance can be separated from that of the office?

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The auditor-general is a high public profile individual who is ultimately responsible and accountable for fulfilling the institution’s constitutional mandate. The high profile is understandable with the media constantly according widespread publicity to audit findings, particularly those which relate to the misuse or loss of taxpayers’ money and which identify the responsible parties concerned.

After almost 80 years of appointing ruling party-aligned individuals, most with no previous auditing or accounting experience, the auditor-general generally projected a dour and weak public image. This began to change in the times of Jaap de Loor (1986-1989) and Peter Wronsky (1989-1993). They saw to it that by 1994 the beginnings of a reform process were in place, which led to less inhibited auditing and more outspoken audit reports being tabled in Parliament. This in turn began strengthening the hand of Scopa and allowed members such as Harry Schwarz and Francois Jacobs the latitude to interrogate
bad audit findings. Examples of news-making audit findings of that era include the clandestine activities of the South African Defence Force’s shadowy Civil Co-operation Bureau and the shocking state of financial affairs in the “black homeland” governments.

In 1993 Henri Kleuver, the former director general of the department for state expenditure, became auditor-general. Professor Bertie Loots soon joined him as his deputy. With the new Auditor-General Act and Audit Arrangements Act in place, Kleuver was able to increase both the scope and standards of auditing and reporting mainly by invoking the office’s newly extended independence. He introduced performance, forensic and computer auditing and tried to offer Parliament bigger pictures of the state’s management of public finances. With his determination to tell it as he saw it, he soon bumped heads with various cabinet ministers in the new government.

The first such occasion was in 1995 when the then minister of public service and administration, Zola Skweyiya, made a derogatory statement about Auditor-General Kleuver.

The Audit Commission demanded a retraction of the remarks. Under pressure, Skweyiya climbed down and withdrew his remarks. There were other situations in which Kleuver refused to back down when confronted by belligerent national and provincial cabinet ministers, the most notable of which was his set-to with the minister of mineral and energy affairs, Pennell Maduna, who accused Kleuver of hiding R170 million of Strategic Oil Fund monies through “some nimble footwork”. Kleuver once again responded strongly in order to defend the auditor-general’s reputation. While he never extracted an apology out of Maduna, he secured a finding through the public protector which showed that Maduna had knowingly misled Parliament with his accusations — and that he ought to be sanctioned by Parliament. Parliament ignored his advice.

We now get to Shauket Fakie, who had a lengthy career in private sector auditing before his brief stints as auditor-general of Gauteng province and then as deputy to Kleuver in the national office. He succeeded Kleuver as auditor-general in 1999.

As individuals, Fakie and Kleuver were very different, with the Kleuver being a straight up-and-down, call-a-spade-a-spade man who always played his cards in the open, and Fakie being more tactical and politically dexterous.

However, with his strong private/public sector blend of experience and together with the new Deputy Auditor-General, Terence Nombembe, who had been a partner in an up-and-coming private sector audit firm, Fakie began his term by consolidating and then building on the reforms which had begun in the Kleuver/Loots era. He displayed a high level of competence at both the managerial and technical levels of the job.

The office has been impressively professionalised and modernised and today is in many respects on a par with the best in the private sector. This has largely been under Fakie’s drive and direction. Fakie has also done well to establish the South African office’s presence on the international public audit stage by securing prestigious audit assignments at the United Nations and getting involved in various Supreme Audit Institution forums internationally.

In most important respects Fakie has done well, if not excelled. And he has been well compensated for his efforts with a salary which has been generously increased each year of his seven-year term, to the point where it must be amongst the highest in the public sector realm — his remuneration being considerably higher than that received by the state president and the chief justice.

Fakie has however displayed a particular weakness which at times seemed to bring the independence and the constitutional role of the auditor-general into question. Significant public quarters will remember decisions or lack of them as controversial or even as devious — which will detract strongly from his achievements. The weakness is highlighted by the fact that during his seven-

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year tenure he, unlike Kleuvor, managed to avoid any situation wherein he would have had to stand up to a member of the Executive — even if this meant an embarrassing public egg dance on his part.

Of the instances where Fakie has appeared to back down in the face of executive indignation, it is the arms deal investigation, more than anything else, that appears to have cost Fakie the respect of much of South Africa. After initial enthusiasm to investigate the arms procurement transactions, his attitude changed remarkably after the president and a number of cabinet ministers criticised him for suggesting there was reason to conduct such an investigation.

Fakie responded to the executive’s anger firstly by reversing his opinion as to the necessity for the Heath Special Investigative Unit to be part of the investigation, and then by capitulating to an African National Congress request that he not allow Scopa to monitor the investigation. Scopa, of course, is the parliamentary committee that had initiated the investigation and to whom the auditor-general always accounts. Thus the investigation moved into the realm of secrecy and with the protection of the powerful anti-investigation forces Fakie contemptuously disregarded the couple of opposition members of Parliament who sought to monitor aspects of the investigation.

The investigation’s final report was predictable. It began by pronouncing on the irreproachable credentials of government concerning the deal and then gave findings which were generally evasive, inconclusive and which declined to give answers to the main allegations and controversies that surrounded the arms deal.

On many occasions since then, aspects of evidence have been produced which have tended to challenge Fakie’s non-findings. Fakie has tried valiantly to quash and dismiss such challenges and in doing so has often earned himself bad press. He was shown to be in contempt of court for trying to withhold information sought by an aggrieved bidder as he tried to ward off claims that he had materially altered his final report after it had been secretly shown to members of the executive — bearing in mind that it was these members of the executive who were most in line to be embarrassed had Fakie published any negative findings.

At about the same time, his efforts to silence those who might have been in a position to discredit the veracity of the report were revealed in the press. Lie detector tests of his staff, threats of criminal charges and even an attempt to get Parliament to censure two MPs who had dared to criticise his behaviour were all part of his rear-guard action.

During the time of the investigation I was approached to meet secretly with a number of very senior members of the auditor-general’s office. As a precaution I took my colleague Andrew Feinstein with me to the meeting that was held in Johannesburg. As it turned out, the officials concerned wanted to voice their concerns regarding Fakie’s preoccupation with not upsetting members of the executive. Specific instances of this were related to us.

In my mind I have often tried to reconcile this apparent deficiency in Fakie’s make-up with that of the competent and hard-working auditor-general that he is — and with that of the fundamentally good man that he is, as a devout and practic-