

**Cindy-Joy Balie**

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**From:** Ramola Naidoo < >  
**Sent:** 19 February 2018 11:09 PM  
**To:** Cindy-Joy Balie  
**Subject:** brief submission on Public Audit Amendment Bill

To: Chair of Standing Committee on the Auditor-General

From: Dr R. Naidoo

P.O. Box 13501, Hatfield 0028

email: (email address for use of standing committee and not to be published)

Comment:

1. Section 3 amending section 5 of the Principal Act: All public entities should appoint the Auditor-General as the external auditor. The use of the word "may" should be changed to "should" or "must", so that this compels all public entities to appoint the AG as the external auditor. The AG can then exercise a discretion and outsource the function of external auditor to auditors in the private sector. The current situation, that gives public entities an option to contract directly with a private sector auditor to perform services as an external auditor, is a problem as the Bill places an additional burden of financial misconduct and recovery of debt for fruitless and wasteful expenditure or irregular expenditure falls on the accounting authority of the entity. The Bill is now unfair in that not all members of the accounting authority are privy to the facts that result in financial misconduct or non-compliance resulting in the debt to the state. At the same time, the PFMA should be amended so that the Audit Committee of a public entity should comprise only independent members who are not members of the accounting authority.

I need more time to comment on this very important matter.

2. Section 3(g) and (h) makes reference to the the courts and rules of the court. Why is there no mention of mediation and arbitration?

## Cindy-Joy Balie

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**From:** Ramola Naidoo <  
**Sent:** 20 February 2018 03:29 PM  
**To:** Cindy-Joy Balie  
**Subject:** additional comment Fwd: brief submission on Public Audit Amendment Bill

additional comment:

To: Chair of Standing Committee on the Auditor General  
From: Dr R. Naidoo

Further to my brief submission yesterday, I just wish to add:

3. Section 1: definition of "undesirable audit outcome". How does the AG determine "lawful purpose"? Common sense should also prevail. An official may comply with all laws in relation to the contract, tender, or any matter of procurement. But, in my respectful view, we must separate outright corruption, fraud, and negligence from another more serious aspect. Everyone can have a wish list and procure anything they want "within the budget". This would be lawful if the correct signature, approvals, and paperwork have been done. But the critical question is whether the procurement is necessary and prudent in the first place? Can we afford to spend money that we do not have in the first place? Can we not prioritise certain items of expenditure each financial year? Neither the AG (as an audit service provider) nor a private auditor are experts on assessing this expenditure. So the would tick the box that a fruitless and wasteful expenditure is lawful if the PFMA and other laws have been complied with. Yet, there is good argument from the perspective of a citizen that this expenditure was not appropriate and necessary. Sustainable development can only be achieved if an entity or a department is subject to strict scrutiny far beyond the objectives of this Public Audit Amendment Bill and the two PFMA's.

The opposite is also true. An official may be in a situation where compliance with the PFMA or other laws may be impossible and the contract may be signed or the procurement cannot be done because of red tape. Are we going to charge innocent government officials and members of the accounting authority? For this is what the words "lawful purpose" could lead to.

I really believe that there should be a broader inquiry into the impact on the PFMA and the Public Audit Act on service delivery. This Bill should not be rushed through given the current political climate. The PFMA needs to be amended as well as do other legislation.

I have not had the time to give my own considered view on this Bill. I came across this Bill on the GCIS website.

Kind regards

Ramola Naidoo (Dr)

----- Forwarded message -----

From: Ramola Naidoo >  
Date: Monday, 19 February 2018  
Subject: brief submission on Public Audit Amendment Bill  
To: [cbalie@parliament.gov.za](mailto:cbalie@parliament.gov.za)

To: Chair of Standing Committee on the Auditor-General