**1. Report of the Standing Committee on the Auditor-General, dated 22 May 2018**

The Standing Committee on the Auditor-General having amended the Public Audit Act, No 25 of 2004, reports as follows:

1. **Introduction**

1.1 The Public Audit Act, 2004 (the Act) gives effect to the provisions of the Constitution of the Republic of South Africa, 1996 (the Constitution) by establishing and assigning supreme auditing functions to the Auditor-General of South Africa (AGSA). The AGSA enjoys a large degree of independence, which allows it to select the most effective manner in which to execute its constitutional mandate. The Act, however, does not give it authority to implement its recommendations, to investigate undesirable audit outcomes or to recover losses to the State. The AGSA depends on the executive to implement its recommendations.

1.2 Since 2004 when the Act came into effect, the AGSA’s efforts to assign consequences for poor financial and performance management through its audit reports has yielded mixed results. Each year the AGSA reported astronomical amounts of unauthorised, irregular and fruitless and wasteful expenditure. Actions by auditees to recover these losses have been unsatisfactory.

1.3 Section 10(3) of the Act requires that the National Assembly provides for a mechanism to maintain oversight of the AGSA in terms of section 55(2)(b)(ii) of the Constitution. Accordingly, the Rules of the National Assembly provide for the establishment of the Standing Committee on the Auditor General (the Committee). The Committee is charged with assisting and protecting the AGSA in order for the latter to maintain its independence, impartiality, dignity and effectiveness.

1.4 On 22 May 2018 the Standing Committee on the Auditor-General (the Committee) adopted the Public Audit Amendment Bill, B13 of 2018 (the Bill) which proposes to give the AGSA powers to, amongst others, recover financial losses incurred through unauthorised, irregular and fruitless and wasteful expenditure.

1.5 This report comprises three parts:

- Part A, outlining the process the Committee followed;

- Part B, commenting on the financial implications of the amendments; and

- Part C, containing the Committee’s recommendations.

**Part A**

**2. Process**

2.1On 16 November 2017 the Committee resolved to amend the Act in order to strengthen the AGSA. The Committee accordingly submitted a legislative proposal to the National Assembly in terms of National Assembly Rule 273 seeking permission to proceed with the preparation of a draft bill.

2.2 The National Assembly granted permission for the Committee to proceed with the proposed legislation, and the Draft Public Audit Amendment Bill was published in the Government Gazette 41386 on 19 January 2018 to allow members of the public opportunity to share their views with the Committee.

2.3The Committee received 35 written submissions from the following commentators, all of whom were invited to present their comments at the public hearings which took place on 6, 7 and 9 March 2018:

Accounting Standards Board; Mr Jonathan Mukwevho; Accountability Now; Ms Laura Bezuidenhout; Mr Harold Marsberg; Public Protector of South Africa; Steve Tshwete Local Municipality; Bergrivier Municipality; Mr Benchef Madala; Mr Gregory Coetzee; Mr Ndivhuwo Rakhadani; Ms Linda le Roux; Mr Beukes Boshoff; Western Cape Government; Overstrand Municipality; Southern African Institute of Government Auditors; eThekwini Municipality; Mr Kwena Mokgokong; Dr Ramola Naidoo; Mr Eric Smith; Mr Thato Rabanka; Institute for Local Government Management; Mr JC Erasmus; Chartered Institute of Government Finance, Audit and Risk Officers; Drakenstein Municipality; South African Institute of Chartered Accountants; Council for the Advancement of the South African Constitution; Mr Andries Sekgetho; Rand Water; National Treasury; Association for the Advancement of Black Accountants of Southern Africa; Independent Regulatory Board for Auditors; Institute of Internal Auditors South Africa; Corruption Watch; and Mr Balekane Motlana.

2.4 The AGSA briefed the Committee on several occasions between June 2017 and the adoption of the Bill. The AGSA attended all public hearings, and responded to the concerns and proposals emanating from that process on 14 March 2018.

**Part B**

**3. Financial implications**

3.1 The Committee consulted the National Treasury extensively on the funding of the additional functions. It was agreed that the funding for the additional powers the legislation will provide to the AGSA would be considered during the annual budget processes. The remaining amendments do not have cost implications for the state.

**Part C**

**4. Recommendation**

4.1 The Committee recommends that Parliament approves the amendments which will:

- allow the AGSA to take remedial action, to ensure that losses suffered by the State are, where possible, recovered, and to refer certain suspected material irregularities for investigation;

- empower the AGSA to perform international audit work and to conduct performance audits; and

- align the AGSA’s governance arrangements to current best practice.

4.2 The funding of the additional powers the legislation will provide to the AGSA should be considered during the annual budget processes.

4.3 The Committee should be consulted on the regulations which must be made within 90 days of the legislation coming into operation.

**5. Acknowledgement**

The Committee wishes to express its profound gratitude to the individuals, organisations, and stakeholders who participated in our process, and contributed to the development of the Bill.

**Report to be considered.**