



The Southern African Institute of Government Auditors

Qualifying Examination for Registered Government Auditors

Paper 1: Regulatory Framework

November 2017

INSTRUCTIONS TO CANDIDATES

- 1 Maximum marks: **160**.
- 2 Total time available: **four hours**.
- 3 Q1= 40 marks, Q2= 80 marks, Q3= 40 marks
- 4 The marks allocated to each question are an indication of the expected length and required depth of the answer.
- 5 Ensure proper planning and avoid exceeding the time you have allocated for each question as suggested by the number of marks allocated to the question.
- 6 Present your arguments clearly, using well structured, clear and precise language and appropriate professional terms.
- 7 **Only Specified Authoritative Text for the Paper is allowed (if any)**
- 8 Total number of pages for this paper is 19
- 9 All working papers must be handed in together with all paper provided for the examination (including unused answer sheets).
- 10 Answers written in pencil will not be marked.
- 11 You are reminded that this examination will be held under the rules as set out in the document "RGA-QE Examination Matters & Examination Policy 2017".
- 12 You are required to comply with all Examination Instructions on the separate sheet of paper handed to you before commencement of this examination.

QUESTION 1

(40 marks)

REQUIRED:

For each sub-section of this question select only **ONE** alternative that you consider to be appropriate (or the most appropriate). Please answer these questions on the multiple choice answer sheet provided to you.

You will not be penalised for incorrect answers (no negative marking will be applied).

The questions have to be read and answered in the context of the *Public Finance Management Act (PFMA)*, the *Treasury Regulations*, the *Municipal Finance Management Act (MFMA)*, the *Public Audit Act (PAA)* and the King IV Code on Corporate Governance (King IV).

Question 1.1

In terms of the PFMA, National Treasury has, amongst others, the following responsibilities:

Choose the **incorrect** option.

- A. To promote the national government's fiscal policy framework and the coordination of macro-economic policy.
- B. To co-ordinate inter-governmental financial and fiscal relations.
- C. To manage the budget preparation process.
- D. To exercise control over the implementation of the annual national budget, including any adjustments budgets
- E. To exercise control over the implementation of the annual provincial budgets, including any adjustments budgets.

Question 1.2

In terms of the PFMA the South African Revenue Services may withdraw money from the National Revenue Fund to :

Choose the **incorrect** option.

- A. Transfer money to a National Department.
- B. Refunds approved by National Treasury.
- C. Refund Tax Credits.
- D. None of the above.

Question 1.3

In terms of the MFMA, the Accounting Officer of a Municipality is:

- A. Mayor.
- B. Municipal Manager.
- C. Chief Financial Officer.
- D. The Council

Question 1.4

In terms of the MFMA, the bank account of a Municipality must be administered by :

- A. Mayor.
- B. Municipal Manager.
- C. Chief Financial Officer.
- D. The Council

Question 1.5

Treasury Regulations issued in terms of the PFMA state that in case of a non-shared Audit Committee, members must be appointed by:

- A. The Executive Authority.
- B. The Accounting Officer in consultation with the Executive Authority.
- C. The Accounting Officer in consultation with the Chief Audit Executive.
- D. The Accounting Officer in consultation with the relevant Treasury.
- E. The Executive Authority with consultation with the Accounting Officer.

Question 1.6

Provincial Revenue Funds may make a withdrawal or investment in terms of the PFMA only:

Choose the **correct** option.

- A. To provide funds that have been authorized in terms of an appropriation by a provincial Act.
- B. As a direct charge against the Provincial Revenue Fund provided for in the Constitution or a provincial Act.
- C. To refund money incorrectly paid into or not due to the Provincial Revenue Fund.
- D. To deposit into or invest money in the National Revenue Fund.
- E. All the above are correct.

Question 1.7

The PFMA and Treasury Regulations prescribe measures to ensure transparency and expenditure control in each sphere of government, through the introduction of:

- A. GRAP.
- B. Uniform expenditure classification.
- C. Uniform treasury norms and standards.
- D. All three statements are correct.
- E. None of the three statements are correct.

Question 1.8

In terms of the Public Audit Act the Auditor-General South Africa is appointed by:

Choose the **correct** option.

- A. The Speaker of Parliament.
- B. The National Assembly.
- C. The parliamentary oversight mechanism.
- D. The President.
- E. Cabinet.

Question 1.9

In terms of the MFMA, who is responsible for making public the revenue and expenditure projections of each month?

Choose the **correct** option.

- A. The CFO.
- B. The Mayor.
- C. The Municipal Manager.
- D. The Council.
- E. The Mayor and the Council.

Question 1.10

In terms of the PFMA National Treasury must prepare consolidated financial statements in terms of GRAP for, amongst other, the following:

Choose the **incorrect** option.

- A. National departments.
- B. National public entities.
- C. Provincial government departments.
- D. Constitutional institutions.
- E. The South African Reserve Bank.

Question 1.11

The MFMA applies to the following entities:

Choose the **incorrect** option.

- A. All municipalities;
- B. All municipal entities;
- C. National and provincial organs of state to the extent of their financial dealings with municipalities.
- D. None of the above is incorrect.

Question 1.12

In terms of the PFMA, an audit committee of a department:

Choose the **incorrect** option.

- A. Must consist of at least three persons.
- B. The majority must be from outside the public service.
- C. The majority may not be persons in the employ of the department.
- D. The chairperson may not be in the employ of the department.
- E. Must meet at least twice a year.

Question 1.13

Treasury Regulations allows an audit committee to be shared among departments, in the case of a shared audit committee, members must be appointed by:

Choose the **correct** option.

- A. The Executive Authority.
- B. The relevant Treasury after consultation with the relevant Executive Authorities.
- C. The Accounting Officer in consultation with the Chief Audit Executive.
- D. The Executive Authority in consultation with the relevant Treasury.
- E. The Accounting Officer in consultation with the Executive Authority.

Question 1.14

In terms of the Public Audit Act, whenever it becomes necessary to appoint a person as Auditor-General, the ___ must initiate the process in the National Assembly.

Choose the **correct** option.

- A. President.
- B. Outgoing Auditor-General.
- C. Minister of Finance.
- D. The Speaker.
- E. The Chief Whip.

Question 1.15

In terms of the MFMA money that must be paid into a municipality's primary bank account includes:

Choose the **correct** option.

- A. All allocations to the Municipality, including those made to the municipality for transmission to a Municipal Entity or other external mechanism assisting the Municipality in the performance of its functions.
- B. All income received by the Municipality on its investments.
- C. All income received by the Municipality in connection with its interest in any Municipal Entity, including dividends.

- D. All money collected by a Municipal Entity or other external mechanism on behalf of the municipality.
- E. All of the above.

Question 1.16

In terms of the MFMA the Mayor of a Municipality may in emergency authorize unforeseeable and unavoidable expenditure for which no provision was made in an approved budget and any such expenditure:

- A. Must be in accordance with any framework that may be prescribed.
- B. May not exceed a prescribed percentage of the approved annual budget.
- C. Must be reported by the Mayor to the Municipal Council at its next meeting.
- D. Must be appropriated in an adjustments budget.
- E. All of the above

Question 1.17

In terms of the MFMA a Municipality may incur short-term debt only when:

Choose the **correct** option

- A. A resolution of the Municipal Council, signed by the Mayor, has approved the debt agreement.
- B. The Accounting Officer has signed the agreement or other document which creates or acknowledges the debt.
- C. It is necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year.
- D. It is necessary to bridge capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.
- E. All of the above.

Question 1.18

The Accounting Officer of a Municipality must report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits, and disclose such expenditure per type of expenditure as :

Choose the **incorrect** option

- A. Salaries and Wages.
- B. Contributions for pensions and medical aid.
- C. Travel, motor car, accommodation, subsistence and other allowances.
- D. Housing benefits and allowances.
- E. None of the above is incorrect.

Question 1.19

A Municipal Entity may sell or dispose of a capital asset that is not needed to provide the minimum level of basic municipal services but only after the Council of its parent Municipality,

Choose the **correct** option

- A. In a meeting open to the public.
- B. Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services.
- C. Has considered the fair market value of the asset, the economic and community value to be received in exchange for the asset.
- D. All the above are correct.
- E. All the above are incorrect.

Question 1.20

The following finding was identified through your audit procedures at a national department:

"The accounting officer failed to take appropriate action against an official after an investigation confirmed allegations of fraud, corruption, favouritism, unfair or irregular practice or failure to comply with the SCM policy."

The finding should be categorised as:

Choose the **correct** option

- A. Fruitless and wasteful expenditure.
- B. Non-compliance with laws and regulations.
- C. Irregular expenditure.
- D. Unauthorised expenditure.
- E. None of the above as it is not a finding.

Question 1.21

The department's total budget for cost related to compensation of employees was exceeded without the required treasury approval.

The finding should be categorised as:

Choose the **correct** option

- A. Fruitless and wasteful expenditure.
- B. Non-compliance with laws and regulations.
- C. Irregular expenditure.
- D. Unauthorised expenditure.
- E. None of the above as it is not a finding.

Question 1.22

The Accounting Officer of a National Department did not submit a report to the Executive Authority and the relevant Treasury containing particulars of all utilisation of saving through virements.

The finding should be categorised as:

Choose the **correct** option

- A. Fruitless and wasteful expenditure.
- B. Non-compliance with laws and regulations.
- C. Irregular expenditure.
- D. Unauthorised expenditure.
- E. None of the above as it is not a finding.

Question 1.23

CFO of a Constitutional Institution made prepayment for goods and services although not required by contractual arrangements with the supplier.

The finding should be categorised as:

Choose the **correct** option

- A. Fruitless and wasteful expenditure.
- B. Non-compliance with laws and regulations.
- C. Irregular expenditure.
- D. Unauthorised expenditure.
- E. None of the above as it is not a finding.

Question 1.24

A proper control system was not put in place at a Trading Entity to safeguard and maintain the assets of the entity in order to prevent theft, losses, wastage and misuse.

The finding should be categorised as:

Choose the **correct** option

- A. Fruitless and wasteful expenditure.
- B. Non-compliance with laws and regulations.
- C. Irregular expenditure.
- D. Unauthorised expenditure.
- E. None of the above as it is not a finding.

Question 1.25

The accounting officer committed the Department to liabilities for which money had not been appropriated which resulted in overspending of the Vote..

The finding should be categorised as:

Choose the **correct** option

- A. Fruitless and wasteful expenditure.
- B. Non-compliance with laws and regulations.
- C. Irregular expenditure.
- D. Unauthorised expenditure.
- E. None of the above as it is not a finding.

Question 1.26

The Accounting Officer of a Provincial Department borrowed money without prior approval from the MEC for Finance (Provincial Revenue Fund).

The finding should be categorised as:

Choose the **correct** option

- A. Fruitless and wasteful expenditure.
- B. Non-compliance with laws and regulations.
- C. Irregular expenditure.
- D. Unauthorised expenditure.
- E. None of the above as it is not a finding.

Question 1.27

The CFO of a Provincial Department issued offered the Department's owned building as security binding the department to future financial commitment, denominated in Euros (foreign currency).

The finding should be categorized as:

Choose the **correct** option

- A. Fruitless and wasteful expenditure.
- B. Non-compliance with laws and regulations.
- C. Irregular expenditure.
- D. Unauthorized expenditure.
- E. None of the above as it is not a finding.

Question 1.28

The Accounting Authority of a Trading Entity did not compile and submit a schedule of disciplinary proceedings and/or criminal charges to the National Treasury and the Auditor-General.

The finding should be categorised as:

Choose the **correct** option

- A. Fruitless and wasteful expenditure.
- B. Non-compliance with laws and regulations.
- C. Irregular expenditure.
- D. Unauthorised expenditure.
- E. None of the above as it is not a finding.

Question 1.29

During the audit your team determined that actual expenditure under a vote exceeded the approved budget.

The finding should be categorized as:

- A. Fruitless and wasteful expenditure.
- B. Non-compliance with laws and regulations.
- C. Irregular expenditure.
- D. Unauthorized expenditure.
- E. None of the above as it is not a finding.

Question 1.30

The Board of Directors of a Schedule 2 Public Entity approved and awarded a contract to a supplier who approached the entity with a unique product which is not available in South Africa and the world. All other provisions of the SCM policy were adhered to.

The finding should be categorized as:

Choose the **correct** option

- A. Fruitless and wasteful expenditure.
- B. Non-compliance with laws and regulations.
- C. Irregular expenditure.
- D. Unauthorized expenditure.
- E. None of the above as it is not a finding.

Question 1.31

The salary, allowances and other benefits of a person appointed as Auditor General must:

Choose the **incorrect** option

- A. Take into account the knowledge and experience of the prospective incumbent.
- B. Be substantially the same as those of the top echelon of the judiciary.
- C. Be paid monthly directly from Parliament.
- D. Be paid from the funds of the Auditor-General.

Question 1.32

In terms of the Public Audit Act the Auditor-General must annually submit a report to the National Assembly on including :

Choose the **incorrect** option

- A. The standards to be applied to audits.
- B. The categories of services.
- C. The institutions and accounting entities to which such services have been provided.
- D. Any instances of co-operation in terms of section 5(3)(a).
- E. A report on his overall control of the Auditor-General's administration.

Question 1.33

In terms of the Public Audit Act the Auditor-General must:

Choose the **incorrect** option

- A. Determine the minimum qualifications, experience and competence for authorised auditors.
- B. Issue a code of conduct after consulting the oversight mechanism.,
- C. Report to Treasury on the audit outcomes of all National Departments.
- D. Determine how an audit must be performed.
- E. Determine how any powers conferred on authorised auditors in terms of this Act may be exercised, and limitations on the exercise of any of those powers.

Question 1.34

In terms of the Public Audit Act an audit report must reflect opinions and statements as may be required by law to the auditee reflecting:

Choose the **incorrect** option

- A. Whether the Annual Financial Statements of the auditee fairly present, in all respects, the financial position and results of its operations and cash flow.
- B. The auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters.
- C. The reported information relating to the performance of the auditee against Predetermined Objectives.
- D. None of the above are incorrect.

Question 1.35

In terms of the Public Audit Act if the Auditor-General issues a special report on an investigation he must simultaneously submit the special report to:

Choose the **incorrect** option

- A. The auditee which is investigated.
- B. The Executive Authority.
- C. National Treasury or the relevant Provincial Treasury,
- D. The relevant Legislature, for tabling in the relevant Legislature.
- E. None of the above are incorrect.

Question 1.36

In terms of the Public Audit Act who is responsible for the overall control of and accountable for the Auditor-General's administration?

Choose the **correct** option

- A. The National Leader of Audit within the office of the Auditor-General.
- B. The Deputy Auditor-General.
- C. The Auditor-General.
- D. The Parliament of the Republic of South Africa

Question 1.37

In terms of the Public Audit Act the funds of the Auditor-General consist of money:

Choose the **incorrect** option

- A. Earned from audit fees performed by the Auditor-General.
- B. Donations from individuals and/or companies.
- C. Appropriated by Parliament for the purposes of the Auditor-General.
- D. Earned on investments and rental income.
- E. None of the above are incorrect.

Question 1.38

In terms of the Public Audit Act the Auditor-General is not required to disclose any irregular or fruitless & wasteful expenditure because the organisation is not part of government.

Choose the **correct** option

- A. True
- B. False

Question 1.39

In terms of the Public Audit Act the Deputy Auditor-General is the Accounting Officer in the administration of the organisation.

Choose the **correct** option

- A. True
- B. False

Question 1.40

In terms of the Public Audit Act the Auditor-General may delegate any of his powers and duties to an authorised auditor other than the Deputy Auditor-General.

Choose the **correct** option

- A. True
- B. False

QUESTION 2

(80 MARKS)

You are Compliance specialist working for the office of Mohale & Associates's technical department. You have been assigned to review the compliance of the Molomane Local Municipality for the 2016/17 financial year.

The Municipality has received criticism from the residents and civil society organisation regarding the management of finances and alleged political interference. The following issues were brought to your attention.

Skippers-R-Us Bid

During the financial year under review, Council approved a tender to acquire 25 000 T-shirts from Skippers-R-Us worth R2 500 000 (ex VAT). The T-Shirt were specially printed for the Municipality in celebration of Heritage Day 2016, for distribution to all residents of the Municipality. Council was approached by the founder and owner of Skippers-R-Us on 25 August 2016, the tender was approved on the same day as Council was impressed by the presentation and praised the "unique initiative" by the company. The Council praised the supplier for approaching the Municipality with the idea as the Municipality had originally planned to procure similar T-shirts however the Supply Chain Management team did not prioritise or initiate the project in time for the Heritage Day Concert.

Skippers-R-Us requested an upfront payment of R1 000 000 in order to execute the order. This was to secure material from India and ensuring all printing is completed by 22 September 2016 – a day prior the official Heritage Day Concert organised by the Municipality. A R1 000 000 deposit was paid to Skippers-R-Us on 29 August 2016 in order to meet the set deadlines. Upon enquiry and review of all available documentation, your Junior Consultant uncovered that a contract was not signed with Skippers-R-Us and the Municipal Manager stated that this was an oversight. Disciplinary steps were taken against the Head of SCM for the error.

The T-shirts were delivered on 22 September 2016 however the Stores Manager has raised several concerns as some of the T-Shirts had spelling/grammatical errors and the ink quality was not consistent with the samples presented to Council. The Chief

Financial Officer requested that these be returned to the supplier, reprinted and delivered in time for the Concert. The supplier corrected the error however the Municipality was invoiced an additional R250 000 on the day, which was paid with the remaining balance on 23 June 2017.

A review of the current SCM policy shows that there is no framework for unsolicited bids as confirmed by the CFO. However the Municipal Manager is of the opinion that given the urgency of the need for the goods, this case qualifies as emergency procurement as allowed by the policy. The policy does not define what constitutes an emergency.

Approval of security tender

The Municipality had previously awarded a security tender to Phoenix Protection Services for a period of three years ending 30 June 2016. The AGSA had audited the tender and was found to have followed all relevant SCM legislation, policy and norms.

The Bid Adjudication Committee (BAC) approved a security tender during the financial year and recommended Safety First Secure for a period of three years at a cost of R3 900 000 (ex VAT). The BAC was chaired by Councillor Bopape who is part of the Finance Committee who ensured that all bids were evaluated in line with the approved Supply Chain Management policy. The BAC made recommendations to Municipal Manager who overturned the BAC's decision without any valid reasons and awarded the bid to Leopards Security – a bidder that was rated 4th by the BAC. Furthermore Leopards Security's bid amounted to R5 200 000 and changed contract term to five (5) years. The supplier did not have a proven track record as it was recently established.

The Municipal Manager insists that he had acted within his powers as envisaged in the MFMA and has reported the matter to the mayor as required thereby complying with all reporting requirements. He also insists that the contract term is justifiable given that this is essential services and nothing prevents the Municipality from awarding contracts exceeding three (3) years.

Disposal of capital land

The Municipality received several requests from property developers to purchase a 300 hectares Melcourt Extension 4 Township in Springs for rezoning purposes – the development would be developed into an industrial park. The immovable property was intended to provide RDP housing for the local residents as part of government's commitment's to the National Development Plan.

Council consulted the Municipality's Head of Legal Services who advised that the Municipality, after consulting the Asset Division, can sell the land to the highest bidder through special Council resolution. Council approved the sale of the property on 20 March 2017, bidders were invited and Property 365 acquired the land for R1 500 000 (ex VAT). The market value of the land on this day was R3 000 000.

Two months after the sale, the CFO wrote to the mayor to have Council's decision as he argues the transaction was illegal/irregular. The CFO suggests that the sale be revoked and the process reinitiated and the municipality consult the public on the decision.

The Accounting Officer

There have been several reports that the CFO believes as he is its accounting officer he can make all decisions at the municipality. This understanding was confirmed by the Municipal Manager who stated that the CFO is responsible for all decisions of the Municipality as the Municipal Manager's role is to manage political affairs within the areas under the control of the Municipality.

REQUIRED:

- a) Based on your review of the above matters, critically evaluate the actions of the Municipality and also identify instances of non-compliance with:
- i. The Municipal Finance Management Act and
 - iii. Any other norms or legislation relevant in the circumstances

For each discussion point state the requirements of the legislation, regulation or principle identified then discuss the non-compliance

- b) Provide recommendations to the Mayor of Molomane Local Municipality on how to improve the financial management controls of her municipality in respect of compliance.

Your answer should be in the following format as guidance:

Evaluation	Recommendations
<p>Skippers-R-Us Bid (45 Marks) <i>Issue 1;2;3..</i> <i>Identify non-compliance with :</i></p> <p>1) MFMA</p> <ul style="list-style-type: none"> • <i>Discussions on MFMA issues</i> 	<p>1) MFMA</p> <ul style="list-style-type: none"> • <i>Recommendations on MFMA issues</i>
<p>Approval of security tender (15 Marks) <i>Issue 1;2;3..</i> <i>Identify non-compliance with :</i> MFMA</p> <ul style="list-style-type: none"> • <i>Discussions on MFMA issues</i> 	<p>MFMA</p> <ul style="list-style-type: none"> • <i>Recommendations on MFMA issues</i>
<p>Disposal of capital land (15 Marks) <i>Issue 1;2;3..</i> <i>Identify non-compliance with :</i> MFMA</p>	<p>MFMA</p> <ul style="list-style-type: none"> • <i>Recommendations on MFMA</i>

<ul style="list-style-type: none"> • <i>Discussions on MFMA issues</i> 	<i>issues</i>
<p>The Accounting Officer (5 Marks) <i>Issue 1;2;3..</i> <i>Identify non-compliance with :</i> MFMA</p> <ul style="list-style-type: none"> • <i>Discussions on MFMA issues</i> 	MFMA <ul style="list-style-type: none"> • <i>Recommendations on MFMA issues</i>

QUESTION 3

(40 MARKS)

NOTE: THIS QUESTION CONSISTS OF TWO PARTS

PART A

(25 marks)

You are a government auditor working at the Auditor General South Africa (AGSA). You recently enrolled for the Government Auditor Specialism Programme (GASP) as you are aspiring to qualify as a Registered Government Auditor (RGA) and register as a member with the Southern African Institute of Government Auditors (SAIGA) within the near future.

SAIGA highlights specialised education and training as well as adherence to a Professional Code of Ethics (*INTOSAI Code of Ethics*) as important requirements of a being a professional government auditor. The purpose of the professional code of ethics is to encourage ethical behaviour amongst audit professionals. In addition, the AGSA also has an organisational code of ethics to guide the ethical behaviour of its employees.

During a recent training workshop for government auditors, the following four scenarios were used to explain professional ethics and ethical dilemmas in the workplace:

Scenario 1:

Government auditor A has been in the employ of the AGSA for more than ten years. He is a well-spoken individual and trusted by all staff in the organisation. His colleague, who is in charge of the anonymous hotline at the AGSA, became aware of serious allegations against government auditor A for using organisational assets for private use. Based on sufficient, appropriate evidence gathered, a formal disciplinary hearing against government auditor A was launched.

Scenario 2:

Government auditor B was performing a compliance audit engagement when he discovered that Department Y was not conforming to the *Basic Conditions of Employment Act*. He discussed the issue with the accounting officer who told government auditor B he does not want to see this issue in the audit report and if this matter is raised at the next audit committee meeting, he will make sure that government auditor B's "life is made hell..." Government auditor B, fearing for his safety, destroyed all the supporting evidence relating to the non-compliance issue.

Scenario 3:

Government auditor C recently qualified as a Registered Government Auditor (RGA). He decided to work three years within local government and then enroll for a masters degree in public administration. During his first three years working as an RGA, he did not attend any courses or training seminars and did not participate in any educational activities.

Scenario 4:

Government Auditor D recently completed an audit engagement at Department X. He discovered that certain employees (including his best friend) were submitting false medical certificates to claim sick leave. He also discovered that certain senior managers significantly overstated their claims for travel and subsistence in the previous month for attending an Indaba held in Central Africa. Government Auditor D was so upset with Department X's management and employees – he immediately told all his fellow colleagues who are not part of the audit team. However, he kept quiet about the medical certificates because he felt that his friend only submitted a false medical certificate once and government auditor D is sure he will not do it again.

REQUIRED:

- 1 For each of the scenarios described above, comment on whether the government auditors' actions are in line with the INTOSAI Code of Ethics. Indicate the principle(s) and rule(s) violated and make recommendations with regard to the appropriate behaviour. (17)
 - 2 Explain the difference between personal ethics and professional ethics. (4)
 - 3 In your view, when a professional auditor is facing an ethical dilemma in the workplace and no professional or organisational code of conduct exists, what should the auditor consider when attempting to make an ethical decision? (4)
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PART B**(15 marks)**

You are a Registered Government Auditor (RGA) in the employ of the AGSA. You are aware of the need for effective and ethical leadership within public sector organisations to promote sound governance and ensure effective service delivery.

You were asked by the audit committee of Department ABC to perform a governance assessment by evaluating the effectiveness of the organisation's governance framework.

You obtained the following information:

- The accounting officer is a new appointment. He has limited experience in a management position and there is valid evidence that he was involved in dubious activities at his previous employer.
- Department ABC does have an ethics committee. They meet once a year to discuss remuneration of employees and conflicts of interests.

- Employees are not familiar with the contents of the Code of Conduct as stipulated in the Public Service Regulations. Upon enquiry, you were informed that all employees are inherently ethical and they will do what is right when confronted with an ethical dilemma.
- The risk register of Department ABC indicates “loss of stakeholders’ confidence in Department” as a significant risk. To manage this risk, the department held several workshops with employees during the year to explain the importance of stakeholder relationships.
- A number of new appointments were done within the finance division, amongst others the chief financial officer (CFO) and two senior accountants. It appears that these appointments were not made in accordance with the Department’s human resources policy, but were based on nepotism and favouritism.

REQUIRED:

- 1 Identify at least five (5) weaknesses in the governance framework of Department ABC as described above. For each weakness identified, provide a recommendation for improvement in line with good governance principles and practices. (10)

Your answer should be in table format as follows:

	Weakness	Recommendation
1		

- 2 Briefly describe how, in your view, the South African public sector can enhance its ethical health or moral compass and what role the AGSA can play in this process. (5)

End of Paper