

**KEYNOTE ADDRESS BY GAUTENG PREMIER DAVID MAKHURA, AT THE
OPENING OF THE 5TH ANNUAL AUDIT COMMITTEE CONFERENCE: PUBLIC
SECTOR, GALLAGHER ESTATE, JOHANNESBURG**

29 September 2015

Programme Director, Mr Victor Kgomoewana;
Chairman, CEO and Partners of Nkonki Incorporated, the pre-eminent Black
auditing and accounting firm;
Acting DG of Department Public Enterprises;
Office of the Auditor General of South Africa;
Members of Audit Committees;
Members of the Auditing and Accounting Professions;
Senior government officials and managers of public entities;
Esteemed Guests;
Ladies and Gentlemen;

Thank you for affording me the opportunity to address the 5th Annual Audit
Committee Conference focusing on the Public Sector.

This conference brings together professionals tasked with the enormous
responsibility to provide oversight on financial reporting and financial
decision-making processes.

As you are aware, South Africa is a constitutional democracy that has earned its
pride and place in the global community. One of the key tenets of a democracy is
the unending quest to ensure the integrity, accountability and transparency of
public institutions and private corporations that have a major bearing on people's
lives.

As auditors, you play a very important role in promoting and enhancing the integrity, accountability and transparency of decision-makers. You have earned respect and public confidence ostensibly from the expectation that the auditing and accounting profession as well as audit committees are made up of men and women with impeccable professional and personal integrity.

We are therefore pleased to be part of this gathering of professionals of high integrity and honour, who have a responsibility to ensure that these values permeate the decision-making processes of public institutions, especially when it comes to the prudent use of public finances and other resources.

Audit Committees are an indispensable mechanism in the ongoing quest to promote and strengthen good governance.

The work of Audit Committees is crucial in promoting sound financial management, better risk management and long term sustainability of the organisation.

The auditing and accounting profession plays a key role in enhancing public confidence in the management of public finances, especially when we get very good audit outcomes from the Auditor General of South Africa.

Yet, there are stories that demonstrate the fact that integrity and honour in the auditing and accounting profession cannot be taken for granted. Unscrupulous auditors can collaborate with rogue executives to hide the trouble or even misrepresent the finances of an organization.

The high profile corporate scandals such as Waste Management (1998), Enron (2001), Worldcom (2002) and Lehman Brothers (2008) in the United States and the cases of Saambou, Unifer and Regal Treasury in our own country reveal the uncanny hand of unethical auditors. Some of the major problems in state-owned

enterprises raise concerns about the quality and role of audit committees.

Professor Marianne Jennings, a US scholar of legal and ethical studies in business, aptly captured the important role of assurance providers, which includes Members of Audit Committees, when she wrote: *“The tangible aspects of a company's financial collapse begin with a severe erosion and eventual ruination of corporate and personal ethics. For each of the recently collapsed companies, to have arrived at the point of no return, the accountants, auditors, board, business analysts, business press and investors' minds all had to fail.”*

Organizations first suffer a silent ethical decline long before they experience a dramatic financial demise.

As the custodians of the crucial ethical and integrity values and upholders of sound corporate governance, Members of Audit Committees are central in avoiding the financial demise of organizations, often with dire consequences for the work force, entire communities and even countries.

This means, ladies and gentlemen, that you have an onerous task to help us build accountable, responsive, transparent and clean government and sound corporate governance in the private sector.

You have a huge responsibility to help us fight corruption and restore public confidence in the decision-making processes of government and corporations. In order to do this, you must also be intolerant of malpractices and unethical behavior in your profession.

Let us work together to remove the cancer of corruption and unethical behavior from our entire system of government and business practices. Alongside poverty, inequality and unemployment, corruption is one of the four perils plaguing our democratic society. I will elaborate this point in detail, later in my speech.

Over the past twenty one years of our freedom and democracy, we have made significant progress in building and strengthening institutions that support our constitutional democracy. We continue to build on this work.

Our democracy needs fiercely independent Chapter 9 institutions such as the Office of the Auditor General, the Public Protector, Public Service Commission in order to enforce accountability, integrity and administrative justice. We support the work of these institutions. They assist us as the government to serve the people diligently and honestly. They cannot be the enemies of government but they should, correctly, be the enemies of wrongdoers wherever they are found.

As we said in our State of the Province Address earlier this year; we will continue to work with state institutions such as the Public Protector, Auditor General, Public Service Commission and society in general to build integrity and fight corruption in government and in society.

In line with our determination to fight corruption we have now adopted a comprehensive provincial anti-corruption strategy. At the center of this strategy is the mobilization of all sectors of society to continue to display intolerance towards corruption in all its manifestations.

To us corruption is a crime against the poor. We have to fight it with every arsenal we can use to ensure that it doesn't become the new normal.

Among the innovations we have introduced in the fight against corruption is the open tender system which seeks to restore public confidence in the tender system and enhance the integrity and transparency of our procurement decisions.

Through the open tender system, we will empower previously disadvantaged groups and individuals who have both capacity and potential to deliver in a

transparent manner because there is nothing to hide.

If we are to transform our economy and build genuine black industrialists and entrepreneurs, capacity to deliver should be the basis on which black companies get work from our government, not political or familial connections.

We are also establishing a fully-fledged Integrity Management Unit within the Office of the Premier, the apex of our provincial administration. This will ensure that integrity and ethics takes centre stage in the way government works.

We are delighted that our work to strengthen corporate governance and in particular, financial management within provincial departments and agencies has begun to bear fruit.

We are particularly encouraged that for the 2014/15 financial year, we were able to sustain improvements in the critical area of financial management - nineteen of our provincial departments and agencies achieved clean audits and the remaining are showing tremendous progress and improvement from qualified to unqualified audits. Only one department received a qualified audit and one agency got a disclaimer.

Good audit outcomes must be a key ingredient of sound leadership and management of our public institutions. Every manager who fails to get a clean audit must be held accountable. There must be consequences and there shall be consequences in Gauteng.

At local government level, over the past five years we have experienced a positive trend in the audit outcomes of our municipalities, with the exception of two municipalities - Randfontein and Westonaria which had qualified audit outcomes in the past two years.

We are also encouraged that most Gauteng municipalities, especially metros are improving their audit outcomes.

We are already intervening to assist all the provincial departments, municipalities and government agencies that are still experiencing difficulties with regards to financial accounting and management.

As part of our programme for radical Transformation, Modernisation and Re-industrialisation, we must transform the auditing and accounting landscape of our country. We need black auditing and accounting firms to have a significant role and change domination by the big four. Our government supports the growth of black firms. As a matter of policy, we would like black companies to get more work from government. They must help us clean up government finances and achieve the goal of clean government and clean audits.

Accordingly, I urge black auditing and accounting firms to collaborate and share resources and expertise so that they can challenge the "big four". We have to transform the white dominated accounting and auditing profession.

Programme Director, allow me at this stage to caution that we are not pursuing the goal of clean audits for its own sake. Our primary focus is to ensure that we deliver services to our people in an efficient and effective manner; always placing emphasis on deriving value for money and ensuring accountability and transparency. Clean audits are not an end in itself.

Achieving clean audits is part of building a capable developmental state that is able to direct development, mobilize all sectors of society towards a common goal; a state that is able to impact positively on the lives especially of the poor and marginalized in society.

In the context of Gauteng our developmental state must have the skills to implement the goals we have set for ourselves in our programme for radical Transformation, Modernization and Re-industrialization.

In this regard we will continue to engage with you; the Auditing profession, with a view of forming mutually reinforcing partnerships.

One critical area of partnership with the Auditing profession is on skills development; in particular the development of accounting and auditing skills. We need some of the skills that you as professionals have in order for us to improve on executing our programmes of social and economic transformation.

Through the Gauteng City Region Academy and in partnership with SAICA and institutions of higher learning, we want to develop the skills we need for the public and private sector in our province. We must drastically increase a critical mass of black professionals in all professions. Black professionals are the backbone on which black industrialists will develop. There is no shortcut - good technical, managerial and professional training and skills development is the most sustainable way to build black entrepreneurs and industrialists.

Together with institutions of higher learning, we are involved in a Partnership Urban Innovation, Research and Development as part of our vision to build an innovation-driven and knowledge-based economy in Gauteng.

We also need the type of accounting and audit professionals who will support our strategy to revitalize and grow the Township Economy. We want township enterprises to be financially viable and sustainable. This requires, among others, that we help township enterprises keep proper and reliable financial records. We must also help them to submit bankable funding proposal to financial institutions.

We wish you a successful Conference. Let us continue to work in partnership towards the Gauteng and South Africa of our dreams.

Thank you.