

*External scrutiny of PEM; the legislative,
Audit Chamber, and anti-corruption
agencies responsibilities*

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Presentation Outline

- ▶ Supreme National Audit Institutions' responsibilities and reports
- ▶ The External Scrutiny role of the national legislative
- ▶ Forensic and Fraud Audits
- ▶ Anti-corruption sanctions

External scrutiny of PEM

- **Scrutiny:** taking an in-depth look at financial dealings, records & activities
- **PEM:** Public Expenditure Management
- *Whose responsibility?*
 - *Legislative ---- The parliament and the Council of States (South Sudan)*
 - *Audit Chamber ---- South Sudan Audit Chamber (headed by Auditor General)*
 - *Anti-corruption agencies – Anti-corruption Commission (SSD)*
 - *Independent whistle blowers*

The External Scrutiny role of the national legislative

Asking critical questions and demanding qualified answers

- Are deficit targets being met?
- If financing is being used, where to borrow from?
- Did we agree on budget adjustments?
- Will the budget outturn align with the budget plan?
- Are expenditure priorities being reflected in the budget?
- Are outturn matching with allocations?
- Is our financial management committee vigilant and competent?

Supreme National Audit Institutions' responsibilities and reports

Audit Chamber was supposed to foster;

- financial accountability of individual agencies
- financial accountability of the government as a whole
- audit of financial systems
- Test and measure internal controls
- financial compliance;

Responsible for providing Independent Oversight to promote

- 1). Efficiency
- 2). Accountability
- 3). Transparency
- 4). Monitoring

But why are SAIs None Effective?

- ▶ **Quasi-independency:** Lack of legal, financial and organizational independence of SAIs from governments
- ▶ **Partial mandate:** lack of a comprehensive mandate to audit government performance
- ▶ **Adverse Audit Opinion:** Formal audit opinion on government not flattering
- ▶ Legislative and National Audit Institution not on the same page
- ▶ Recruitment of Audit Chamber staff done by other ministries (Public service & Labor)
- ▶ Audit not done annually as stipulated
- ▶ Audit chamber has no functioning website and copies of past audit not online
- ▶ Institutions have different bank accounts/hard to trace

The External Scrutiny role of the national legislative

► Look out for and ensure

- 1). Legislature's procedures for scrutiny are well established
- 2). Budget preparations and debates starts at least 3 months before FY ends
- 2). Timely budget execution
- 3). Spending priorities/inhibiting deviations
- 4). Each other
- 5). Budget lines are followed
- 6). Ensure financial statements are available for the publicly companies (Central Bank, National Banks, National corporations, etc)

Republic of South Sudan: FY 2014/15 - Approved Budget By Fund (figures in SSP)

<i>Spending Agency</i>	<i>wages & Salaries</i>	<i>Use of goods and services</i>	<i>Capital Expenditure</i>	<i>Transfers</i>	<i>Other Expenditure</i>	<i>Total</i>
<i>Security</i>	3,140,488,469	723,564,181	100,000,000	5,041,464	0	3,969,094,114
<i>Rule of Law</i>	386,692,273	300,781,528	75,817,378	782,887,896	0	1,546,179,075
<i>Cross Sectoral Expenditure</i>	0	250,000,000	800,000,000	0	260,000,000	1,310,000,000
<i>Block Grants</i>	0	0	0	963,550,790	0	963,550,790
<i>Public Administration</i>	398,254,998	423,353,428	53,666,375	580,128	7,760,000	883,614,929
<i>Education</i>	110,273,257	158,272,070	0	0	0	603,643,900
<i>Health</i>	58,231,889	227,598,282	2,000,000	151,003,341	0	438,833,512
<i>Infrastructure</i>	27,060,517	35,174,569	355,700,000	0	0	417,935,086
<i>Economic Functions</i>	95,374,797	140,927,913	127,610,000	26,837,580	0	390,750,290
<i>Natural Res & Rural Devt</i>	67,112,855	82,110,879	7,400,000	210,058,380	0	366,682,114
<i>Accountability</i>	90,867,290	194,802,881	5,000,000	0	0	290,670,171
<i>Social & Humanitarian Affairs</i>	38,178,738	59,632,176	0	0	0	97,810,914
Totals	4,412,535,083	2,596,217,907	1,527,193,753	2,139,959,579	267,760,000	11,278,764,895

Robust Internal Controls

Principles of Internal Control

- Establishment of responsibility: whoever that writes checks shouldn't authorize them for payment
- One person can't sign a document more than once
- Segregation of duties: cashier can't sign checks
- Physical, mechanical and electronic controls
- Independent internal verifications
- Documentation procedures

Forensic and Fraud Audits

➤ Forensic Auditing;

- Examination and evaluation of an institution/individual's financial information using legal entities to ensure no fraud or negligence took place.
- Evidence from forensic audit can be used in the court of law to persecute the wrong doer.

The goals is always about whether;

- Fraud or negligence happened?
- The impact material?
- Who is responsible?
- How much value is recoverable?

Forensic and Fraud Audits

Why is it important to what you do?

- Fraudulent acts can't go unpunished
- Deter plans to commit financial crime
- Economic is a fundamental fact of life
- Fraud affects countries, regulators, law enforcement agencies, etc
- Through cybercrime, one person is capable of harming millions

Why do people commit Fraud?



HOW FORENSIC DIFFERS FROM STATUTORY AUDIT

Basis	Statutory Audit	Forensic Audit
Objective	Determine “True and Fair” presentation of financial statements.	Evaluating correctness of the accounts & whether any fraud or negligence has actually taken place.
Techniques	Procedures involved are “Substantive” and “compliance”	Analyzing past performance and Scrutinizing selected transactions (having material effect)
Period	Transactions of a specified Accounting Period are taken into consideration	No limitation of period. Accounts of previous years (from starting) can be examined as well.
Adverse findings, if any	Negative opinion or qualified opinion expressed, with or without quantification.	Determining legal aspect of fraud and finding out the persons responsible for such fraud

Forensic Audit and Cybercrime

Are you on Facebook, Twitter, email, whatsapp, Instagram, LinkedIn?

- Do you read and understand terms of usage?
- Are institution's documents safe?
- Are you aware that they ask for your phone contacts, photos, passwords, etc?
- Do you know what they do with these?

To combat these, you need forensic auditors deeply skilled in;

- Accounting, Finance, Law, etc
- Thorough understanding of Auditing
- Traits of Investigating
- Capable of distrusting the obvious

Anti-corruption sanctions

Where does South Sudan Anti-Corruption Commission drives its powers?

(1). Legislative aspect (2). Institutional International aspect (3). Conventions/Regulations aspect (4). Court precedents aspect

Legislative Aspect

- Corruption Act
- Money Laundering Act
- Right to Information Act

Administrative/Institutional framework

- The CID (South Sudan)
- Auditor General (Audit Chamber)
- The Office of the Comptroller and
- The Chief Information Commission

International Conventions/Regulations aspect

- UN Convention against corruption (not ratified by some)
- Financial Action Task Force
- ADB's anti-corruption action plan

Some of these sanctions:

- Gov't employees not allowed to maintain conflict of interest
- Proven corruptive activity will lead to immediate dismissal of the staff member concerned
- Entity loses its operating license due to non compliance
- Some companies not allowed to merger
- Some companies registered as NGOs
- Assets disclosure for civil servants

The End.

Thank You!

▶ Web Sources

- ▶ 1. <http://www.bsa.org/usa/antipiracy/Free-Software-Audit-Tools.cfm>
- ▶ 2. http://www.acfe.com/documents/Fraud_Prev_Checkup_IA.pdf
- ▶ 3. Gashaw Tsegaye Ayele, Assessment of Public Financial Management in the Central Government of the Republic of South Sudan (2018).