

ROUNDTABLE ON FINANCIAL MISCONDUCT
28 FEBRUARY 2013; COMMISSION HOUSE
**OPENING AND WELCOME SPEECH BY THE
CHAIRPERSON OF THE PUBLIC SERVICE
COMMISSION, Mr BEN MTHEMBU**

Programme Director

Commissioners

Directors-General and Heads of Departments

Senior Manager in the Public Service

Officials of the Office of the Public Service and

Other guests. *Ladies & Gentlemen*

1. It gives me great pleasure to welcome you this morning to the Public Service Commission's Roundtable on financial misconduct.
2. The theme we will be discussing is: "***What constitutes Financial Misconduct: Raising awareness on the reporting of Financial Misconduct and its implications in the Public Service.***"
3. I am very pleased that our meeting includes Heads of Department and Accounting-Officers of national and provincial departments and senior public service managers.
4. It is important that we have senior public servants at this type of event as the conversation we want to have must be with experienced people who can share their knowledge and who will reveal the insights they have developed from their years of exposure to the system.

5. I am pleased we will be having this conversation with people who are in a position to help shape practice and who can help develop our national response to a growing problem.
6. Thank you for your attendance today and for the contributions you will be making.
7. The growing problem I just referred to is corruption and its equally unacceptable companion, mismanagement.
8. Those of us who seek to promote good governance and who work in the monitoring and evaluation space are struck by how much these two problems have increased in both scale and extent.
9. I have come to believe that corruption and mismanagement are two of the most pressing problems facing our young democracy.
10. The causes of these problems are very complex and stretch far back into our history.
11. They relate to our immoral apartheid past and the exclusion of black people from legitimate ways of accumulating wealth.
12. The corrupt organisational cultures we carried over from the apartheid era are also a factor we should consider when trying to understand the growth of corruption and mismanagement in the South African public service.
13. This growth also has a lot to do with the weakness of our young state and its immature and incomplete administrative systems.
14. In particular, I am concerned that our financial management systems are rigorous and demanding but our capacity to meet their requirements is underdeveloped.
15. I think this dynamic is one of the reasons why our institutions perform poorly in this regard.
16. This Roundtable is a response to the belief we have come to hold at the PSC that one of the key drivers of corruption and

mismanagement is the lack of clarity on what constitutes good practice and what is not acceptable.

17. Let me explain by giving you an example.
18. In African culture we believe in taking care of people who are important to us, by ensuring they are fed and provided with opportunities.
19. We know this has limits, but where are they?
20. It is important that we have a conversation about how far well-intentioned and good-hearted cultural practices should extend in the professional realm and where they must stop.
21. We have had some of these conversations, on issues such as the giving and receiving gifts, but there are many such issues we need to talk about in detail.
22. When we look at how far we have come, it's easy to forget that we have been a democracy for less than twenty years.
23. We have achieved so much.
24. We have made such a good start in transforming a repressive, racist and authoritarian state bureaucracy into one that is people centred and developmental.
25. While we recognise how far we have come, we have a responsibility to acknowledge how far we still have to go.
26. We must also concede that the road has not been easy and that in certain important regards we have strayed from the path.
27. Where we have strayed from the path, in many instances it is because we who are responsible for providing leadership and direction have assumed that the path is clear to others.
28. I would argue that in many instances it is not.
29. Indeed, I would go further and say that in certain technical and challenging areas, such as financial management, the path is not

- just not clear, in certain regards it is vague and uncertain, especially when it comes to discretionary and complex matters.
30. When we assume that how to do the right thing is obvious, we set ourselves up for failure.
 31. The diverse and profound challenges we face mean that the situations we confront and the decisions we have to make are often new to us.
 32. Because the path is not always clear, and the next steps are not obvious, we can often only find it by asking advice, seeking opinions and engaging in dialogue.
 33. This is what we are doing here today.
 34. We are having one of the many important conversations we need to have about how to better manage our developmental state.
 35. We are here to share our views and have a conversation that can be documented and shared.
 36. Our conclusions from today will help us reach clarity on where the path is... and what straying from it looks like.
 37. You will know that Section 196(2) of the *Constitution of the Republic South Africa, 1996*, says that the Public Service Commission (PSC) should work in the interests of the maintenance of effective and efficient administration and a high standard of professional ethics in the public service.
 38. It is in keeping with this provision of the Constitution that we are convening this conversation here today.
 39. Let us consider for a minute the regulatory framework that shapes the issues we will be talking about today.
 40. The Public Finance Management Act of 1999 along with the relevant Treasury Regulations requires that departments report finalised financial misconduct cases to the PSC and others.

41. The regulatory framework gives details on how this reporting should be done.
42. It explains the frequency, the level of detail and who should do the reporting.
43. It makes it clear that the purpose of the reporting is to promote greater transparency in the financial affairs of departments.
44. The PSC has been reporting on financial misconduct since 2002, and every year it publishes a report on financial misconduct.
45. This report gives a statistical overview and a brief analysis of financial misconduct cases reported to the Commission.
46. These reports have been very helpful in monitoring financial misconduct in the public service.
47. They have served as a valuable source of data for various efforts to deepen accountability.
48. You should also remember that departmental Accounting Officers must exercise all reasonable care to prevent and detect unauthorised, irregular, fruitless and wasteful expenditure.
49. They are also required to recover losses or damages resulting from acts of financial misconduct.
50. The PSC recently researched the rate of the recovery of money lost by the state through financial misconduct and found that most departments do not recover the lost money or do so very slowly.
51. Our research makes it clear that one of the reasons for the poor performance in retrieving lost or wasted resources is that there is no shared understanding amongst departments on what constitutes financial misconduct, and therefore of when they should be recovered.
52. This Roundtable is a response to this lack of clarity.

53. Our speakers and your active participation will help us to articulate a shared, detailed understanding of what constitutes financial misconduct in very practical terms.
54. It will also allow us to identify the areas where no such understanding exists and where further reflection and deliberation is required.
55. The research I referred to earlier also showed that many departments do not report on financial misconduct or do so very late.
56. This tardiness suggests that Senior Managers do not see the issue as important.
57. So today we also seek to understand why there is this attitude and to identify ways of addressing it.
58. Financial misconduct by Public Servants disadvantages Government, but more important it disadvantages citizens.
59. Resources that should be being used for developmental purposes and to provide services are diverted to enrich individuals or simply wasted.
60. The challenges we face are too pressing, the threats to democracy are too many and the need is too great for us to allow this situation to continue.
61. The success of this Roundtable will depend on the quality of your participation.
62. Let us agree that this is a safe space where the uncomfortable truths that need to be shared can be revealed.
63. Let us agree that this opportunity is too valuable to be wasted and that we will collaborate constructively and honestly to reach a new level of understanding on this very important topic.
64. Once again, thank you for your attendance at this event.

65. I look forward to hearing from everyone participating.
66. Thank you.